

**APPRAISAL SUBCOMMITTEE
OPEN SESSION SPECIAL MEETING MINUTES
APRIL 23, 2018**

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

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
BCFP – Veronica Spicer
FDIC – Marianne Hatheway
FHFA – Bob Witt
HUD – Cheryl Walker
NCUA – Tim Segerson
OCC – Richard Taft

ASC STAFF: Executive Director – Jim Park
General Counsel – Alice Ritter
Financial Manager – Girard Hull
Attorney-Advisor – Ada Bohorfoush
Policy Manager – Claire Brooks
Policy Manager – Kristi Klamet
Policy Manager – Vicki Ledbetter-Metcalf
Management and Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly

OBSERVERS: See Attachment

The Special Meeting was called to order at 10:15 a.m. by A. Lindo.

ACTION ITEM

- **TriStar Bank Temporary Waiver Request**

A. Lindo welcomed observers and acknowledged Ted Williams, President and CEO, of TriStar Bank, and Greg Gonzales, Commissioner of the Tennessee Department of Financial Institutions. A. Lindo noted that the purpose of the Special Meeting is to consider the temporary waiver request filed by TriStar Bank (Requester or TriStar). A. Lindo summarized that in order to grant a temporary waiver, the Board would have to make a determination that two conditions exist: (1) a scarcity of credentialed appraisers in a State, or in any geographical political subdivision of a State; and (2) that the scarcity is leading to significant delays in obtaining appraisals for federally related transactions. ASC staff prepared an analysis based on data provided by TriStar and the Tennessee Real Estate

Appraisers Commission (TN REAC), as well as information regarding commercial real estate transactions in the four counties targeted in the temporary waiver request. The original request from Tristar referred to the Nashville, TN Metropolitan Statistical Area; TriStar did later clarify the request covered Davidson, Dickson, Maury and Williamson counties. J. Park noted that Section 1119 of Title XI grants the ASC authority to waive any requirement relating to appraiser credentialing, but it does not grant the ASC authority to waive requirements to obtain an appraisal. J. Park presented the staff analysis. A. Lindo requested that staff analysis be attached to the minutes. A. Lindo provided Mr. Williams of TriStar the opportunity to address the Board. Mr. Williams summarized his request and urged all concerned parties to come together to improve lending to clients in the growing market.

A. Lindo requested that the ASC first address the scarcity issue. R. Taft said he evaluated the data provided by TriStar as well as data from the ASC's Appraiser Registry. He noted there are appraisers in neighboring counties who may also work in the four named counties. He also noted there are approximately 150 appraisers in the four counties. R. Taft further commented that in reviewing the turnaround time for appraisals, it appears the average was 22 days in 2013 and 32 days in 2017. He noted if the median was used, it would only be an increase of five days. R. Taft said no information was provided regarding TriStar's panel size and whether it changed between 2013-2017, though it appeared that only three appraisers were utilized for most appraisal assignments. M. Hatheway noted that the regulatory agencies recently reviewed regulations regarding appraisal thresholds and she noted that the thresholds for certain commercial transactions was recently increased. She added that using a median to determine the turnaround time was preferred as there were outliers that skewed the average. She stated an increase of five days is not a significant delay in an active market. V. Spicer was in agreement with M. Hatheway and R. Taft. The comment letter from K. McGuigan explained the delay on one appraisal and the change to a developer's plan was the cause for the other appraisal report delay. The letter also listed ten appraisals he completed for TriStar that had a median of 24-25 days. B. Witt noted that the waiver request stems from demand which does not equal scarcity. R. Taft said in reviewing formal comment letters, he read letters from Tennessee appraisers in the four counties listed in the waiver request; there were 50 comments from Tennessee appraisers in total and none felt there was a shortage of appraisers in Tennessee. He noted there were also approximately 100 comments received prior to formal comment; 17 were from Certified General appraisers in the affected area and none felt there was a scarcity of appraisers. R. Taft added that several appraisers said that they had contacted TriStar to be added to the appraiser roster.

A. Lindo thanked members for their comments and requested a vote on the temporary waiver request. In regard to TriStar's temporary waiver request pursuant to Section 1119 of Title XI, he asked members if TriStar's request and information submitted to the ASC supports a finding that there is a scarcity of appraisers that has resulted in a significant delay in the delivery times for appraisals. The vote was 7-0 to deny the temporary waiver request for TriStar. A. Lindo directed A. Ritter to draft a Final Order denying temporary

waiver relief for TriStar Bank to be published in the *Federal Register*. A. Lindo said that, during the course of the ASC's review, there are other options available to TriStar for appraisal services. Suggestions from the ASC members included: TriStar working with the State Appraiser Program, State Banking Commission and the appraiser community to increase its roster size, and using the ASC's Appraiser Registry to locate appraisers in the geographical area. R. Taft said that the ASC could schedule a follow-up meeting with TriStar and TN REAC in the future to see if the issues have been resolved. M. Hatheway added that there could be a scarcity of appraisers in some parts of the country, so temporary waivers may be supportable in those areas. A. Lindo reiterated that the two criteria of any waiver request would need to be met.

