

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
AUGUST 28, 2019**

LOCATION: Partnership for Public Service
1100 New York Avenue NW, Suite 200 East, Washington, DC 20005

ATTENDEES

ASC MEMBERS: CFPB – John Schroeder
FDIC – Marianne Hatheway
FHFA – Robert Witt
FRB – Art Lindo
NCUA – Tim Segerson
OCC – Richard Taft

ASC STAFF: Executive Director – Jim Park
Deputy Executive Director – Denise Graves
General Counsel – Alice Ritter
Grants Director – Mark Abbott
Financial Manager – Girard Hull
Attorney-Advisor – Ada Bohorfoush
Management and Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly
Policy Manager – Claire Brooks
Policy Manager – Neal Fenochietti

OBSERVERS: Appraisal Foundation – Dave Bunton
Appraisal Foundation – Edna Nkemngu
CFPB – Paul Hannah
CFPB – Orlando Orellano
CFPB – Paul Sanford
DTCC – Ted Serafini
FDIC – Michael Briggs
FDIC – Suzy Gardner
FRB – Carmen Holly
NCUA – Rachel Ackmann
OCC – Kevin Lawton
OCC – Joanne Phillips
OCC – James Rives
Veterans Affairs – James Heaslet

The Meeting was called to order at 10:00 a.m. by Chair A. Lindo.

REPORTS

- **Chairman**

A. Lindo welcomed visitors and provided an update on current ASC activities. The ASC issued a Final Order on the North Dakota Temporary Waiver Request on August 7th. ASC staff will contact the North Dakota Department of Financial Institutions (DFI) and the North Dakota Real Estate Appraiser Qualifications and Ethics Board (Appraisers Board) for an update on solutions being considered to address scarcity and delay. The ASC is evaluating policy improvements to better enhance transparency and standardization in the waiver request process.

The ASC staff is working towards establishing a more robust grants program and is developing a Grants Handbook (Handbook) which will be discussed and voted on at the ASC's November 13th Meeting.

- **Executive Director**

J. Park updated the ASC on recent staff activity.

- As stated by A. Lindo, the Final Order regarding the Temporary Waiver was published in the *Federal Register* on August 7th. ASC staff contacted the DFI and the Appraisers Board for an update and offered ASC staff assistance.
- Regarding staffing, he and D. Graves are continuing interviews for the Regulatory Affairs Specialist position and hope to have a selection made shortly. M. Abbott's detail to the ASC expires on September 30th.
- The AMC Rule established August 10, 2018, as the date after which an AMC may not provide AMC services for federally related transactions unless they are registered by the State or are a Federally regulated AMC. Twenty-six States requested a one-year extension and were approved by the ASC and FFIEC. Those extensions expired on August 10, 2019. Currently, all States, except for the Territories, are registering AMCs.
- Approximately 44 States are using the Unique Identifier. He and B. Kelly spoke with Illinois last week and they will work with B. Kelly to implement it in their State.
- J. Park requested D. Bunton update the ASC on recent Appraisal Foundation (Foundation) activities:

D. Bunton said the Appraiser Qualifications Board (AQB) will release an Exposure Draft on September 5th regarding the Practical Applications of Real Estate Appraisal project. The next AQB Meeting will be held in St. Petersburg, FL on November 1st. The AQB plans to hold Meetings in February and April of 2020 to refine the Exposure Draft.

The Appraisal Standards Board (ASB) will release the 2020-21 edition of USPAP on October 1st. The ASB will release a Concept Paper regarding Evaluation Standards in USPAP on September 3rd and hold a webinar on September 10th. They are also

discussing new standards on developing and reporting evaluations. The ASB will meet on October 18th and will accept public comment from stakeholders. D. Bunton added that States vary in their regulation of evaluations. If a State defines an evaluation as an opinion of value, that falls under the State Appraiser Board's jurisdiction. R. Taft asked if the Foundation has been in contact with States regarding this issue. D. Bunton responded "yes" and thanked the ASC for their time.

