

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
DECEMBER 8, 2010**

ATTENDEES

ASC MEMBERS: OTS – D. Merkle
 FDIC – S. Gardner
 FHFA - G. Garner
 FRB – G. Gibbs
 HUD – P. Gillispie
 NCUA – V. Vieten
 OCC – R. Parson

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. Badger – Dennis Badger and Associates
 J. Brenan – Appraisal Foundation
 D. Bunton – Appraisal Foundation
 C. Johnson – Appraisal Foundation
 A. Hummel – Forsythe Appraisals
 D. Kelly – REVAA
 P. Reed – Wells Fargo Bank

The meeting was called to order at 11:20 a.m. by D. Merkle.

<OPEN SESSION>

1. Opening Remarks

D. Merkle welcomed the observers to the meeting. Greg Garner, the new ASC member representing the FHFA, was introduced to the other members, staff and observers.

2. Summary Agenda

- **November 10, 2010 minutes – Open Session**

S. Gardner moved for approval of the November 10th Open Session minutes and G. Gibbs seconded; all members present voted to approve except R. Parson who abstained from voting since he had not reviewed the minutes.

3. Discussion Agenda

- **Appraisal Foundation (Foundation) July 2010 Grant Reimbursement Request**

J. Park noted that, among other expenses, the request covered the Appraiser Qualifications Board's Subject Matter Expert (SME) meeting on the National Uniform Licensing and Certification Exams and also an Appraisal Standards Board (ASB) meeting. He said the Foundation did deduct from this reimbursement request the charges of approximately \$250 submitted on the April reimbursement request for work on the Yellow Book, which were not related to Title XI. R. Parson made a motion to approve the July 2010 reimbursement request in the amount of \$156,525. P. Gillispie seconded and all members present voted to approve.

- **Appraisal Foundation August 2010 Grant Reimbursement Request**

J. Park noted that a second SME meeting on the National Exams and a Level One Investigator Training course was covered in the request. In response to an ASC member's question, staff confirmed that the remaining \$681,129 balance of the ASC's grant to the Appraisal Foundation is for the 2010 calendar year and not the 2010 fiscal year. The ASC asked staff to include the amount of the ASC's annual grant and the balance of available funds on future cover memos.

Based on a review of the minutes from an April 3rd ASB meeting, an ASC member asked whether ASC staff was aware of the meeting and why they were not represented. It was explained that due to other meetings, including a meeting of the State Regulators Advisory Group, the ASB work session could not be scheduled until April 3rd, which was also when the AARO Conference was being held. It was noted that ASC staff would have otherwise attended the meeting. S. Gardner moved to approve the August 2010 reimbursement request in the amount of \$157,038. R. Parson seconded and all members present voted to approve.

- **2011 Appraisal Foundation Grant Request**

The ASC Chairman asked the Foundation staff to present their 2011 grant request. D. Bunton began the presentation with the amount requested for the Title-XI related activities of the Appraiser Qualifications Board (AQB). He reported that the costs associated with maintaining the National Exams will be lower in 2011.

There are nine exam forms: three each for the Licensed, Certified Residential and Certified General classifications. Mr. Bunton provided an overview of the past accomplishments of the AQB's Graduate Degree Program. He noted that in 2010 the AQB started the process of re-evaluating the Appraiser Qualification Criteria to include changes that would become effective in 2015. The AQB has scheduled four meetings in 2011 and is considering holding webinars as well. In response to an ASC member's question, Dave Bunton confirmed that there would not be any effect on the Foundation's budget if criminal background checks were required under the Criteria. An ASC member noted that the costs for the AQB's National exams doubled between 2008 and 2009 before decreasing in 2010. D. Bunton responded that numerous questions were received by the Foundation from States on the new exams. J. Brenan added that States have been seeking more advice and guidance from the Foundation, which States did not do in the past.

Following Mr. Bunton's presentation, ASC members asked various questions related to the AQB's proposed activities for 2011. Mr. Bunton also was asked to address why the AQB's proposed 2011 budget has not declined significantly as the AQB completed a major revision project in 2008, which was followed by two years of higher costs to answer questions about the new requirements, and now should be entering a period of reduced activity. D. Bunton indicated the 2011 AQB budget request represented a decline from 2010, but the increase in the infrastructure costs needed for the project have not declined to the level of prior funding.

J. Brenan gave the presentation for the ASB and explained that work has begun on revisions for the 2012-13 edition of the Uniform Standards of Professional Appraisal Practice (USPAP). The Communications Rule is potentially on schedule to be a part of the 2014-15 edition of USPAP. An ASC member questioned that, with the repeal of the Home Valuation Code of Conduct, whether it was necessary for the ASB to provide additional clarification in the area of communications. J. Brenan responded that the ASB removed the proposed Communications Rule from the fourth exposure draft on revisions to USPAP due to concerns received in the comment periods of the previous exposure drafts. However, in 2011, the ASB will again consider the need for a communications rule in possible revisions to USPAP.

