

**APPRAISAL SUBCOMMITTEE  
OPEN SESSION MEETING MINUTES  
JUNE 11, 2014**

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

**ATTENDEES**

**ASC MEMBERS:** FRB – Art Lindo (Chair)  
FDIC – Rae-Ann Miller  
FHFA – Robert Witt  
HUD – Robert Frazier  
NCUA – Tim Segerson  
OCC – Darrin Benhart

**ASC STAFF:** Executive Director – Jim Park  
Deputy Executive Director – Denise Graves  
General Counsel – Alice Ritter  
Attorney-Advisor – Dan Rhoads  
Financial Manager – Girard Hull  
Policy Manager – Vicki Metcalf  
Management & Program Analyst – Lori Schuster  
Administrative Assistant – Brian Kelly

**OBSERVERS:** Appraisal Foundation – David Bunton  
Appraisal Foundation – Kelly Davids  
Appraisal Foundation – Cathy Johnson  
Appraisal Institute – Bill Garber  
FDIC – Suzy Gardner  
FRB – Kevin Wilson  
OCC – Kevin Lawton

The Meeting was called to order at 10:30 a.m. by D. Benhart. A. Lindo attended via telephone.

**<OPEN SESSION>**

**REPORTS**

- **Chairman**

A. Lindo and D. Benhart welcomed the observers to the Meeting. D. Benhart introduced R. Frazier as HUD's alternate voting member. A. Bohorfoush has been appointed HUD's principal voting member.

- **Executive Director**

J. Park reported on ASC staff activities since the ASC's April 9<sup>th</sup> Meeting. He and D. Graves attended three Appraisal Foundation Board meetings: the Appraiser Qualifications Board (AQB) on April 10-11, the Board of Trustees (BOT) on May 1-3 and the Appraisal Standards Board (ASB) June 5-6. At the AQB Meeting, implementation of the background check requirement was the main topic of discussion. The AQB voted to delay implementation from January 1, 2015 to January 1, 2017. The BOT meetings focused on management issues such as the Foundation's finances and appointment of board members. The ASB meetings focused on the Second Exposure Draft on proposed changes for the 2016-17 edition of USPAP. ASC staff also attended the AARO meeting on April 11-13. There were approximately 140 attendees at the AARO Conference as well as AMC representatives, lenders and appraisers. J. Park also reported that the ASC 2013 Annual Report will be distributed this week to Congress, FFIEC members and other interested parties. The ASC Advisory Committee held its first Meeting on April 16-17 and will hold its next Meeting on July 22-23.

- **Appraisal Foundation Agreed Upon Procedures Review**

G. Hull presented the findings of the Appraisal Foundation Agreed-Upon Procedures Review for Fiscal Year 2013. The accounting firm, O'Connor and Drew, P.C., did not find any improper grant charges, and grant revenues were properly recorded in accordance with grant terms.

- **Delegated State Compliance Reviews**

D. Rhoads reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's April 9<sup>th</sup> Meeting. There were three State Compliance Reviews finalized and approved by the ASC Executive Director under re-delegation of authority by the Chairman. Arizona was awarded a Finding of "Excellent" and will remain on a two-year Review Cycle. Alabama and Texas were awarded a Finding of "Good" and both will remain on a two-year Review Cycle. D. Benhart asked if the revised Delegations of Authority has improved the turnaround time for Compliance Reviews. J. Park said the turnaround time has been averaging 90 days and the goal set in our Strategic Plan was 120 days.

- **ASC Member Agency Monitoring**

J. Park provided an update on the member agencies 2013 appraisal-related rulemakings and other appraisal-related activities. A full summary is included in the ASC's 2013 Annual Report.

- **2013 ASC Annual Report**

J. Park thanked the ASC members, staff and D. Rhoads for their diligent work on the Report.

- **2013 ASC Annual Report notation vote**

L. Schuster said the ASC approved the 2013 ASC Annual Report by a 6-0 vote on May 14, 2014, with one abstention from HUD.

