

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
SEPTEMBER 10, 2014**

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

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
CFPB – Mira Marshall
FDIC – Rae-Ann Miller
FHFA – Robert Witt
HUD – Ada Bohorfoush
NCUA – Tim Segerson

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

OBSERVERS: Appraisal Foundation – David Bunton
Appraisal Foundation – Kelly Davids
Appraisal Foundation – Cathy Johnson
Appraisal Foundation – Elizabeth von Habsburg
Appraisal Institute – Brian Rodgers
FDIC – Suzy Gardner
FRB – Ginny Gibbs
FRB – Carmen Holly
FRB – Kevin Wilson
OCC – Bob Parson
REVAA – Donald Kelly
REVAA – Mark Schiffman

The Meeting was called to order at 10:35 a.m. by A. Lindo. D. Graves and T. Segerson attended via telephone.

<OPEN SESSION>

REPORTS

- **Chairman**

A. Lindo welcomed the observers to the Meeting. He recapped a few of the ASC's accomplishments for Fiscal Year 2014 (FY14): the revised Compliance Review process and rating system is in place and has resulted in a decrease in the turnaround time for finalizing Reviews; the ASC Advisory Committee was created and is working on recommendations to the ASC; and ASC staff started discussions on setting standards and a budget for the State Grant Program. He also noted that ASC staff and members will reassess how to run the ASC more effectively and he thanked ASC staff for their efforts on these projects.

- **Executive Director**

J. Park reported on ASC staff activities since the ASC's June 11th Meeting. He and D. Graves have monitored several conference calls held by the Foundation Boards. He further detailed the ASC's accomplishments for FY14 that were included in the ASC Operating Plan. 31 Compliance Reviews were scheduled for FY14 of which 19 have been completed with 12 in process. 4 Follow-up Reviews were scheduled with two completed and two in process. The FY14 Operating Plan calls for Compliance Reviews to be completed within 120 days of onsite review. So far in FY14, the average turnaround time has been 82 days. FY14 was the first full year the Revised Policy Statements were in effect and all indications are that they are operating as intended and feedback from States has been positive. Staff has attended all Appraisal Foundation meetings and conference calls, provided written comments to exposure drafts as necessary and reviewed grant reimbursement requests expeditiously for payment. Staff is ready to begin development of the AMC National Registry and Policy Statements once the federal AMC Rules are final. The Appraisal Complaint National Hotline continues to run smoothly. Approximately 8,000 hits on the website and call center have been received resulting in over 350 referrals to Federal agencies and over 1,000 referrals to State agencies. There is no evidence to suggest that the States or Federal regulators have experienced a significant increase in actual complaint filings. J. Park anticipates that ASC spending will come in under budget for FY14 and revenue should exceed projections by 1.2%.

B. Parson asked if there is a target for Compliance Review turnaround time. J. Park said no target has been established but it has decreased from over 200 days in 2009 to 82 days in 2014. M. Marshall asked what the longest turnaround time was for FY14. D. Rhoads responded that one Compliance Review took approximately five months to complete.

- **Delegated State Compliance Reviews**

D. Rhoads reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's June 11th Meeting. There were two State Compliance Reviews finalized and approved by the Chairman under delegated authority. Georgia was awarded a Finding of "Needs Improvement" and will remain on a two-year Review Cycle with a Follow-up Review. Pennsylvania was awarded a Finding of "Needs Improvement" and will remain on a two-year Review Cycle with off-site monitoring. There were four State Compliance Reviews finalized and approved by the Executive Director under delegated authority. Washington was awarded a finding of "Excellent" and will remain on a two-year Review Cycle. Arkansas, Maryland and Missouri were each awarded a finding of "Good" and all will remain on two-year Review Cycles.

- **Financial Report**

G. Hull reported on highlights of the ASC's FY15 proposed budget. Revenue is projected to be \$3.58 million with approximately \$370,000 deducted for PAYGO. Operating expenses are estimated to be \$3.23 million and the projected deficit for FY15 could be \$222,000. ASC staff proposes an additional hire of an Administrative Officer in FY15, and if approved, would increase the staff total to 13. Funding for FY15 is requested for items including Advisory Committee Meetings, IT projects such as the Appraiser Unique Identifier, the development of the AMC National Registry and redesign of the Appraiser National Registry. Appraisal Foundation grant funding is proposed to include \$250,000 for the Foundation to help defray costs of the AQB and ASB. The State Grant is proposed to be \$279,060 based on initial estimates for State Investigator Training, and \$40,000 was requested by the Foundation for a 7-hour online USPAP course targeted towards State appraisal regulators. Sequestration would still be in effect for FY15. The Office of Management and Budget is continuing to review whether sequestration applies to the ASC. Based upon the previous years, the US Treasury will deduct the appropriate amount for sequestration at the end of FY15.

