

**APPRAISAL SUBCOMMITTEE  
OPEN SESSION MEETING MINUTES  
MAY 9, 2018**

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

**ATTENDEES**

**ASC MEMBERS:** FRB – Art Lindo (Chair)  
CFPB – Philip Neary  
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

**OBSERVERS:** CFPB – Deana Krumhansl  
FDIC – Michael Briggs  
FDIC – Rich Foley  
FDIC – Suzy Gardner  
FDIC – Ben Gibbs  
FRB – Gillian Burgess  
FRB – Carmen Holly  
FRB – Matt Suntag  
OCC – Will Binkley  
OCC – Stacey 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.

- **Executive Director**

J. Park updated the ASC on recent staff activities.

- He and D. Graves attended the Appraisal Standards Board (ASB) Meeting in Las Vegas. Discussion included proposed changes to the 2020-21 edition of USPAP. Changes include a proposal to eliminate the Restricted Appraisal Report and leave one reporting option (Appraisal Report) that is controlled by minimum requirements but otherwise open to the needs of the client. The ASB started livestreaming its meetings which has increased participation. R. Taft asked if an Exposure Draft would be sent out regarding the proposed changes to the 2020-21 USPAP. J. Park responded that the Exposure Draft will be distributed by the end of May
- ASC staff attended the Appraiser Qualifications Board (AQB) Meeting and Association of Appraiser Regulatory Officials (AARO) Conference in Seattle May 4-6. The AQB Meeting focused on Criteria changes that went into effect on May 1<sup>st</sup>. As the required hours for experience was lowered, it is unknown how many States will revise their statutes/regulations to match the Criteria. If some States revise their regulations/statutes to match the new Criteria requirements and other States do not, it may lead to reciprocity issues. D. Graves noted that several States said they would accept, for reciprocal purposes, appraisers from States that are following the revised Criteria. Another topic discussed was the AQB's development of "Practical Applications in Real Estate Appraisal." This would help trainees in rural areas gain experience using virtual technology.

The AARO Conference included a presentation on the recent AQB Criteria changes as well as implementation of the AMC Registry. There was also discussion on temporary waiver requests and how the waivers could affect the economy and States' regulatory systems.

- J. Park said that ASC staff has delayed the opening of the AMC Registry to July 16<sup>th</sup> to allow staff additional time to work on the invoicing portion of the program. The Revised Policy Statements were published in the *Federal Register* on March 5<sup>th</sup> and States have been receptive to the changes. Thirty-eight States are using the Unique Identifier Program and so far no State has said they would not use the Program. Seven States are using the SOAP system to upload data files to the Appraiser Registry and several other States are in development to switch to SOAP.
- **Delegated State Compliance Reviews**

D. Graves reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's February 14<sup>th</sup> Meeting. One State Compliance Review was finalized and approved by the Executive Director under delegated authority and one was finalized and approved by the Chairman under delegated authority. Maryland was awarded a Finding of "Excellent" and will remain on a two-year Review Cycle. Illinois was awarded a Finding of "Needs Improvement" and will remain on a two-year Review Cycle. R. Taft asked how ASC staff determines when a more strongly worded letter needs to be sent to a State and how often to visit a State to determine its progress. D. Graves responded that Illinois has made improvements since its last Review. In the previous Review, Illinois had areas of concern which were raised to out of compliance in the current Review as corrections to those areas

had not been addressed. Illinois has now made improvements in these areas. A. Lindo asked if Illinois was given instructions to improve its program. D. Graves responded that Illinois was asked to provide, within 90 days, a plan to improve its oversight of continuing education. As Illinois has an approved budget after two years, ASC staff will review Illinois' progress via offsite monitoring. R. Taft noted that the cover letter to the Report does not request a commitment from Illinois to make changes to its program. D. Graves responded that the request for an improvement plan was included in the Report, not the cover letter. She added that a Priority Contact will be scheduled for 2019. A. Lindo asked staff to provide an update on the Illinois Program at the August ASC Meeting.

- **Financial Manager**

G. Hull reported that the FY17 audit has been completed with a clean opinion, and no findings, material weaknesses or internal control deficiencies were found. The ASC's FY17 approved budget was approximately \$3.9M with \$3.5M expended. FY17 revenue was budgeted at \$3.5M with actual revenue of \$3.4M. While a loss of \$406,000 was anticipated, the loss was less due to the asset conversion and expense capitalization of the new ASC database, and two vacant positions were not filled.

G. Hull also reported on the FY18 year-to-date financial status. FY18 revenue and expenses are slightly higher than anticipated. A. Lindo questioned the costs for Registry development. G. Hull said the increase is due to more contractor involvement than anticipated in helping States convert to the SOAP system. A. Lindo had concerns that there is not a limit on costs to help States and whether they should be making changes to their systems without ASC assistance. J. Park responded that there is currently no policy in place on limiting costs to individual States and staff will monitor costs. A. Lindo asked how many States are using the SOAP system and what the total cost has been thus far to help States switch to SOAP. D. Graves responded that approximately eight States use the system. She added that staff has looked at the costs, but comparing costs per State is difficult because each State program is different. Some States have requested special coding be added which ASC staff has denied due to the time and cost. A. Lindo said if the costs exceed the threshold of \$25,000, this may need to be revisited before the August ASC Meeting. J. Park said that assistance to States could be delayed until FY19. R. Taft and M. Hatheway questioned the amount spent thus far on Personnel Benefits. G. Hull responded that he used 25% as a basis for Personnel Benefits for FY18 and that may have been underestimated. A. Lindo requested that ASC staff research the costs for Personnel Benefits and submit the findings to the ASC.

