

**APPRAISAL SUBCOMMITTEE  
OPEN SESSION MEETING MINUTES  
AUGUST 29, 2018**

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

**ATTENDEES**

**ASC MEMBERS:** FRB – Art Lindo (Chair)  
CFPB – Veronica Spicer  
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  
Administrative Officer – Brian Kelly  
Policy Manager – Jenny Tidwell

**OBSERVERS:** Appraisal Foundation – Dave Bunton  
Appraisal Foundation – Edna Nkemngu  
Appraisal Institute – Brian Rodgers  
CFPB – Deana Krumhansl  
CFPB – Philip Neary  
FDIC – Michael Briggs  
FDIC – Rich Foley  
FDIC – Ben Gibbs  
FRB – Gillian Burgess  
FRB – Carmen Holly  
FRB – Matt Suntag  
FRB – Kirin Walsh  
OCC – Will Binkley  
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. He said that the FFIEC will meet on September 13<sup>th</sup>, but the ASC is not scheduled to make a presentation at that meeting.

- **Executive Director**

J. Park updated the ASC on recent staff activities.

- J. Park reported that the AMC Registry was operational on July 16, 2018. Rhode Island has added seven AMCs thus far. ASC staff developed a PowerPoint presentation that provides an overview of the AMC Registry system as well as a YouTube webinar entitled “Implementation of AMC Programs for State Regulators.” Links to both items are in the What’s New box on the ASC website. Also available on the website is a chart showing the States’ Status on Implementation of AMC Programs.
- On August 1<sup>st</sup>, the ASC received a joint temporary waiver submission from the North Dakota Governor’s Office, North Dakota Department of Financial Institutions and North Dakota Bankers Association. The ASC staff is currently reviewing the submission.
- ASC staff attended the Appraisal Standards Board (ASB) Work Session in July in Washington, DC and the Appraisal Foundation Board of Trustees Meeting in June in Cleveland, OH.
- Under other items, J. Park announced that ASC staff will be working remotely as of October 1, 2018. ASC staff will have a mailing address and office space available for meetings and staff use. G. Hull was presented with a plaque for five years of service with the ASC and A. Ritter was presented with a plaque for ten years of service.

- **Delegated State Compliance Reviews**

A. Bohorfoush reported on State Compliance Reviews completed pursuant to delegated authority since the ASC’s May 9<sup>th</sup> Meeting. Eight State Compliance Reviews were finalized and approved by the Executive Director under delegated authority. Connecticut and Louisiana were both awarded a Finding of “Excellent” and will remain on a two-year Review Cycle. Alabama, Arkansas, Georgia, Missouri, Nevada and Texas were awarded a Finding of “Good” and all will remain on a two-year Review Cycle.

A. Bohorfoush said that Illinois has addressed each of the ASC’s concerns. A Follow-up Review is scheduled for September 5<sup>th</sup>.

- **Financial Manager**

G. Hull reported that National Registry fee revenue as of June 30<sup>th</sup> was \$2.9M. This is a \$300,000 increase over the same period in 2017 and 84% of the total targeted FY18 revenue estimate of \$3.5M. Expenditures through June 30<sup>th</sup> totaled \$2.8M. This represents 78% of the ASC's total budgeted expenditure amount of \$3.6M. The cumulative ASC Reserve balance, as of June 30<sup>th</sup>, was \$4.8M. He added that, due to increased revenue collections and asset expense reclassification, along with savings in the areas of travel and unexpended grant funds, the ASC is projecting a net loss of approximately \$21,000.

G. Hull reported that the Appraisal Foundation (Foundation) submitted grant reimbursement requests for January-April in the amounts of \$18,000, \$44,000, \$21,000 and \$45,000, respectively. These requests covered costs for AQB and ASB expenses for Meetings as well as the Investigator Training Program. Of the \$660,000 total grant award, \$404,000 remains available.

- **Notation Votes**

- **Notation Vote to approve the 2017 ASC Annual Report**

The notation vote passed by a 7-0 vote on May 11, 2018.

- **Notation Vote on the Request for Extension of the Implementation Period to August 10, 2019, for the State of South Dakota to establish an AMC registration and supervision program**

The notation vote passed 7-0 on June 25, 2018.

- **Notation Vote on the Request for Extension of the Implementation Period to August 10, 2019, for the State of Michigan to establish an AMC registration and supervision program**

The notation vote passed 7-0 on July 31, 2018.

- **Notation Vote on the Request for Extension of the Implementation Period to August 10, 2019 for the District of Columbia to establish an AMC registration and supervision program**

The notation vote passed 7-0 on July 31, 2018.

- **Notation Vote on the Request for Extension of the Implementation Period to August 10, 2019 for the State of New Hampshire to establish an AMC registration and supervision program**

The notation vote passed on a 7-0 vote on July 31, 2018.

## **ACTION ITEMS**

- **April 23, 2018 Open Session Minutes**

R. Taft made a motion to approve the April 23<sup>rd</sup> open session meeting minutes as amended by M. Hatheway. V. Spicer seconded and all members present voted to approve.

- **May 9, 2018 Open Session Minutes**

M. Hatheway made a motion to approve the May 9<sup>th</sup> open session meeting minutes as presented. R. Taft seconded and all members present voted to approve.

- **June 8, 2018 Open Session Minutes**

M. Hatheway made a motion to approve the June 8<sup>th</sup> open session meeting minutes as presented. R. Taft seconded and all members present voted to approve.