The Open Session adjourned at 11:00 a.m. The next ASC Meeting will be May 9, 2018.

Attachments: Observer List
ASC Staff Analysis

ASC Meeting Attendees

April 23, 2018

Affiliation	Name
American Society of Appraisers	John Russell
American Guild of Appraisers	Leo Regensberger
American Guild of Appraisers	Robert O'Brien
American Society of Farm Managers & Rural Appraisers	Stephen Frerichs
Appraisal Foundation	Kelly Davids
Appraisal Institute	Bill Garber
Appraisal Institute	Brian Rodgers
Appraise Metro DC	John Osipchak
Bureau of Consumer Financial Protection	Deana Krumhansl
Clarocity Corporation	Ernie Durbin
Conference of State Bank Supervisors	Mary Beth Quist
Conference of State Bank Supervisors	Dan Schwartz
Conference of State Bank Supervisors	Alisha Sears
Federal Deposit Insurance Corporation	Michael Briggs
Federal Deposit Insurance Corporation	Suzy Gardner
Federal Deposit Insurance Corporation	Ben Gibbs
Federal Deposit Insurance Corporation	Lauren Whitaker
Federal Deposit Insurance Corporation	Tony Womack
Federal Housing Finance Agency	Ming-Yuen Meyer-Fong
Federal Reserve Board	Gillian Burgess
Federal Reserve Board	Carmen Holly
Federal Reserve Board	Matt Suntag
Independent Community Bankers of America	James Kendrick
National Association of Realtors	Sehar Siddiqi
Office of the Comptroller of the Currency	John Binkley
Office of the Comptroller of the Currency	Joanne Phillips
Ohio Coalition of Appraisers	Charles Gress
Real Estate Analysts	S. Todd Rogers
Real Estate Valuation Advocacy Association	Mark Schiffman
Tennessee Bankers Association	Colin Barrett
Tennessee Department of Financial Institutions	Greg Gonzales
Tennessee Real Estate Appraisers Commission	Randy Thomas
TriStar Bank	Ted Williams
Virginia Coalition of Appraiser Professionals	Andy Watkins
Woodbridge Appraisal Service	Gary Denny

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Appraisal Subcommittee

Federal Financial Institutions Examination Council

TO: Appraisal Subcommittee

FROM: Jim Park

DATE: April 17, 2018

RE: ASC Special Meeting: TriStar Bank Temporary Waiver Request

Pursuant to §1119, Title XI FIRREA, TriStar Bank, a state-chartered bank located in Dickson, Tennessee (Requester or TriStar) is requesting a one-year waiver of the “appraisal regulation’s requirements to utilize a certified appraiser for loan requests” for Dickson, Maury, Williamson, and Davidson counties Tennessee.

TriStar Request and Data

- Requester states that due to demand, TriStar is having a difficult time receiving appraisals in a reasonable amount of time. The Requester further states the shortage of appraisers, time delay and added cost is negatively impacting clients.
- Requester provided data to support the claim of an appraiser scarcity. Appraisal and evaluation data were combined in the submission and have been separated as best we can for analysis.
- The data includes a few appraisals in counties other than the four which are part of the waiver request.
- The counties for some of the appraisals/evaluations were not identified.

Summary of Requester’s Data

- Staff analysis of the Requester’s data is provided in Table A, *Summary of Requester’s Data*.
- The counties for some of the appraisals and evaluations were not identified.
- It is unknown if data provided for 2013 and 2017 represents all loan applications, closed loans or some other unidentified subset of transactions.
- No reason is given for selecting these two years or why the intervening years’ data was not included.
- Table B summarizes the change in median value per appraisal and evaluation for the submitted years.

TABLE A, Summary of Requester's Data

Delivery and Fees	2013			2017			% Change	
	Orders	Median Days to Deliver	Median Fee	Orders	Median Days to Deliver	Median Fee	Median Days to Deliver	Median Fee
Res. evaluations	91	11	\$270	36	13	\$292	+18%	+8%
CRE evaluations	27	10	\$669	3	22	\$933	+120%	+39%
Res. appraisals	47	9	\$382	94	15	\$395	+67%	+3%
CRE appraisals	6	22	\$2,088	15	25*	\$2240	+14%	+7%

* CRE appraisal median days to deliver controlled for atypical delays as explained in the McGuigan comment letter dated April 6, 2018.