G. Hull reported that three Appraisal Foundation grant reimbursement requests totaling \$122,000 for October – December 2017 were reviewed and approved by ASC staff. The requests covered costs for an ASB Meeting and ongoing work of the AQB and ASB. ASC staff also reviewed and approved three State grant reimbursement requests totaling \$61,000 for October – December 2017. These covered costs for the Level III Investigator training course along with personnel expenses supporting the Investigator Training Program. The course was to be held in September 2017 but was rescheduled due to Hurricane Irma.

## **ACTION ITEMS**

- **February 14, 2018 Open Session Minutes**

R. Taft made a motion to approve the February 14<sup>th</sup> open session meeting minutes as presented. R. Witt seconded and all members present voted to approve.

- **Notation Vote to approve for publication and comment in the *Federal Register* the *Notice of Received Request for a Temporary Waiver***

L. Schuster reported that the notation vote passed by a 7-0 vote on March 5, 2018.

- **Notation Vote on the Information Collection Request (30-day Notice for Comment) for the AMC National Registry**

L. Schuster reported that the notation vote passed 7-0 on April 26, 2018.

- **Reprogramming Request for State Investigator Training Grant**

G. Hull presented the Appraisal Foundation's Reprogramming Request for \$19,980. ASC staff recommends approval of the reprogramming request. If approved in full, there would be an unspent balance of \$38,000. R. Taft asked why the request was submitted so late. A. Lindo suggested that a cut-off date for requests be considered. T. Segerson responded that the request was received after the ASC's February Meeting but agreed that a cut-off date should be considered. A. Lindo asked ASC staff include this in the next financial report so that it can be considered resolved. R. Witt moved for approval of the reprogramming request in the amount of \$19,980. P. Neary seconded and all members present voted to approve.

- **Revisions to ASC Delegations of Authority**

A. Ritter presented the revisions to the Delegations of Authority to facilitate delegation from the Chair to the Vice-Chair if the Chair is unable to act on items within a certain timeframe. After further discussion, R. Witt made a motion to approve the changes as discussed. R. Taft seconded and all members present voted to approve.

- **State Requests for Extension of Implementation Period to establish AMC Program**

J. Park presented the one-year extension requests from Alabama, Alaska, Georgia, Kentucky, Massachusetts, Nevada, New York and Oklahoma. If the ASC approves the requests, FFIEC concurrence would also be necessary. More States are expected to submit extension requests. R. Taft noted that some State legislatures may not act on the proposed legislation until beyond the one-year extension due to their legislative sessions and asked what the result would be if States realize they cannot get the legislation approved in one year. A. Ritter said that those States could either become a non-participating State or a participating State with compliance issues, depending on what the State wants to do. G. Burgess questioned why Alabama submitted an extension request as they already have an AMC program. A. Ritter responded that Alabama requested the extension out of an abundance of caution in case any deficiencies are uncovered. D. Graves said that Alabama's AMC program has not been reviewed so it is unknown if the program is compliant. A. Lindo directed ASC staff to contact Alabama and request further information. J. Park said ASC staff would do so. A. Lindo said that any other requests that are received could be acted on via notation vote or a Special Meeting before the August 10<sup>th</sup> deadline. R. Witt made a motion to approve the extension requests from Alaska, Georgia, Kentucky, Massachusetts, Nevada, New York and Oklahoma and submit a request to the FFIEC asking for their concurrence. Alabama will be tabled and asked to submit further information before their request will be considered. The FFIEC should also be notified that additional requests are expected. R. Taft seconded and all members approved. A. Lindo asked that Bulletin 2017-02 be attached to the written findings submitted to the FFIEC. R. Taft asked if the ASC has to disclose which States have been granted extensions. D. Graves responded that ASC staff is planning to include this information on its website. The website will also list which States have AMC programs and which States have opted out. A. Lindo requested that ASC staff submit information to the ASC on the status of AMC programs in States: which States have programs, which have opted out and which were granted extensions. He would like this as a follow-up item for the August ASC Meeting.

- **Selection of ASC Vice Chair**

J. Park said that the Vice-Chair is selected every two years; R. Taft has served as Vice-Chair for the previous two years. R. Taft says he would be willing to continue serving as the Vice-Chair unless another ASC member is interested. After discussion, R. Witt moved that R. Taft continue as the Vice-Chair for an additional two-year period. P. Neary seconded and all members present voted to approve.

The Open Session adjourned at 12:00 p.m. The next ASC Meeting will be August 29, 2018.