

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
SEPTEMBER 13, 2017**

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
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
Policy Manager – Kristi Klamet
Policy Manager – Vicki Metcalf
Policy Manager – Jenny Tidwell
Management and Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly

OBSERVERS: American Society of Appraisers – John Russell
Appraisal Institute – Bill Garber
Appraisal Institute – Brian Rodgers
CFPB – Deana Krumhansl
CFPB – Philip Neary
FDIC – Michael Briggs
FDIC – Suzy Gardner
FDIC – Mark Mellon
FDIC – Tony Womack
FHFA – Ming-Yuen Meyer-Fong
FRB – Gillian Burgess
FRB – Carmen Holly
FRB – Matt Suntag
JPMorgan Chase Bank - Sirisha Kalicheti
OCC – Kevin Lawton
OCC – Chris Manthey
OCC – Joanne Phillips

Pro Teck Valuation Services – Jeff Dickstein
REVAA – Mark Schiffman
REVAA – Tom Tilton

PRESENTERS: David Bunton – Appraisal Foundation
Edna Nkemngu – Appraisal Foundation

The Meeting was called to order at 10:05 a.m. by A. Lindo.

REPORTS

- **Chairman**

A. Lindo welcomed observers to the Meeting. He noted that, due to the natural disasters in the past few weeks, there is a considerable amount of interest in the role that appraisals will have on reconstruction in areas with considerable damage.

- **Executive Director**

J. Park introduced Cheryl Walker as the new HUD representative. He reported that the Unique Identification Number (UID) was launched on July 17th. Eight States have converted to UIDs with an additional 10-15 States expected to convert in the coming weeks. Upgrades to the National Registry have also been rolled out that have improved search times and presentation of results. There were some minor issues but they have been resolved.

- **Delegated State Compliance Reviews**

A. Bohorfoush reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's May 10th Meeting. Seven State Compliance Reviews were finalized and approved by the Executive Director under delegated authority. Idaho, Iowa, Mississippi and New Hampshire were each awarded a Finding of "Excellent" and all will remain on a two-year Review Cycle. The District of Columbia, Maine and Nebraska were each awarded a Finding of "Good" and all will remain on a two-year Review Cycle.

- **Financial Manager**

G. Hull reported on the Appraisal Foundation's March – June 2017 grant reimbursements. These requests covered the work of the Foundation's Boards as well as Investigator Training. The total grant budget for FY17 is \$659,085 and \$276,000 remains available. J. Park noted that the Investigator Training course scheduled in Tampa, FL for September 11-13 was cancelled due to Hurricane Irma and will be rescheduled. It was obligated in the FY17 grant and will be accrued so it will not impact the FY18 ASC budget.

ACTION ITEMS

- **May 10, 2017 Open Session Minutes**

R. Taft made a motion to approve the May 10th open session meeting minutes as presented. V. Spicer seconded and all members present voted to approve.

- **Appraisal Foundation FY18 Grant Proposal**

D. Bunton and E. Nkemngu presented the FY18 Appraisal Foundation (Foundation) grant proposal in the amount of \$1,124,410. The Appraiser Qualifications Board (AQB) has been working on revisions to the Criteria. The AQB is considering possible alternatives to the current experience requirements for each of the three classifications. In addition, the AQB is pursuing a track whereby experienced State Licensed appraisers in good standing may seek the Certified Residential credential without possessing a bachelor's degree. The AQB will issue an exposure draft regarding these changes and could potentially adopt the Criteria at its February 2018 Meeting. The AQB is also updating the questions for the National Uniform Appraiser Licensing and Certification Examination. D. Bunton noted that for the period covering January 1, 2016 through July 1, 2017, the number of first time test takers was 22% higher than the previous period. A. Lindo asked if the increase was geographical. D. Bunton responded that there was an increase of test takers in the south central United States. M. Hatheway asked if the Foundation tracks the age demographics of test takers. D. Bunton responded yes and he will forward it to the ASC. He said that there was an increase in test takers under the age of 40.

The Appraisal Standards Board (ASB) expects that the 2018/19 edition of USPAP will be available on October 1st. The ASB will conduct a comprehensive survey of stakeholders to determine what areas of USPAP need further clarification and what emerging issues currently not addressed by USPAP should be included in the next edition. The Foundation envisions USPAP going to 4-year cycle depending on the results of the survey.

The State Investigator Training Program (ITP) collaborative effort between the ASC, Foundation and AARO continues to be well received by attendees. Funding is requested for one session each of the Level One, Two and Three courses in FY18. D. Bunton and A. Lindo asked if the ASC Policy Managers have noticed an improvement in States' enforcement programs. D. Graves responded that staff has compiled a chart that shows there has been improvement in State enforcement and she will send it to the ASC. D. Bunton said that the ITP courses will be updated to include the 2018/19 edition of USPAP. R. Taft asked if the course attendee size is reasonable. D. Bunton responded that they try to keep course size at 50 students or less.

