

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
APRIL 13, 2011**

ATTENDEES

ASC MEMBERS: OTS – D. Merkle
 FDIC – S. Gardner
 FHFA – G. Garner
 FRB – G. Gibbs
 HUD – P. Gillispie
 NCUA – V. Vieten
 OCC – R. Parson

ASC STAFF: Executive Director – J. Park
 Deputy Executive Director – D. Graves
 General Counsel – A. Ritter
 Administrative Officer – C. Brooks
 Administrative Officer – L. Schuster
 Policy Manager – V. Ledbetter-Metcalf

OBSERVERS: D. Badger – Dennis Badger & Associates
 D. Bunton – Appraisal Foundation
 S. Fifer – FHFA

The meeting was called to order at 10:35 a.m. by D. Merkle. V. Vieten attended via telephone.

<OPEN SESSION>

1. Opening Remarks

D. Merkle welcomed the observers to the meeting. J. Park reported staff attended the Appraisal Standards Board (ASB) meeting on April 8th. During the meeting, the ASB voted to approve the 2012-13 edition of the *Uniform Standards of Professional Appraisal Practice* (USPAP), after considering public comments on proposed changes included in the ASB's Fifth Exposure Draft. J. Park provided an overview of revisions to the 2012-13 edition, which the ASB intends to issue by fall 2011. J. Park also gave an update on activities of the Appraiser Qualifications Board, the Appraisal Practices Board and the Appraisal Foundation Board of Trustees since the March ASC meeting. J. Park also reported that the Appraisal Foundation is working on a consumer-related brochure to educate consumers about appraisals. He also stated that he had suggested to the Appraisal Foundation that they contact the appropriate ASC member agencies for their input.

J. Park reported that he, D. Graves, A. Ritter, and the Policy Managers attended the Association of Appraiser Regulatory Officials 2011 Spring Conference. There were 26 States represented and 127 attendees. Attendees included State program officials as well as appraisers, lenders, vendors, and appraisal management companies. He gave two presentations at the Conference. The first was an overview of the appraisal regulatory system, recent updates to the National Registry and ASC website, and the Compliance Review Process, and the revised National Registry fee billing process. The second presentation addressed recent actions by the ASC to implement certain provisions of the Dodd-Frank Act.

He noted that as of April 11, 2011, the revenue and expenses are within the ASC's budget allocations for the fiscal year ending September 30, 2011.

2. Summary Agenda

- **March 15, 2011 minutes – Open Session**

G. Gibbs moved to approve the March 15th Open Session minutes incorporating minor, nonsubstantive edits. S. Gardner seconded and all members present, except G. Garner, voted to approve. G. Garner abstained from voting since he did not attend the March 15th meeting.

3. Discussion Agenda

- **Appraisal Foundation December 2010 Grant Reimbursement Request**

J. Park presented the Appraisal Foundation's grant reimbursement request. In the discussion that followed, Dave Bunton and ASC staff addressed members' comments, which included a request for clarification of certain expenses submitted for reimbursement. R. Parson moved to approve the December 2010 grant reimbursement request in the amount of \$72,924. G. Gibbs seconded; all members present voted to approve.

- **Appraisal Foundation 2010 Grant Reprogramming Request**

J. Park presented the grant reprogramming request and noted the amount budgeted for the ASC's 2010 grant to the Foundation was \$1.65 million dollars. He said if this reprogramming request is approved as presented, the total amount of funds provided under the 2010 grant will be \$1,451,760. The request covers additional costs for the State Investigator training sessions, the USPAP Update for State Regulators, and the mock administrative hearing presented at the AARO Conference held in October 2010. The USPAP Update for State Regulators and the

mock administrative hearing are available on the Foundation's e-Library. In the discussion that followed, an ASC member asked for clarification regarding the expenses related to the State Investigator training. D. Bunton responded that the Appraisal Foundation had intended to fund some of the expenses itself to limit the amount of its 2010 annual grant request and is now requesting reimbursement for a portion of the investigator training session expenses as other projects were completed under budget. In response to ASC members' questions regarding the Foundation's e-Library, D. Bunton explained that most videos will be available for approximately two years and the Foundation monitors visitor traffic on the e-Library. S. Gardner moved to approve the reprogramming request in the amount of \$80,030. P. Gillispie seconded and all members present voted to approve.

- **California Compliance Review Report and letter**

D. Graves presented the California Compliance Review Report and letter. California is not in substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI). California was non-compliant in one area and also had one area of concern. The State was non-compliant in the area of enforcement in that complaints against appraisers were not resolved within one year. This finding takes into consideration complaints that involve special documented circumstances, consistent with ASC Policy. Staff recommends California remain on a two-year Review Cycle but will perform an onsite Priority Contact during this summer. In the discussion that followed, some ASC members expressed concerns with the percentage of unresolved complaints and a member asked for clarification of Staff's process for concluding that a State is not in compliance with Title XI. With regard to the level of unresolved complaints, staff noted that the State had made improvements since the previous Review. Staff also explained their findings in the context of the ASC's three categories for communicating a final determination of a State's compliance with Title XI. G. Gibbs moved for approval of the California Compliance Review Report and letter, noting California is not in substantial compliance with Title XI. R. Parson seconded; all members present voted to approve.

- **Colorado Compliance Review Report and letter**

D. Graves presented the Colorado Compliance Review Report and letter. Colorado is not in substantial compliance with Title XI. The State was non-compliant in the area of enforcement in that complaints against appraisers were not resolved within one year, except for special documented circumstances. Staff recommends Colorado remain on a two-year Review Cycle, and through off-site monitoring, ASC staff will pay particular attention to Colorado's progress in the identified area of non-compliance. During the discussion, some ASC members asked staff to address the process for tracking voluntary surrenders through the National Registry

and whether adequate controls exist to prevent appraisers from “gaming” the system. A member also asked whether there is a need to enhance the Registry to, for example, be able to validate data submissions to ensure appraisers who surrendered or had their credentials revoked do not re-enter the system. P. Gillispie moved for approval of the Colorado Compliance Review Report and letter, noting Colorado is not in substantial compliance with Title XI. R. Parson seconded; all members present voted to approve.

- **Michigan Compliance Review Report and letter**

D. Graves presented the Michigan Compliance Review Report and letter. Michigan is not in substantial compliance with Title XI. They were non-compliant in the area of enforcement since complaints submitted against appraisers were not resolved within one year, except for special documented circumstances. Staff recommends Michigan remain on a two-year Review Cycle and through off-site monitoring, ASC staff will pay particular attention to Michigan’s progress in the identified area of non-compliance. P. Gillispie moved for approval of the Michigan Compliance Review Report and letter, noting Michigan is not in substantial compliance with Title XI. G. Garner seconded; all members present voted to approve.

The Open Session meeting adjourned into the Closed Session meeting at 11:30 a.m. The observers, with the exception of S. Fifer, left the meeting.