

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
FEBRUARY 13, 2019**

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

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
CFPB – Veronica Spicer
FDIC – Marianne Hatheway
FHFA – Robert Witt
HUD – Cheryl Walker
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
Attorney-Advisor – Ada Bohorfoush
Management and Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly
Policy Manager – Jenny Tidwell

OBSERVERS: Appraisal Institute – Bill Garber
CFPB – Philip Neary
FDIC – Michael Briggs
FDIC – Rich Foley
FDIC – Suzy Gardner
FDIC – Ben Gibbs
FHFA – Ming-Yuen Meyer-Fong
FRB – Carmen Holly
FRB – Matt Suntag
GAO – Sonya Phillips
OCC – Will Binkley
OCC – Kevin Lawton
OCC – Stacy Fluellen
REVAA – Tom Tilton

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

REPORTS

- **Chairman**

A. Lindo welcomed observers to the Meeting. He reported the following:

- In 2019, the ASC will begin the process of developing a more robust State grant program.
- The ASC may receive additional requests for temporary waivers in 2019. He spoke with Commissioner Kruse from the North Dakota Department of Financial Institutions (NDDFI) regarding their temporary waiver submission that was submitted by NDDFI, ND Bankers Association and the North Dakota Governor's Office. Commissioner Kruse relayed that NDDFI will submit information to support the submission. J. Park met on January 15th with the Tennessee (TN) Department of Financial Institutions, TN Bankers Association and the TN Real Estate Appraiser Commission to discuss improving appraisal services in the State. R. Taft asked if TriStar Bank has located appraisers to work for them. J. Park responded that Tristar Bank attended the meeting and he felt that it was helpful to all participants. The TN Bankers Association will compile a list of TN appraisers along with their specialties and list them on their website. R. Taft suggested that ASC staff write a White Paper listing the concerns discussed and how they were addressed. A. Lindo noted that assistance from TriStar Bank may be helpful. The White Paper could list the positive outcomes and the issues that still need resolution. M. Hatheway was in agreement with A. Lindo.
- The November 5th ASC Roundtable was successful, and the ASC will plan a third Roundtable this year.

- **Executive Director**

J. Park reported on 2018 highlights:

- The appraisal management company (AMC) Registry opened in July and, to date, five States are inputting data. 26 States received a one-year extension to August 10, 2019, to start an AMC Program. Lenders are voicing concerns that if a State's AMC Program is not operational by August 10, 2019, that it could affect lending in those States. J. Park asked lenders to send their concerns to the ASC and asked how the ASC should convey its message to the public. A. Ritter suggested concerns could be addressed in the Frequently Asked Questions (FAQs) on the ASC website. A. Lindo requested that staff draft FAQs for ASC review. R. Taft added that these concerns could be discussed at the Association of Appraiser Regulatory Officials (AARO) spring conference.
- ASC staff initiated the AMC Program Compliance Review process in August; thus far, three State AMC Programs have been reviewed.
- The ASC's lease for office space expired on October 1, 2018. All staff are now working remotely. He said that future ASC Meetings could be held at 1325 G Street NW as there is available meeting space at that location. Staff will look into the logistics and notify the ASC of their findings.

- 42 States are using the Unique Identifier Number, three are in process and the remaining States need more attention. The ASC may want to consider rulemaking. J. Park said that staff is researching whether the ASC Registries could be augmented to function more like the Nationwide Mortgage Licensing System and Registry.
- Currently, 20 State Appraiser Programs have an Excellent rating, 24 are rated Good and 11 are rated as Needs Improvement.
- The Appraisal Foundation (Foundation) is currently working on two major projects: the virtual training program known as *Practical Applications for Real Estate Appraisers* and changes to the 2020-21 USPAP. A fourth Exposure Draft will be released for comment for the 2020-21 USPAP.
- A lawsuit has been filed in New Jersey regarding the constitutionality of USPAP. V. Spicer asked if this issue has come up previously. A. Ritter responded one State has raised similar questions, but the State did not file pleadings.

- **Delegated State Compliance Reviews**

A. Bohorfoush reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's August 29th Meeting. Eight State Compliance Reviews were finalized and approved by the Executive Director under delegated authority. Arizona, California, North Carolina, North Dakota and Washington were awarded a Finding of "Excellent" and all will remain on a two-year Review Cycle. Colorado, Minnesota and South Dakota were awarded a Finding of "Good" and all will remain on a two-year Review Cycle.

