

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
AUGUST 10, 2011**

LOCATION: Office of the Comptroller of the Currency, 250 E Street SW, Room 7C/7CA,
Washington, DC 20219

ATTENDEES

ASC MEMBERS: HUD – P. Gillispie
FDIC – S. Gardner
FHFA – S. Cooper
FRB – G. Gibbs
NCUA – J. Lee
OCC – R. Parson – Voting Representative
OCC – D. Merkle

ASC STAFF: Executive Director – J. Park
Deputy Executive Director – D. Graves
General Counsel – A. Ritter
Administrative Officer – C. Brooks
Administrative Officer – L. Schuster

OBSERVERS: D. Benhart - OCC
D. Bunton – Appraisal Foundation
C. Johnson – Appraisal Foundation
D. Kelly – Real Estate Valuation Advocacy Association
K. LaBelle - OCC
B. Rodgers – Appraisal Institute

The meeting was called to order at 10:45 a.m. by P. Gillispie as Acting Chair in D. Merkle's absence. D. Merkle and J. Lee attended the meeting via telephone.

<OPEN SESSION>

1. Opening Remarks

P. Gillispie welcomed the observers to the meeting.

2. Summary Agenda

- **July 21, 2011 minutes – Open Session**

G. Gibbs moved for approval to place the July 21st minutes on the Discussion Agenda. R. Parson seconded and all members present voted to approve.

3. Discussion Agenda

- **July 21, 2011 Open Session Meeting Minutes**

Following some discussion, ASC members were in general agreement that meeting minutes should include the ASC's determination as to whether a State's Compliance Review is to be performed on a one- or two-year cycle. G. Gibbs moved for approval of the July 21st Open Session minutes with edits. S. Cooper seconded, and all members present voted to approve; R. Parson abstained.

- **Notation Vote on Idaho Request for Extension of the Modified National Registry Fee Effective Date. (The results of the notation vote were read into the minutes by ASC staff.)**

At the July meeting, the ASC approved Idaho's request for an extension to the effective date of the modified Registry fee and agreed to complete a future notation vote on revisions to the supporting documentation. The ASC completed the notation vote, approving the documentation by a 6-0 vote on August 2, 2011.

- **Appraiser Qualifications Board (AQB) Compliance Status for Licensed Appraisers on the National Registry.**

J. Park presented staff's recommendation for the ASC to issue the proposed Supplement to Bulletin 2011-01. He explained that five States with appraisers on the National Registry who are licensed as non AQB-compliant are the target audience for the draft supplement. J. Park noted that ASC Bulletin 2011-11 addresses the Dodd-Frank Act mandate that minimum appraiser license qualification criteria issued by the AQB be mandatory for States that issue appraiser license credentials. The draft supplement clarifies how non-AQB compliant appraisers will be reflected on the National Registry as of July 1, 2013.

In the discussion that followed, ASC members addressed the need for staff to maintain communications with affected States to ensure they are aware the appraiser regulatory programs need to comply with the mandate by July 1, 2013. ASC staff confirmed the affected States are scheduled for Compliance Reviews before July 1, 2013. ASC staff confirmed that inactive appraisers are not required to pay a National Registry fee. There was also a discussion of various scenarios regarding the collection and payment of the National Registry fees for appraisers based on the credential renewal cycle and the appraiser's status.

The ASC members were in general agreement that the National Registry User's Guide will need to be updated to reflect the \$40 National registry fee and the mandatory license appraiser qualification requirements. G. Gibbs moved to approve the ASC staff's recommendations on the treatment of licensed appraisers after July 1, 2013, and to issue the Supplement to Bulletin 2011-01 to the States as edited. S. Gardner seconded and all members present voted to approve.

- **Appraisal Foundation April 2011 Grant Reimbursement Request**

J. Park presented the April 2011 grant reimbursement request in the amount of \$114,496. The request included expenditures for the AQB meeting in Salt Lake City and the Appraisal Standards Board (ASB) meeting in San Antonio. ASC staff was present at both meetings. A discussion ensued about the documented ASC procedures used by ASC staff to review the reimbursement requests to ensure, among other considerations, that the expenses are eligible for reimbursement under the ASC's annual grant. Since the ASC staff procedures have been in place for several years, the ASC was in general agreement that staff should revisit the procedures with the ASC's financial auditors. R. Parson moved to approve the April 2011 grant reimbursement request in the amount of \$114,496. G. Gibbs seconded; all members present voted to approve.