- J. Park continued with his report. ASC staff is working with staff from the FRB Center for Learning Innovation to facilitate the ASC Roundtable (Roundtable). He asked ASC members for possible topics for the Roundtable. He suggested that a discussion on how data is used could be the lead topic of the Roundtable. A. Lindo asked if this would include data quality and integrity. J. Park responded yes, as well as how data is updated and sources of data that are considered reliable. J. Schroeder suggested asking previous Roundtable participants to provide discussion items.
- An update of HR 3619 entitled Appraisal Reform Act of 2019 was requested by R. Witt. J. Park noted that this is a bipartisan bill that appears to have support in the House, and it is his understanding that a companion bipartisan bill is being drafted in the Senate to amend Title XI to provide the ASC with the authority to modify annual registry fees for AMCs, maintain a national registry of trainees, and expand grants to the States. The House Bill may include a provision to add a designee of the Department of Veterans Affairs to the ASC and amend RESPA by adding a requirement to disclose appraisal fees separately from other fees. J. Park noted that appraisers want their fee disclosed separately from the AMC fee. R. Taft asked if this would be per transaction and J. Park responded "yes." R. Witt asked if the ASC has an even number of members, how that could affect voting. J. Park said that the Rural Development section of USDA may be asked to add a member as well which would give a total of nine ASC members. J. Park said there is also discussion of allowing FHA to add Licensed appraisers to the Appraiser Roster which could help rural markets.
- **Delegated State Compliance Reviews**

A. Bohorfoush reported on State Appraiser Program Compliance Reviews completed pursuant to delegated authority since the ASC's May 8th Meeting. Seven State Appraiser Program Compliance Reviews were finalized and approved by the Executive Director under delegated authority. Kentucky, Mississippi and Nebraska were awarded a Finding of "Excellent" and all will remain on a two-year Review Cycle. Delaware, District of Columbia, Florida and South Carolina were awarded a Finding of "Good" and will all remain on a two-year Review Cycle.

A follow-up Review of the Massachusetts Appraiser program was conducted. They have made progress in 4 of the 5 areas that were out of compliance in 2018. However, 2 of the areas of concern from 2018 are now out of compliance. ASC staff is requiring Massachusetts to provide written plans to address these issues.

There were three State AMC Program Compliance Reviews finalized and approved by the Executive Director under delegated authority. Nebraska and South Carolina were awarded a Finding of “Excellent” and both will remain on a two-year Review Cycle. Delaware was awarded a Finding of “Good” and will remain on a two-year Review Cycle.

R. Taft requested the ASC staff to create a chart showing how States have performed over the past 3-4 years as a whole, rather than individually.

- **Grants Report**

M. Abbott provided an update on the Grants Program. A Handbook is being developed and will include the process and policies for awards, oversight, auditing and reporting. It will encompass the grants and cooperative agreements. Funds will be provided either through the procurement or grant process. The ASC will need to approve the Handbook. The Handbook will be posted on the ASC website and available under the Freedom of Information Act. As the Handbook will be an internal document, public comment is not required. M. Hatheway asked if the ASC would be able to review a draft of the Handbook in advance of the November 13th ASC Meeting. M. Abbott responded “yes.” J. Park noted that if the ASC is not available for a Briefing, one-on-one Meetings can be scheduled with ASC members. A. Lindo noted that the policies in the Handbook should be prioritized. M. Abbott said that the Handbook will expand on what the ASC is already doing and make the grants program more robust. The ASC will also need to contract with an outside auditing firm or an Inspector General’s Office from another Federal agency to perform audits of grants including those awarded to the Foundation. He added that Indirect Costs Rates for Foundation grants will have to be approved on an annual basis.

- **Financial Manager**

G. Hull reported on grant reimbursement requests processed since the May 8th ASC Meeting. The reimbursements, totaling \$126,182, covered the period of January through May for costs of the ongoing work of the AQB and the ASB. Other expenses included an AQB Meeting and ASB Meeting. Thus far, \$203,837 of the \$350,000 Foundation grant has been expended with a remaining balance of \$146,163. Grant expenses for the Investigator Training Program (ITP) for January through May totaled \$88,539 and overall expenditures of \$93,987. This leaves a balance of \$184,013 of the \$278,000 ITP grant. R. Taft noted that the FY19 financial statement shows 50% of the grants have been expended. G. Hull responded that funds are accrued monthly and is not the actual amount reimbursed. A. Lindo asked if the grants will be fully expended in FY19. J. Park responded that the Level One ITP course was held in April with the Level Two course in August and Level Three in September. He thought the grants would be nearly or fully expended. He also noted that ITP attendance was down in 2018 so expenses were less than anticipated. R. Taft asked if unspent grant amounts from the ITP can be reallocated to the Foundation grant. J. Park responded “yes.” M. Abbott added that this practice could change in the future. The ASC could move to, for example, a three-year grant program and unexpended funds could be rolled over to the 2nd year and would be reduced commensurately in the 3rd year. M. Hatheway noted that there are more options for how the funds can be used. M. Abbott suggested challenge grants and working