D. Bunton said that the FY17 grant accounted for 16% of Foundation revenue and makes up 52% of the AQB and ASB budgets. He did forward a copy of the 2017 Foundation budget to the ASC that shows how much the grant makes up for the budgets of the AQB and ASB.

- **ASC FY18 Budget Proposal**

J. Park discussed the ASC's FY18 proposed budget. While the number of appraisers on the National Registry has been decreasing approximately 2% annually since 2010, it appears this decline may be leveling off. Operating expenses are estimated to be approximately \$2.9 million with revenue estimated at \$3.5 million. Staff is recommending funding \$660,000 for the Foundation and State FY18 grant. Of this amount \$350,000 would go towards the State grant (ITP) and \$300,000 would be for the Foundation's grant-eligible activities. If the budget is approved as presented, the ASC would have a budget deficit of approximately \$153,000 for FY18. The ASC has approximately \$4.5 million in reserves. Operating expenses and the Foundation grants are included in the reserves.

J. Park discussed the operating expenses. He noted that the ASC currently has 12 employees and is authorized up to 15 full-time equivalents. The position for the Regulatory Affairs Specialist is proposed for hire in the fourth quarter of FY18. Staff is requesting fewer trips in FY18 due to fewer Foundation Meetings and State Priority Contact visits. The ASC's lease at its current location expires in October 2018. While the potential move would not take place until FY19, \$20,000 is budgeted for any advance expenses, such as construction that may be needed in FY18 once a location is selected. The ASC has upgraded the National Registry, computer hardware and infrastructure in FY17, which will decrease some computer-related costs in FY18. R. Taft asked if the amount used for hotel rates in travel is based on actuals. G. Hull responded "yes" because costs had decreased in FY17. D. Graves added that Compliance Reviews that occur in smaller cities generally have lower hotel rates. M. Hatheway said she was supportive of the ASC's FY18 proposed budget as presented. C. Walker moved for approval of the FY18 budget and Foundation grant as recommended by staff. This includes \$2.973 million for operating expenses, \$350,000 for the Foundation grant and \$310,000 for the State grant (ITP). M. Hatheway seconded and all members present voted to approve.

- **Final Rulemaking – AMC National Registry Fee Implementation**

A. Ritter presented the Final Rule for the AMC National Registry Fee Implementation. The Final Rule is substantially similar to the Proposed Rule. The ASC received 104 comments on the Proposed Rule. A majority of comments were from appraisers concerned that AMCs would pass the registry fee on to the appraisers. She said that the ASC does not have authority to regulate this concern. Some commenters raised issues concerning federally-regulated AMCs being required to report to States that do not or cannot regulate them. The ASC will continue to monitor this issue with the Agencies. The Final Rule approval was delayed due to the Regulatory Freeze put into effect on January 20, 2017. In June, the Office of Management and Budget (OMB) determined that the ASC could move forward on the Final Rule. After a brief discussion, V. Spicer moved for approval to allow ASC staff to make minor non-substantive edits and to publish the Final Rule in the *Federal Register* with an effective date of 60 days from the date of publication. T. Segerson seconded and all members present voted to approve.

- **Revised ASC Policy Statements for approval to repost in *Federal Register* for public comment**

A. Ritter presented the Revised Policy Statements. The Policy Statements had been published in the *Federal Register* in January 2017 with a 90-day comment period. The comment period was suspended due to the Regulatory Freeze that was effective on January 20, 2017. The OMB has given the ASC approval to repost the Policy Statements for comment. A. Ritter suggested the Policy Statements have a 60-day comment period once they are published. R. Taft questioned the 60-day comment period instead of the 90 days allowed in the earlier submission. A. Ritter responded that the earlier version was finalized during the holiday season so extra time was added to the comment period. A. Lindo questioned the possible burden that the Policy Statements could have on States. A. Ritter responded that the Policy Statements provide guidance to implement requirements of Title XI and States can choose not to have a program. J. Park said that the argument could be made that the Policy Statements lessen the burden. A. Ritter noted that every requirement in the Policy Statements was tied to Title XI. R. Taft moved to approve the Policy Statements for publication with a 60-day comment period in *Federal Register*. M. Hatheway seconded and all members present voted to approve.

- **Agency Reform Plan for submission to the Office of Management and Budget**

J. Park presented the Agency Reform Plan that is due to OMB on September 30th. There has been no response from OMB to the ASC's draft reform plan. The ASC is also drafting a Strategic Plan for the period of 2019-2024 as the current Plan goes through 2018. V. Spicer noted that the applicability of this exercise to independent executive agencies is not clear. A. Ritter responded that OMB said that this exercise did apply to self-funded agencies. V. Spicer cautioned against cost efficiency over effectiveness. After further discussion, there was consensus among the members that the Plan be sent to the OMB.

The Open Session adjourned at 11:20 a.m. The next ASC Meeting will be November 8, 2017.