TABLE B

Change in Median Value	2013	2017	% Change
Residential evaluations	\$143,212	\$181,539	27%
CRE evaluations	\$334,184	\$383,667	15%
Residential appraisals	\$253,785	\$358,696	41%
CRE appraisals	\$614,126	\$1,220,693	99%

Staff analysis:

Days to deliver and fees (2013 – 2017)

- Residential evaluations
 - Orders dropped by 60%.
 - Delivery time and fees remained relatively stable.
 - Median value increased 27%.
- CRE evaluations
 - Orders dropped 89%.
 - Delivery time increased 120% and fees increased almost 40%. However, only three CRE evaluations were ordered in 2017 which could skew the statistics.
 - Median value remained relatively stable.
- Residential appraisals
 - Orders increased by 100%.
 - Delivery time increased 67% and fees remained stable.
 - Median value increased 41%.
- CRE appraisals
 - Orders increased by 150%.
 - Delivery time and fees increased nominally.
 - Median value increased 99%.

Summary of Requester's Data

- Requester used Certified appraisers to provide both evaluations and appraisals.
- No details were provided on the Requester's fee panel size or how appraisers are qualified for the panel or selected for individual appraisal and evaluation assignments.
- There is no evidence that TriStar has been adding additional appraisers to their panel. Several appraisers credentialed in Tennessee responded to the ASC request for comments

stating they have contacted TriStar offering to perform appraisals/evaluations for the bank, but have not been assigned any appraisals or evaluations to date.

- Requester’s book of lending business appears to have diversified into more counties and higher value and more complex properties.

Summary of Tennessee Real Estate Appraiser Commission (TN REAC) Response

- TN REAC letter asserts no shortage of appraisers currently exists to service the four counties and provides the following to support their conclusions:
 - Tennessee has 836 Certified General appraisers.
 - 174 Certified General appraisers are residents in the four counties and the directly surrounding area.

National Registry Data

- Table C reflects the number of licensed and certified appraisers in Tennessee based on the information collected during the last three ASC Compliance Reviews (2013, 2015 and 2017).
- The March 2018 figures were obtained from the National Registry.
- Since 2013, the number of licensed and certified appraisers has increased in Tennessee from 1,840 to 1,930 (+5%). The number of Certified General appraisers (subject of the requested waiver) has increased from 730 to 862 (+18%).

Table C

Date	Licensed	Certified Residential	Certified General	Total	Trainees
January 2013	131	979	730	1,840	Unknown
January 2015	121	965	800	1,886	225
January 2017	117	986	846	1,949	225
March 2018	130	960	862	1,930	Unknown

- Table D shows the current National Registry data in the four counties that are the subject of the temporary waiver request.
- The National Registry is not historic, so we are unable to search past data.

Table D

Appraiser Credentials	Dickson	Maury	Williamson	Davidson	Totals
	2017	2017	2017	2017	2017
Licensed	0	1	4	9	14
CR	7	14	58	92	171
CG	5	8	45	68	126
Totals	12	23	107	169	311

Staff analysis:

- There are more Certified General appraisers in Tennessee today than in 2013.
- National Registry data supports the data provided by the TN REAC.
- National Registry data does not support Requester’s claim of only one Certified General appraiser in Dickson County.

CRE Transactions

CoStar provided the following information regarding CRE transactions in the counties targeted in the temporary waiver request:

Table E

County	2013	2017	% Change
Dickson	23	31	+35%
Maury	48	99	+106%
Williamson	143	123	-14%
Davidson	601	788	+31%
Totals	815	1,041	+28%

Summary of Comments

- 166 comments were received during the 30-day Notice and Comment period. The following is a general breakdown of the commenters:
 - TN REAC
 - Fifty Tennessee appraisers
 - Two local Realtor associations
 - Tennessee Appraisers Coalition
 - 11 appraiser associations outside of Tennessee
 - Three appraiser associations within Tennessee
 - Appraisal Foundation
 - Tennessee Bankers Association
 - National Association of Realtors
 - American Bankers Association
 - Association of Appraiser Regulatory Officials
 - Conference of State Bank Supervisors
 - Numerous out of State appraisers, appraiser associations and coalitions.
- Vast majority of comments were opposed to the temporary waiver request.
- Supporting data submitted by Requester is not supported by the TN Commission or National Registry data.
- Costar reports 1,041 CRE transactions in 2017. This equates to six appraisal or evaluation orders per certified general appraisers in the four and immediately surrounding counties.
- Requester reported 148 valuations in 2017 which equates to fewer than one assignment per year for the certified general appraisers in the immediate area.