D. Graves reported that five State Compliance Reviews were finalized and approved by the Chairman under delegated authority. Massachusetts, Michigan, Oregon, Pennsylvania and Vermont all received a finding of Needs Improvement and are subject to specific requirements and monitoring to correct the concerns. V. Spicer asked what the next steps are for Vermont. D. Graves responded that ASC staff will schedule a meeting with the State. Either the Executive Director and/or Deputy Executive Director would meet with Vermont with or without the Policy Manager to find the best plan of action. R. Taft asked if ASC staff are comfortable with the steps these States (excluding Vermont) are taking to improve their Program. D. Graves responded that ASC staff are comfortable monitoring those States as the issues those States are having are not recurring or ongoing issues. M. Hatheway felt that States rated as Needs Improvement may need better training and said it seems enforcement is the biggest issue. D. Graves said that staff attorneys need better enforcement training. R. Taft asked if staff knows what kind of training State staff receive, and if ASC staff should review the materials. A. Lindo suggested staff provide best practices from other States to those that need better training. M. Hatheway said staff could provide a recap of common issues to States with solutions to those problems. A. Lindo asked if States in need of help attend AARO Conferences. J. Park responded that it varies; a State may attend some or they may send different staff each time.

D. Graves reported that three Follow-up Reviews were performed. Illinois has made progress and a Compliance Review will be conducted in September 2019. New Mexico has improved, and a Compliance Review will be conducted in June 2019. Wisconsin resolved all outstanding issues and is scheduled for a Review in November 2019.

A. Bohorfoush reported that three State AMC Programs were reviewed: Arizona, California and Minnesota. All were given a finding of “Good.” The Reports were signed by the Executive Director under delegated authority from the Chairman. D. Graves said that the AMC Compliance Review Reports mirror the Appraiser Program Reports. A. Lindo commended staff for the AMC Reviews.

- **Financial Manager**

G. Hull reported that the Foundation submitted grant reimbursement requests for May-September in the amounts of \$56,610, \$93,980, \$76,363, \$63,230 and \$29,709 respectively. These requests covered costs for Appraiser Qualifications Board (AQB) and Appraisal Standards Board (ASB) expenses for meetings, direct labor and overhead costs, as well as the Investigator Training Program. Of the \$660,000 total grant award, \$139,923 remains unexpended.

G. Hull updated the ASC on revenue and expenses for the first quarter of FY19. Expenses and revenue are in line with projections. Five States are submitting AMC Registry fees. The FY18 audit should be finalized within the next two weeks. R. Taft asked if an analysis could be prepared to project AMC Registry fees. G. Hull responded that staff is putting together trends of payment activity. J. Park added that staff is looking at the average number of AMCs in various States and how many appraisers on their panels are being utilized.

ACTION ITEMS

- **August 29, 2018 Open Session Minutes**

R. Taft made a motion to approve the August 29th open session meeting minutes incorporating edits received by the FDIC. V. Spicer seconded and all members present voted to approve.

- **Reprogramming Request for FY18 Appraisal Foundation Grant**

G. Hull reported that the Foundation submitted a Reprogramming Request for \$25,634. Currently \$43,000 of the Foundation grant remains. The Foundation would like to reprogram \$19,139 of ASB and AQB salaries and fringe benefits along with \$6,495 to be reprogrammed for AQB and ASB travel. This would leave an unspent balance of approximately \$17,000. ASC staff recommends approval of the request. R. Taft made a motion to approve the reprogramming request in the amount of \$25,634. T. Segerson seconded and all members present voted to approve.

- **ASC Roundtable Summary**

J. Park reported on the November 5th ASC Roundtable (Roundtable) held in Washington, DC. There were 66 participants representing 43 organizations, including Federal and State agencies as well as the private and non-profit sectors. V. Spicer suggested minor wording changes and said she would forward them to ASC staff. R. Taft felt that the bullet points could be clarified with more detail. A. Ritter said that she would send out an editable version of the Summary to the ASC to provide edits. After edits are incorporated, the Summary will be sent out for notation vote. A. Bohorfoush said that the Summary would also be in the 2018 ASC Annual Report.

A. Lindo asked if planning has started for the 2019 ASC Roundtable. J. Park responded that he would reach out to the OCC for conference room availability for the first week of November. He suggested contracting with CLI again to assist with logistics. R. Taft suggested picking one or two bullets from the Summary and focus on them for the next Roundtable. A. Lindo also suggested getting feedback from participants.

M. Hatheway asked when the ASC would be reviewing the recommendations provided by the Appraisal Subcommittee Advisory Committee for Development of Regulations (ASCAC) to determine which recommendations should be implemented. There should be a broader discussion on the ASCAC recommendations with staff to determine next steps for the recommendations. R. Taft requested staff send the ASCAC Recommendations to the ASC. A. Lindo requested that staff update the ASC on its next steps at the May 8th ASC Meeting.

The Open Session adjourned at 11:30 a.m. The next ASC Meeting is scheduled for May 8, 2019.