

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
FEBRUARY 10, 2017**

LOCATION: Federal Reserve Board – International Square location
1850 K Street NW, Washington, DC 20006

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
CFPB – Calvin Hagins
FDIC – Marianne Hatheway
FHFA – Robert Witt
NCUA – Tim Segerson
OCC – Richard Taft

ASC STAFF: Executive Director – Jim Park
Deputy Executive Director – Denise Graves
General Counsel – Alice Ritter
Financial Manager – Girard Hull
Policy Manager – Claire Brooks
Policy Manager – Kristi Klamet
Policy Manager – Vicki Metcalf
Policy Manager – Jenny Tidwell
Management and Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly

OBSERVERS: Appraisal Foundation – David Bunton
Appraisal Foundation – Cathy Johnson
Appraisal Foundation – Edna Nkemngu
Appraisal Institute – Brian Rodgers
CFPB – Paul Sanford
FDIC – Michael Briggs
FDIC – Suzy Gardner
FDIC – Lori Thompson
FRB – Gillian Burgess
FRB – Carmen Holly
FRB – Matt Suntag
FRB – Kirin Walsh
HUD – Robert Frazier
OCC – Kevin Lawton

The Meeting was called to order at 10:00 a.m. by A. Lindo.

REPORTS

- **Chairman**

A. Lindo welcomed observers to the Meeting. The ASC's January 11th Meeting was rescheduled to today. Mira Marshall, CFPB's primary representative, retired in December and CFPB will name a new representative shortly. He also noted that the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) Report will be issued to Congress in the coming months.

- **Executive Director**

J. Park reported on staff activities since the ASC's November 9th Meeting. A federal hiring freeze went into effect on January 22nd and will remain in place until the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM) prepare an attrition plan to reduce the number of civilian federal employees. A freeze on regulations, effective on January 20th, will delay the final Rule on the AMC Registry Fee. Staff will continue to work on the final Rule but it will be given a lower priority until more information is known about the regulatory freeze. The ASC Proposed Revised Policy Statements were published for comment in the *Federal Register* on January 10th. Staff has determined that the Statements are also affected by the regulatory freeze. R. Witt asked if the regulatory freeze would affect the development of the AMC National Registry. J. Park responded that the Registry development is ongoing.

He also reported on the following:

- On January 18th, D. Bunton and J. Park participated in a webinar sponsored by the Network of State Appraiser Organizations with approximately 800 persons in attendance.
- The Appraisal Foundation Board of Trustees has suspended the activities of the Appraisal Practices Board.
- The Appraiser Qualifications Board will finalize Criteria revisions later this year.
- Staff is continuing development of the Unique Identifier project. No State has expressed an unwillingness to participate. Staff hopes to have all credentials converted by the end of 2017.

- **Delegated State Compliance Reviews**

D. Graves reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's November 9th Meeting. Four State Compliance Reviews were finalized and approved by the Executive Director under delegated authority. Colorado and North Carolina were each awarded a Finding of "Excellent" and both will remain on a two-year Review Cycle. Michigan and Minnesota were each awarded a Finding of "Good" and

both will remain on a two-year Review Cycle. Two State Compliance Reviews were finalized and approved by the Chairman under delegated authority. New Jersey and Vermont were each awarded a Finding of “Needs Improvement” and both will remain on a two-year Review Cycle with off-site monitoring. M. Hatheway asked how ASC staff determines which rating to award a State. D. Graves responded that if a State has resolved the issue(s) or has taken steps to resolve the issue(s), that is taken into account when determining the rating. M. Hatheway noted the report language indicated that Vermont had less serious issues than New Jersey but both States were given the same rating. D. Graves responded that Vermont had several issues which require specific actions that ASC staff will need to monitor and that raised their rating to the next level. R. Taft noted that this is the third consecutive review in which New Jersey was shown to need improvement and that maybe the language should have been stronger. D. Graves responded that staff can look at the rating procedures and language in the letter to see if changes should be made.

D. Graves provided an analysis on State Compliance Review Findings Data and Trends over the last five Compliance Review cycles that showed an overall improvement in State compliance with Title XI. ASC staff attributes the improvement in part to the Investigator Training Program for States which has helped States prepare investigations that are better documented and presented. Staff also attributes the improvement to the revised ASC Policy Statements that went into effect in June 2013, which included a refined Compliance Review Rating System to better reflect a State Program’s compliance with Title XI. D. Graves also said that the ASC Policy Managers are doing a great job working with the States. The Policy Managers are proactive in keeping the States apprised of changes in requirements and other topical issues. B. Gardner noted that when the AQB Criteria are revised, it seems to increase non-compliance because States may not be making the needed changes before the revised Criteria go into effect. D. Bunton responded that States were given four years notice for the Criteria changes that went into effect in 2008 and 2015. He added that the Appraisal Standards Board adopted the new edition of USPAP last week and it will go into effect on January 1, 2018. D. Graves said that some States incorporate USPAP by reference while other States have to make regulatory changes which can cause them to be out of compliance or have an area of concern if not timely.

- **Financial Manager**

G. Hull reported on the following:

- ASC staff was asked to provide information regarding the ASC’s reserve balance, specifically what funds are included and how the appropriate reserve amount is determined. The reserve balance is determined based on the minimum funding level required to cover the ASC’s budgeted expenses for an entire fiscal year in the event that the ASC has inadequate cash receipts or no cash receipts for a particular fiscal year. Items included in the normal operating expenses consist of items such as personnel compensation, special projects, travel, rent, printing, contracted services and IT services. An amount is also included to cover federal grants. ASC Strategic Plan

Objective 6.1 states that the ASC will “maintain a minimum one-year operating reserve in the ASC’s U.S. Treasury account.” While a minimum reserve has not been formally adopted, it has been ASC practice to maintain an amount near \$4.2 million as suitable.

- The ASC’s FY16 audit was completed with a clean opinion and no findings. A copy will be provided to ASC members and will also be included in the 2016 ASC Annual Report.
- The ASC staff reviewed and approved the Appraisal Foundation’s September 2016 grant reimbursement request in the amount of \$82,086. Included in the request were costs related to the State Investigator Training Course in St. Louis, MO on September 19-21 attended by 37 staff from 22 States. A balance of \$57,792 remains in the 2016 grant.

M. Hatheway requested G. Hull send ASC members a spreadsheet of the numbers discussed in his report today. A. Lindo asked what percentage would be used to account for annual increases and asked for an average over a 3 to 5-year period. (T. Segerson joined the meeting.) M. Hatheway noted that there might be critical projects for funding that should be included in the reserve balance.

ACTION ITEMS

- **November 9, 2016 Open Session Minutes**

C. Hagins made a motion to approve the November 9th open session meeting minutes as edited. R. Taft seconded and all members present voted to approve.

- **FY16 Appraisal Foundation Grant Reprogramming Request**

G. Hull presented the Foundation’s reprogramming request for \$57,792. If approved, the remaining FY16 grant funds would be expended. M. Hatheway moved for approval in the amount of \$57,792. C. Hagins seconded and all members present voted to approve.

The Open Session adjourned at 11:00 a.m. The next ASC Meeting will be May 10, 2017.