An ASC member commented that the direction of the Foundation's boards seems to change as new Chairs and members are selected. J. Brenan responded that Board appointments are staggered now to, in part, address that problem.

In addressing other initiatives, D. Bunton said more than 300 state investigators have attended one or more of the 8 investigator training courses over the past 24 months. The Foundation is considering a Level Three course in the future. He said the Appraisal Practices Board (APB) is looking for SMEs to work on a paper regarding appraising in a declining real estate market. However, the Foundation is not seeking from the ASC any grant funds for the APB at this time.

Following further discussion, the ASC asked how the Foundation would be affected if the ASC did not take action on the 2011 grant request during today's meeting. C. Johnson explained that there would be some administrative burden. ASC staff advised the ASC that it can accept, reject, modify or defer action on the grant. ASC members raised questions regarding the ASC's financial resources to fund the Foundation's grant proposal. ASC staff confirmed that an approval of the Foundation's grant request would cause the ASC to run a significant deficit for fiscal year 2011. An ASC member noted that the ASC will require additional resources to implement requirements passed in the Dodd-Frank Act. While ASC staff have not yet determined the full effect on the ASC's budget of implementing the Dodd-Frank Act, staff noted that the National Registry fee will be increased in 2012 from \$25 to \$40 to help defray the costs. P. Gillispie made a motion to defer a vote on the Foundation's 2011 grant request to January 2011 and noted that the grant should be voted on no later than January 31, 2011. S. Gardner seconded and all members present voted to approve the motion. It was noted that by deferring the vote, it will give the two new ASC members a chance to share any questions or concerns with the ASC staff and Chairman.

- **Connecticut Compliance Review Report and letter**

ASC staff said there is one area of concern with Connecticut. The State must adopt and/or implement all relevant AQB Criteria. Staff also recommends Connecticut remain on a two-year Review Cycle. ASC members had minor edits to the letter. S. Gardner moved for approval of the Connecticut Compliance Review Report and letter, noting Connecticut is in substantial compliance with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (Title XI). R. Parson seconded; all members present voted to approve.

- **Georgia Compliance Review Report and letter**

ASC staff said there is one area of concern with Georgia. The State must adopt and/or implement all relevant AQB Criteria. Staff also recommends Georgia remain on a two-year Review Cycle. ASC members had minor edits to the letter. G. Gibbs moved for approval of the Georgia Compliance Review Report and letter, noting Georgia is in substantial compliance with Title XI. P. Gillispie seconded; all members present voted to approve.

- **North Dakota Compliance Review Report and letter**

Staff noted North Dakota has no areas of concern and recommends that it remain on a two-year Review Cycle. ASC members had minor edits to the letter. G. Gibbs moved for approval of the North Dakota Compliance Review Report and

letter, noting North Dakota is in substantial compliance with Title XI. R. Parson seconded; all members present voted to approve.

- **South Dakota Compliance Review Report and Letter**

Staff noted South Dakota has no areas of concern and recommends that it remain on a two-year Review Cycle. ASC members had minor edits to the letter. R. Parson moved for approval of the South Dakota Compliance Review Report and letter, noting South Dakota is in substantial compliance with Title XI. P. Gillispie seconded; all members present voted to approve.

- **Washington Compliance Review Report and Letter**

Staff noted Washington has two areas of concern. The State should resolve all complaints filed against appraisers within one year, except for special documented circumstances, and the States also must use a reliable means of validating appraiser experience claims on all initial applications. Staff recommends Washington remain on a two-year Review Cycle. Staff also noted the State is under a hiring freeze and cannot hire replacements for the two staff members who retired this year. ASC staff will monitor the situation and will consider a Priority Contact visit next year if it is warranted. ASC members had minor edits to the letter. P. Gillispie moved for approval of the Washington Compliance Review Report and letter, noting Washington is not in substantial compliance with Title XI. V. Vieten seconded; all members present voted to approve.

- **Draft Amendment to ASC Rules of Operation**

ASC staff explained that the Rules need to be amended to conform to the Dodd-Frank Act. A section of definitions has been added, titles have been changed to more accurately reflect substance, terminology has been altered for consistency, a reference to the Freedom of Information Act has been added, and cross references have been verified. Edits from the ASC and legal staff at the agencies have also been incorporated. G. Gibbs moved to approve the amended Rules, delegated authority to the ASC Chairman for final review, and directed the staff to publish the amended Rules in the Federal Register. P. Gillispie seconded and all members present voted to approve.

The Open Session meeting adjourned into the Closed Session meeting at 1:45 p.m. The observers left the meeting.