- **Appraisal Foundation FY19 Grant Proposal**

D. Bunton and E. Nkemngu were present from the Foundation to discuss the FY19 Grant Proposal. They reported the following:

The Foundation adopted AQB Criteria revisions for alternative pathways to obtain a credential; it has been very well received thus far. The Foundation is working on *Practical Applications of Real Estate Appraisal*, which is simulated training using various property models. The program will consist of 75% simulated appraisals and 25% supervisory training. Exam statistics thus far in 2018 indicate a 20% increase in first-time test takers from 2016-17.

The ASB distributed a survey to approximately 500 key stakeholders regarding emerging issues not covered in USPAP. Approximately 100 responses were received. Topics addressed were hybrid and bifurcated appraisals as well as evaluations. The Foundation is proposing one reporting format; users would determine if an appraisal report would be restricted and would need to include a disclaimer as to its purpose.

R. Taft asked if the proposed format would still be called a report. D. Bunton responded that there is no specific terminology as noted in the current Exposure Draft out for comment. R. Witt asked if USPAP would note what has to be contained in the report and what has to be contained in the work file. D. Bunton responded that he would forward the question to J. Brenan. Regarding the simulated training, A. Lindo asked if the simulations would be easily adjustable to match changing economic conditions. D. Bunton responded that a 12-minute demo is being developed for the upcoming AQB Meeting. The Foundation has not partnered with a company to develop the simulations and will go through the Request for Proposal process. R. Witt said that Trainees will still need to find a Supervisory Appraiser for the hands-on training.

In regard to the Investigator Training Program (ITP), D. Bunton said approximately 1,000 State staff have attended the three courses. Attendance at levels two and three decreased in 2018, so the fund request for 2019 decreased as well. He added the request for \$2,000 for an instructional designer has been removed from the Proposal. A. Lindo asked what the biggest

challenge for the Foundation has been thus far in 2018. D. Bunton responded that there have been efforts in States to carve out USPAP exemptions. He added that proposed changes in USPAP should reduce that effort. The Foundation is also considering extending the cycle of USPAP to 3-4 years rather than the current 2-year cycle. The International Valuation Standards have gone to a 4-year cycle. There is the unanswered question of what will happen if there is a change that takes place mid-cycle. A. Lindo asked how alternatives to USPAP are affecting appraisals. D. Bunton responded that Virginia allows appraisals that are not in compliance with USPAP; but the Federal interagency guidelines still need to be followed.

- **FY19 ASC Budget Proposal**

J. Park discussed the FY19 ASC budget proposal. The ASC may see an increase in revenue based on FY18 projected revenue. J. Park said the Bureau of Labor Statistics is anticipating a 14% increase in appraisers/assessors. AMC Revenue is not included in the FY19 budget proposal. Regarding expenses, J. Park said converting all staff to remote duty will save approximately \$250,000 in lease and personnel expenses. A. Lindo asked how staff would communicate once all staff are working remotely. J. Park responded that staff currently uses Skype and Microsoft Team to work collaboratively. He added that personnel expenses would increase due to a proposed 1.9% salary increase and scheduled staff step increases. The proposed budget also requests to fill the vacant Regulatory Affairs Specialist and a new Grant Administrator position. Travel costs were increased due to adding an extra day to Compliance Reviews to review States' AMC Programs. Staff also anticipates a 59% increase in contracted services by GSA/USDA. Asset depreciation is included in the budget proposal; this was not included in previous budgets. A request of \$10,000 was also included in the proposal to develop an AMC Investigation Training Course and \$10,000 for the Roundtable in November. M. Hatheway asked about where data would be housed, as well as costs for IT servers. B. Kelly responded that the servers are stored with our data center. Internally the ASC uses Office 365 under a contract with government-secured services. M. Hatheway asked if files are backed up regularly. B. Kelly responded that files are backed up nightly to a data center outside of the Washington, DC area. He added that \$40,000 is included in the budget proposal to create a back-up and recovery service to support the server network. The addition of this feature would provide a 48-72 hour recovery window if any files needed to be restored.

J. Park said ASC staff is recommending \$350,000 for the Foundation grant to cover grant-eligible activities of the AQB and ASB and \$278,000 for the ITP. The Foundation requested \$730,000 to fund the grant-eligible activities of the AQB and ASB. If that amount were approved, the ASC would have to use a significant portion of its Reserve. M. Hatheway asked how the Foundation would use the proceeds of a separate, related request to reprogram \$8,000 for course redesign. D. Bunton responded that \$7,500 is budgeted, which amounts to \$2,500 per course. The total was raised to \$8,000 to cover more extensive revisions to be developed by an instructor and former Foundation board member. M. Hatheway suggested that an independent consultant who does not have ties to the Foundation should be used to ensure transparency of selection and content development. After further discussion, R. Taft

moved to approve the FY19 ASC budget as presented and to approve the FY19 Foundation grants in the amounts of \$350,000 for grant-eligible activities of the AQB and ASB and \$278,000 for the ITP. C. Walker seconded and all members present voted to approve.

- **FY19-23 ASC Strategic Plan**

J. Park presented the FY19-23 ASC Strategic Plan which would become effective on October 1, 2018, if approved. He met with ASC members over the past several months to discuss the Strategic Plan. V. Spicer moved to approve the Plan with edits as discussed. R. Taft seconded and all members present voted to approve. A. Lindo requested semi-annual progress reports from ASC staff at Open Session Meetings.

The Open Session adjourned at 11:15 a.m. The next ASC Meeting will be November 14, 2018.