- **Delaware Compliance Review Report and letter**

D. Graves presented the Delaware Compliance Review Report and transmittal letter to the State. ASC staff has determined Delaware is in substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI). As an area of concern, ASC staff noted Delaware's regulations do not fully comply with the minimum criteria established by the AQB. Based on staff's observations, the State was not out of compliance in this area because the State is in the process of promulgating a rule change to correct the inconsistency with the AQB Criteria. Staff recommends Delaware remain on a two-year Review Cycle. After some discussion, the ASC was in general agreement that Compliance Reviews for States in substantial compliance with Title XI should not be addressed as a Summary Agenda item in the Open Session for, among other reasons, to provide an opportunity for a discussion of States' operations, which may underscore some best practices for ensuring program compliance.

G. Gibbs moved for approval of the Delaware Compliance Review Report and letter, noting Delaware is in substantial compliance with Title XI and will remain on a two-year review cycle. R. Parson seconded; all members present voted to approve.

- **Illinois Compliance Review Report and Letter**

D. Graves presented the Illinois Compliance Review Report and transmittal letter to the State. ASC staff has determined Illinois is not in substantial compliance with Title XI. Staff identified the following areas of non-compliance: (1) the process for issuing temporary practice permits does not comply with ASC Policy Statement 5 and the enforcement program does not comply with Policy Statement 10 regarding resolving complaints within one year and maintaining sufficient documentation. As an area of concern, ASC staff noted Illinois does not have sufficient resources to investigate and resolve complaints in a timely manner. In each ASC Compliance Review performed since 2000, ASC staff has noted similar areas of non-compliance or concern. Based on their Compliance Review findings, ASC staff recommends Illinois remain on a one-year Review Cycle.

A discussion ensued regarding potential ways for Illinois and the ASC to address the State's long-standing deficiencies and failure to maintain substantial compliance with Title XI. Particular concern was expressed by Board members about the number of outstanding complaints that were not resolved within one year, which is the ASC policy standard. There was also a discussion of whether the State has sufficient staff and funding resources to achieve substantial compliance with Title XI. ASC members raised questions about the State's process for resolving complaints and a length of time complaints have remained unresolved. ASC staff is scheduled to perform a Compliance Review in November 2011 and will pay particular attention to the State's progress in addressing the back-log of appraiser complaints and the ability of the current staff to effectively administer the enforcement program.

G. Gibbs moved for approval of the Illinois Compliance Review Report and letter, noting Illinois is not in substantial compliance with Title XI and will remain on a one-year review cycle. S. Cooper seconded; all members present voted to approve.

- **Puerto Rico Compliance Review Report and Letter**

D. Graves presented the Puerto Rico Compliance Review Report and letter. ASC staff has determined Puerto Rico is in substantial compliance with Title XI. Staff recommends Puerto Rico remain on a one-year Review Cycle given available documentation indicates the program may not have sufficient financial resources necessary to maintain substantial compliance with Title XI. In the discussion that followed, ASC members addressed a concern that Puerto Rico may not be able to administer State licensing and certification examinations if the provider does not renew the existing contract in December. G. Gibbs moved for approval of the Puerto Rico Compliance Review Report and letter, noting Puerto Rico is in substantial compliance with Title XI and will remain on a one-year review cycle for

the reasons noted in the discussion. R. Parson seconded; all members present voted to approve.

- **Utah Compliance Review Report and Letter**

D. Graves presented the Utah Compliance Review Report and letter. ASC staff has determined Utah is not in substantial compliance with Title XI for not resolving complaints against appraisers within one year, which is the standard set forth in ASC Policy Statement 10. ASC staff recommends Utah remain on a two-year Review Cycle. G. Gibbs moved for approval of the Utah Compliance Review Report and letter, noting Utah is not in substantial compliance with Title XI and will remain on a two-year review cycle. S. Gardner seconded; all members present voted to approve.

- **Virgin Islands Compliance Review Report and Letter**

D. Graves presented the Virgin Islands Compliance Review Report and transmittal letter. ASC staff has determined Virgin Islands is not in substantial compliance with Title XI. Two areas of non-compliance were identified: 1) Virgin Islands has not resolved complaints within one year and 2) the enforcement files did not contain sufficient documentation. Staff identified two areas of concern pertaining to staffing and resources. ASC staff recommends Virgin Islands remain on a two-year Review Cycle. S. Cooper moved for approval of the Virgin Islands Compliance Review Report and letter, noting Virgin Islands is not in substantial compliance with Title XI and will remain on a two-year review cycle. R. Parson seconded; all members present voted to approve.

The FDIC representative asked ASC staff if the Compliance Reviews scheduled for Fiscal Year 2011 are on track to be completed as scheduled. J. Park responded that they are.

The Open Session adjourned at 12:00 p.m. into Closed Session. The observers left the meeting. The next ASC meeting is scheduled for September 14, 2011.