

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
MARCH 9, 2016**

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

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
CFPB – Mira Marshall
FDIC – Rae-Ann Miller
FHFA – Robert Witt
HUD – Ada Bohorfoush
NCUA – Tim Segerson
OCC – Richard Taft

ASC STAFF: Executive Director – Jim Park
General Counsel – Alice Ritter
Financial Manager – Girard Hull
Attorney-Advisor – Dan Rhoads
Policy Manager – Claire Brooks
Policy Manager – Neal Fenochietti
Policy Manager – Kristi Klamet
Policy Manager – Vicki Metcalf
Policy Manager – Jenny Tidwell
Management & Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly
Administrative Assistant – Maria Cahn

OBSERVERS: AARO – Larry Disney
Appraisal Foundation – Dave Bunton
Appraisal Foundation – Cathy Johnson
Appraisal Institute – Brian Rodgers
FDIC – Richard Foley
FDIC – Suzy Gardner
FDIC – Marianne Hatheway
FDIC – Kim Stock
Forsythe Appraisals - Alan Hummel
FRB – Carmen Holly
FRB - Matt Suntag
HUD – Robert Frazier
Kelly Group – Don Kelly
NAR – Sehar Siddiqi

OCC – Chris Manthey
OCC- Kevin Lawton
OCC – Joanne Williams
Pro Teck Valuation Services – Jeff Dickstein
Stewart Valuation Services – Frank O’Neill

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

REPORTS

- **Chairman**

A. Lindo welcomed observers to the Meeting. He noted that the ASC is on track to meet its goals as stated in the FY16 Operating Plan.

- **Executive Director**

J. Park reported on ASC staff activities since the ASC’s November 4th Meeting. He and D. Graves attended the Appraisal Standards Board (ASB) Meeting on November 19-20 in Cincinnati, OH and the Appraisal Foundation Board of Trustees Meeting in Tampa, FL on January 9th. J. Park also attended the Appraisal Practices Board Meeting in Las Vegas, NV on January 29th and the ASB Meeting in Tampa, FL on February 18-19th.

ASC staff met with representatives from the American Bankers Association, the American Society of Farm Managers and Rural Appraisers, and the Appraisal Foundation to discuss the potential shortage of appraisers. Future meetings will be held to review appraiser demographics. The Appraiser Qualifications Board (AQB) will prepare a study on appraiser demographics with assistance from ASC staff. M. Marshall commented that if Home Mortgage Disclosure Act (HMDA) data is being reviewed to determine demographics, there may be incomplete data due to exemptions in reporting. J. Park acknowledged that HMDA data is being considered for the study.

The Unique Identifier program is being tested by several States and appears to be working well. Development of the appraisal management company (AMC) National Registry also continues and may be operational by early 2017, but this will depend in part on the final rulemaking for the AMC Registry fees.

- **Financial Manager**

G. Hull reported that the ASC’s FY15 audit has been completed. The ASC received a clean opinion with no findings, weaknesses (material or immaterial), compliance issues or internal control deficiencies. He noted that in FY15, 88.3% of the operating budget was expended. Actual revenue for FY15 was less than one percent under the estimated revenue. FY15 net reserves did decline from FY14 levels which is due to a decline in the total credentials on the National Registry. The cumulative net reserve balance at the end of FY15 was approximately \$4.7 million. He also said that the amount of funds sequestered in FY15 was \$256,712 which

was 7.3% of available cash receipts. For FY16, the sequestration percentage is 6.8% of available cash receipts.

Regarding the Appraisal Foundation FY16 grant which was \$350,000 for grant-eligible activities, the Foundation has submitted a request to reallocate certain AQB travel expenses associated with the *National Uniform Licensing and Certification Exam*. Originally three meetings had been included, but the consultant indicated that one meeting could be conducted via webinar. Therefore, the Foundation is proposing two meetings instead of three. ASC staff determined that the expense items associated with this request are grant eligible and additional funding is not required. ASC staff intends to approve this request with no action required by the ASC Board.

- **Delegated State Compliance Reviews**

D. Rhoads reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's November 4th Meeting. Six State Compliance Reviews were finalized and approved by the Executive Director under delegated authority. Kansas was awarded a Finding of "Excellent" and will remain on a two-year Review Cycle. Hawaii, Montana, Oklahoma, Puerto Rico and Wyoming were awarded a finding of "Good" and each State will remain on a two-year Review Cycle.