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

A. Ritter reported that ASCAC continues to make good progress and participants are working on recommendations to the ASC. Interests appear to be well represented based on the Balanced Membership Plan. A. Ritter commended the ASC's Designated Federal Officer, L. Schuster, for her work on ASCAC meeting logistics and providing support to the ASCAC Chair and members. L. Schuster reported that ASCAC met on July 22-23rd and will hold its next meeting on October 15-16th in Arlington, VA. They will also meet on February 12-13, 2015, in the DC area. Meeting information is available on the ASC's website under the Advisory Committee tab.

ACTION ITEMS

- **June 11, 2014 minutes – Open Session**

R. Miller made a motion to approve the June 11th open session meeting minutes with edits as discussed. R. Witt seconded and all members present voted to approve.

- **Notation Vote to amend the ASC Advisory Committee Charter and Advisory Committee Balanced Membership Plan**

The notation vote to amend the ASC Advisory Committee Charter and the Advisory Committee Balanced Membership Plan passed by a 7-0 vote on June 16, 2014.

- **FY15 Appraisal Foundation Grant Proposal**

E. Von Habsburg, the Board of Trustees Chair, noted it was the 25th anniversary of the AQB and ASB and thanked the ASC for its support over the past several years.

D. Bunton presented the FY15 grant proposal. He said the Foundation hired a Regulatory Attorney on a contract basis in February 2014 and a portion of the consulting fees for this person are included in the grant proposal. A technical writer was engaged on a consultative basis as of August 1st and is currently working with the APB, but will also work with the ASB on USPAP revisions. He said that travel expenses have increased and will not affect Foundation Board meeting travel, but Investigator Training travel costs will increase. The AQB would like to appoint up to three new members this fall bringing the total to nine members due to some members' terms expiring this year. Funding is also requested for three AQB Meetings and two ASB Meetings. The Revised AQB Criteria go into effect on January 1, 2015, and the AQB continues to research the need for background checks. Funding is also requested to update the license examinations and review what exam questions are no longer needed. A. Lindo asked why USPAP needs to be updated so frequently. D. Bunton described the production of USPAP over the years and said that appraisers would like it to be more stable and distributed every two years with guidance issued in between cycles. A. Bohorfoush thought the USPAP standards were more focused towards litigation. D. Bunton answered that input from State regulators may be the cause and he will share her concerns with the ASB. A. Lindo said he would like to defer voting on the Appraisal Foundation FY15 grant as some issues need to be clarified and other members agreed.

- **FY15 State Grant – Appraisal Foundation Education Proposal**

D. Bunton gave an overview of a proposed course to help State regulators understand USPAP. The Foundation is currently working with an online vendor and the course would not be in use until October 2015. If approved, grant funds would be used this year to develop the course. A. Bohorfoush said the ASC has been tasked by Dodd-Frank to provide grants to States and many States would like the grants to be in the form of education. She

was concerned that grant funds for this purpose may need to follow the Federal grant process which could include sending out Requests For Proposals (RFP) to vendors or finding a vendor on the General Services Administration's vendor schedule. She also said the process should be transparent. R. Witt thought the RFP process would have to follow Federal Acquisition Regulations. M. Marshall asked if the Foundation should be following a Federal grant process or would the ASC allow the Foundation to oversee development of the course. D. Bunton said the Foundation did submit an RFP to online education course providers several years ago. He added that two of the course authors are former State Board Chairs and two current State regulators would be hired as subject matter experts. J. Park said the vendor that won the RFP was originally chosen to develop a different course. D. Bunton responded that the vendor has already done two USPAP courses. M. Marshall suggested that the ASC General Counsel look at the proposal to determine if single source justification was handled appropriately and contracting rules were followed. A. Ritter said there have been discussions at the staff level, but it would require additional research.

- **Appraisal Foundation Supplemental Grant Proposal**

D. Bunton said a job task analysis plays a key role in examination development. The Foundation did not include this project in its FY14 grant request because the AQB was not sure if a job task analysis would be done this year, but he does feel it is a valid Title XI expense. B. Parson reiterated D. Benhart's concern that he would like more background information. A. Ritter noted this proposal would be an amendment to the FY14 budget which ends on September 30th. A. Lindo said he would like a Briefing and the ASC could possibly hold a special meeting to vote on the matter. A. Ritter said a notation vote could be done on this item as it falls under non-controversial items. D. Bunton asked when the ASC might vote on the supplemental grant. J. Park said the next ASC Meeting is November 12th but this would be handled via notation vote before then.

- **ASC FY15 Budget Proposal**

J. Park said the ASC has several options: the ASC could defer voting on the ASC FY15 budget until November; vote on the operating budget only; or vote on the overall budget. A. Lindo said he would be comfortable voting on the FY15 operating budget today, with the exception of the Foundation and State grant items. M. Marshall suggested voting on the overall budget and leaving in placeholders for the grant items. She also asked for more information on the proposed IT projects. J. Park responded that staff still needs to do significant research on the IT projects, but he wanted a placeholder in the budget. M. Marshall moved to approve the overall operating budget in the amount of \$3,802,196 with the understanding that the grants will be voted on separately. A. Bohorfoush seconded and all members present approved.

The Open Session adjourned at 11:50 a.m. The next ASC Meeting will be November 12, 2014.