with community colleges to develop training for those interested in entering the appraisal profession.

G. Hull also reported on the FY19 budget through June 30th. The FY19 revenue is slightly higher than anticipated due to National Registry credentials remaining level along with AMC revenue fee collections. Expenditures are at or near projected levels.

- **Notation Vote**

L. Schuster reported that the notation vote to approve the 2018 ASC Annual Report passed with a 7-0 vote on May 14th.

ACTION ITEMS

- **May 8, 2019 Open Session Minutes**

M. Hatheway made a motion to approve the May 8th open session meeting minutes as presented. R. Taft seconded and all members present voted to approve. The vote passed 5-0 with J. Schroeder abstaining as he was not the CFPB representative at the time.

- **July 9, 2019 Open Session Minutes**

M. Hatheway made a motion to approve the July 9th open session meeting minutes with edits which were discussed. R. Taft seconded and all members present voted to approve. The vote passed 5-0 with J. Schroeder abstaining since he was not the CFPB representative at the time.

- **FY20 ASC Budget Proposal**

G. Hull presented the FY20 ASC Budget. Appraiser Registry fees for FY20 are estimated to be \$3.8M and AMC Registry fees \$2.9M. Expenses are estimated to be \$4.1M. This does not include the Foundation or ITP grants as those will be on the agenda of the November 13th ASC Meeting. R. Taft asked how AMC Registry fee revenue was estimated. G. Hull responded that an average of 117 AMCs was estimated per State with an average of 30 appraisers per AMC. This estimate was reached by looking at invoices for States who are already submitting information to the AMC Registry and multiplied by the number of States. Because States are not required to submit information to the AMC Registry until June of 2020, he used two-thirds of that total which is \$2.9M. M. Hatheway stated that the estimate could be high. G. Hull noted that \$500,000 has already been received in FY19 when ASC staff estimated there would be no AMC Registry fee income. R. Taft said that larger States such as California and New York will be higher than the estimate. T. Segerson cautioned on over or underestimating the AMC Registry fee income. J. Park stated that there has been a 20% decrease in AMCs in the past few years with more consolidation of AMCs in the next few years. J. Schroeder asked if the AMC Registry fee income is lower than anticipated how that would affect the budget. G. Hull responded that expenses are \$4.1M for FY20 and he did not see that the budget would be greatly affected if the fee income is lower. M. Abbott suggested that unspent budget funds be set aside for grant initiatives to be determined rather

than adding them to the reserve account. R. Taft asked for clarification on the IT Projects. B. Kelly responded that \$300K is requested to rebuild the ASC website and for development and design of Compliance Review Software. \$36K is requested for enhancements to the National Registries and website and \$10K is requested to assist States with implementation and utilization of the Unique Identifier program. M. Hatheway asked how software would be chosen for these projects. B. Kelly responded that there are plenty of options and he will work with the ASC IT contractors to determine the best choice. J. Schroeder asked for clarification of the Independent Auditor Contract. M. Abbott responded that once policies for the Grants Program are approved and implemented, the ASC will contract with an audit firm to conduct an audit of the Appraisal Foundation. These audits will be conducted periodically in future years. R. Taft noted that FY20 expenses are nearly \$1M higher than FY19 due to increased costs for the Grants Program, IT projects, and new staff and asked what other areas have been increased. G. Hull responded that most areas of the budget have increased for FY20. R. Taft made a motion to approve the ASC FY20 budget as presented. T. Segerson seconded and all members present voted to approve. A. Lindo asked G. Hull to update the ASC on AMC registry fee income at future ASC Meetings.

The Open Session adjourned at 11:20 a.m. The next ASC Meeting will be held on November 13, 2019.