Four State Compliance Reviews were finalized and approved by the Chairman under delegated authority. Illinois, New York, Rhode Island and Virginia were awarded a Finding of "Needs Improvement." Illinois, New York and Rhode Island will remain on a two-year Review Cycle. Virginia will remain on a two-year Review Cycle with a Follow-up Review.

ACTION ITEMS

- **November 4, 2015 Open Session Minutes**

A. Bohorfoush made a motion to approve the November 4th open session meeting minutes as presented. R. Witt seconded and all members present voted to approve.

- **Appraisal Foundation Grant**

G. Hull reported that the Appraisal Foundation submitted a reimbursement request in the amount of \$21,734 to reprogram funds to other 2015 grant-eligible AQB expenses. The AQB and ASB had \$11,576 and \$10,158 in unused FY15 grant funds, respectively. These funds would be used to cover AQB psychometric consultant costs for the *National Uniform Licensing and Certification Exams*. ASC staff has reviewed the request and recommends approval in the amount requested. R. Taft moved to approve the reprogramming request in the amount of \$21,734. A. Bohorfoush seconded and all members present voted to approve.

- **Notice of Proposed Rulemaking (NPRM) on AMC Registry Fees**

A. Ritter reported that legal staff from the ASC member agencies reviewed the draft NPRM and provided comments. The NPRM proposes that States that elect to register and supervise AMCs would be required to collect and transmit annual AMC registry fees to the ASC. The rule would establish the annual AMC registry fee for States that elect to register and supervise AMCs as follows: (1) in the case of an AMC that has been in existence for more than a year, \$25 multiplied by the number of appraisers who have performed an appraisal assignment for the AMC on a covered transaction in such State during the previous year; and (2) in the case of an AMC that has not been in existence for more than a year, \$25 multiplied by the number of appraisers who have performed an appraisal assignment for the AMC on a covered transaction in such State since the AMC commenced doing business. The rule would require AMC registry fees to be collected and transmitted to the ASC on an annual basis by States that elect to register and supervise AMCs. Only those AMCs whose registry fees have been transmitted to the ASC would be eligible to be on the AMC Registry for the 12-month period following the payment of the fee. A. Ritter added that ASC staff would like to publish the NPRM in the *Federal Register* in early April. R. Witt asked if “completed assignment” will be defined; A. Lindo suggested including it as a definition and to also request input from commenters. R. Taft asked if Federally-regulated AMCs in non-participating States would be included on the AMC Registry. A. Ritter responded that a proposed footnote would be an invitation for those AMCs to report directly to the ASC in that limited circumstance. R. Taft suggested to either keep the footnote or pose it as a question in the NPRM. A. Lindo said the ASC could ask the question in the NPRM but should also include a suggestion as to how the fee would be collected. A. Ritter agreed that the ASC does not have the authority to make this part of the rulemaking, but suggested it be addressed in the preamble as an option. A. Lindo noted that ASC members agree on the core elements of the NPRM but that some member agencies are still reviewing it. He said that the preamble text needs to be revised based on today’s discussion and would like a timeline for the NPRM approval in order to get it published in the *Federal Register*. He would like this completed before the ASC’s May 11th Meeting and suggested a notation vote be considered. A. Ritter said she would make the revisions as discussed at today’s Meeting and would send it to the ASC members and their legal staff for comment by March 11th. A. Lindo suggested two weeks for review with a notation vote by early April. A. Bohorfoush asked if it was acceptable to handle this by notation vote. A. Ritter responded that she is comfortable with a notation vote. She added that if substantive changes are made to the NPRM, a vote in an Open Meeting may be necessary. A. Lindo offered observers a chance to ask questions regarding the NPRM. D. Kelly asked if “covered transaction” would be defined in the NPRM. A. Ritter responded that this would be consistent with the definition in the agencies’ AMC Final Rule. J. Dickstein asked if the 12-month period would be outlined in the NPRM or will it be left to the States to define. A. Ritter said the States would have the flexibility to align a one-year period with any 12-month period, which may or may not be based on the calendar year.

The Open Session adjourned at 11:15 a.m. The next ASC Meeting will be May 11, 2016.