- **2015 Appraisal Foundation Grant**

D. Bunton presented the Appraisal Foundation's preliminary overview of its Fiscal Year 2015 grant request. The preliminary request totals \$964,868 and will be allocated among the AQB, ASB and State Investigator Training. The Foundation has contracted with a Regulatory Attorney to review all Board work products before publication and a portion of the attorney's consulting fee is included in the grant proposal. The Foundation is also seeking to hire a technical writer on a consulting basis and a portion of the consulting fees for that position will be included in the grant proposal. D. Bunton noted that travel expenses are higher in the 2015 proposal mostly due to higher airfares and lodging expenses. Other funding requests that will be included in the grant proposal: (1) the Board of Trustees is recommending that the size of the AQB be increased from six to nine members; (2) the ASB will hold three meetings in Fiscal Year 2015 and the AQB will hold one; and (3) the Foundation is developing a Level Three State Investigator Training course that will be offered in September. The course may need some modification after the first session and minimal development costs are included in the grant proposal. The Foundation is not anticipating any modifications to the Level One or Two State Investigator Training courses. D. Bunton added that the Foundation is developing an online USPAP course for State Regulators, but this endeavor is not included in the grant request.

## **ACTION ITEMS**

- **April 9, 2014 minutes – Open Session**

R. Miller made a motion to approve the April 9<sup>th</sup> open session meeting minutes as presented. R. Witt seconded and all members present voted to approve.

- **ASC Appraisal Foundation Grant Policy Amendment**

A. Ritter said the Policy was amended to change the due date of the grant proposal from July to August. Other non-substantive edits were also made to the Policy consistent with the Delegations of Authority as previously updated. R. Miller moved to approve the amended Policy and T. Segerson seconded; all members present voted to approve.

- **Appraisal Subcommittee Advisory Committee (ASCAC or Committee)**

D. Benhart said the Committee makeup was discussed at the March FFIEC Meeting. R. Miller requested that the Committee charter be amended to include a community bank representative since they make up the vast majority of banks in the United States. She commented that community banks also operate differently than large banks or credit unions, which also have representation on ASCAC. A. Ritter discussed the process to amend the Committee Charter, Balanced Membership Plan and Bylaws. As CFPB was unable to attend today's Meeting, D. Benhart read M. Marshall's comments into the minutes which are as follows:

“I regret that CFPB representatives are not available to participate in the ASC Meeting on June 11<sup>th</sup>, and the scheduled discussion of FDIC's proposal to amend the ASCAC charter to increase the membership by adding a representative of community banks. The CFPB understands the FDIC's position and the importance of the ASCAC including the views of such a large group of stakeholders. However, we note that during the ASC's discussion prior to approving the Balanced Membership Plan, the CFPB specifically acceded to reducing the proposed number of consumer advocate representatives on the ASCAC from two to one so that the number of lender representatives could be increased from two to three to ensure their broad representation. We made this compromise because we recognized the need to balance representation of various stakeholders with the need to keep the Advisory Committee to a manageable size that would allow it to accomplish its objectives in a reasonably expeditious manner. If the ASC decides to respond to the FDIC request by revising the ASCAC charter to expand the membership by increasing the number of lender representatives, then the CFPB asks that it also increase the number of consumer representatives. As Congress recognized, consumers have a critical stake in the outcome of the ASC's development of regulations pursuant to the Dodd-Frank Act, and hence the advice we receive from the ASCAC. If the number of representatives of other stakeholders is increased it becomes unfair for a single individual to be responsible for voicing all consumer concerns and providing all practical expertise relative to those concerns. We therefore request that if the ASC decides to add a fourth lender to the ASCAC to represent community banks, then it also add a consumer representative. Thank you for considering this proposal.”

There was discussion on whether an additional realtor or appraiser representative should be considered as well. J. Park noted that when the Committee was originally formed, he contacted the Independent Community Bankers of America for a potential community bank representative and did not receive a response from them. There was discussion concerning the maximum number of members that would ideally keep the Committee manageable, and consideration of having an odd number to prevent a potential voting tie. It was acknowledged that some Committee members are appointed to represent a certain interest, but cross over into other areas represented, such as a realtor also being an appraiser. It was also noted that State appraiser regulatory programs are commonly charged with consumer protection. At the conclusion of discussion, D. Benhart moved to amend the necessary documents to increase the Committee membership to 18, and specifically to add a community bank representative to be recommended by the ASC Executive Director and approved by the ASC Chair in consultation with ASC members. T. Segerson seconded; all members present voted to approve. At the request of D. Benhart, staff committed to circulate the amended documents to ASC members for notation vote.

The Open Session adjourned at 12:00 p.m. into a Briefing and the observers, with the exception of the Foundation staff, left the Meeting. The August Meeting will be cancelled and rescheduled to September 10, 2014.