

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
JUNE 8, 2011**

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

ATTENDEES

ASC MEMBERS: OTS – D. Merkle
 FDIC – S. Gardner
 HUD – P. Gillispie
 OCC – D. Ledbetter

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. Bunton – Appraisal Foundation
 C. Johnson – Appraisal Foundation
 B. Rodgers – Appraisal Institute
 P. Sanford –Consumer Financial Protection Bureau (CFPB)

The meeting was called to order at 10:45 a.m. by D. Merkle. D. Graves and D. Ledbetter attended via telephone.

<OPEN SESSION>

1. Opening Remarks

D. Merkle welcomed the observers to the meeting. J. Park said the Executive Director's Report was distributed to the ASC members on June 6th. There were no questions or comments from the ASC members.

2. Summary Agenda

- **May 11, 2011 minutes – Open Session**

Chairman Merkle confirmed whether ASC members had an opportunity to review substantive edits reflected in the current version. ASC members confirmed they had reviewed and were prepared to proceed with a motion and ASC vote. S.

Gardner moved for approval of the May 11th Open Session minutes as presented. P. Gillispie seconded and all members present voted to approve.

3. Discussion Agenda

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

J. Park presented the January 2011 grant reimbursement request in the amount of \$81,643. The Foundation's request included expenses associated with the Appraisal Standards Board (ASB) meeting in Scottsdale, AZ and an inspection of the Pearson Vue Testing Site in Tampa, FL.

Reimbursement was also requested for the ASB Chair's attendance at the North American Coalition of Appraisal Organizations (NACAO) meeting. The ASC has paid for the Foundation to attend this meeting in previous years' grant reimbursement requests. In the discussion that followed, the ASC requested confirmation that the ASB Chair's attendance at the meeting involved ASB work related to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (Title XI). The ASC members cautioned ASC staff that even if attendance at this meeting was paid for in the past through the ASC grant to the Appraisal Foundation, staff must ensure that all requests for reimbursement by the ASC involve expenses for activity directly related to Title XI. ASC staff confirmed the expenses incurred by the ASB Chair to attend the NACAO meeting involved work or activity directly related to Title XI.

In response to an ASC member's request, ASC staff provided more information on the expenses submitted for grant reimbursement by the Appraisal Foundation for Appraiser Qualifications Board (AQB) activities related to on-site inspections of testing centers used to administer the National Uniform Licensing and Certification Examinations. ASC staff confirmed the purpose of the inspections is to determine if the testing site is following appropriate AQB security measures. The Chair recognized D. Bunton, President of the Appraisal Foundation. D. Bunton added that a visual inspection is also performed to verify the appropriate test is being administered and the test is using AQB-approved questions. In response to an ASC member's question, ASC staff confirmed the Foundation has been contacted by the Government Accountability Office regarding valuation methods. P. Gillispie moved to approve the January 2011 grant reimbursement request in the amount of \$81,643 and D. Ledbetter seconded; all members present voted to approve.

- **Appraisal Foundation February 2011 grant reimbursement request**

J. Park presented the grant reimbursement request in the amount of \$74,931. An ASC member asked for clarification regarding comments of an ASC staff member as reflected in the minutes of the December 2nd AQB meeting. An ASC member

cautioned staff that staff should attend Appraisal Foundation and AQB meetings as observers and provide information and explanations of matters related directly to ASC work and the State Compliance Review process. J. Park answered that staff is often called on and asked for advice during AQB work sessions. An ASC member cautioned that ASC staff should not be giving “advice” in meetings of the Appraisal Foundation or its independent boards. The ASC member explained that during such meetings, ASC comments must be limited to providing an explanation of matters related directly to ASC work and the State Compliance Review Process. J. Park added that staff will make comments during AQB and ASB work sessions if they feel that the group could benefit from staff’s perspective

An ASC member asked for clarification of proposed expenses incurred by some AQB members under an Instructor Performance Agreement between the Appraisal Foundation and AQB Certified USPAP Instructors. The Chair recognized D. Bunton who commented that the work involved revising the Foundation’s procedures for individuals who file complaints against course instructors teaching classes on the Uniform Standards for Professional Appraisal Practice. An ASC member asked staff about hours billed by an ASB member to draft comments to the Government-sponsored Enterprises regarding the Uniform Appraisal Dataset and related considerations relative to Uniform Standards of Professional Appraisal Practice. Staff explained the expenses were directly related to a meeting between the ASB, FHFA, Fannie Mae and Freddie Mac. The ASB was invited by the FHFA to attend the meeting. An ASC member noted there is a precedent for the background data on ASC reimbursing this type of expense. In response to an ASC member’s question, D. Bunton explained his comment in the AQB December 2nd Work Session minutes regarding a 7-hour USPAP course examination that was not AQB-compliant. D. Bunton noted one State has instituted a 25-question proctored examination requirement at the conclusion of the 7-hour National USPAP Course. He also stated that the State is not consistently enforcing the requirement. He suggested the ASC may want to confirm States are consistently enforcing applicable requirements as part of the ASC Compliance Review process in the affected states. Staff then explained that the 24-month examination validity period will be eliminated in 2015 if the AQB adopts the requirement that experience be completed prior to taking the examination. ASC staff noted that some States face challenges when ensuring compliance with the validity period, which is considered as a potential area of concern in our Compliance Review process. P. Gillispie moved for approval of the February 2011 grant reimbursement request in the amount of \$74,931 and D. Ledbetter seconded; all members present voted to approve.

- **Arizona Compliance Review Report and letter**

J. Park presented the Arizona Compliance Review Report and letter. ASC staff has determined Arizona is not in substantial compliance with Title XI of the Financial

Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI). ASC staff identified one area of non-compliance which pertained to complaints not being resolved against appraisers in a timely manner. Staff recommends Arizona remain on a two-year Review Cycle. In the discussion that followed, ASC members discussed the fact that some State programs lack sufficient resources due to funds being swept by the State for other uses. ASC staff explained the Arizona Board has hired additional staff. ASC staff will review the State's progress to maintain sufficient resources through off-site monitoring. For the benefit of the observers, the ASC staff was asked to explain its approach to performing off-site monitoring of the State's progress after the ASC has issued the final Compliance Review Report. Staff confirmed ASC policy managers are responsible for overseeing the assigned State and initiating contact with the State on a regular basis.

Given the ASC has recently welcomed new member agency representatives to the ASC, an ASC member asked how the staff uses the ASC Early Warning System (EWS). Through the EWS, staff confirmed they monitor numerous factors such as changes in governorship, changes to Board staff/members, and legislation that affects the program. J. Park explained the EWS was approved by the ASC in 2002 and has been in use since then. The ASC directed staff to review the EWS and assess what has worked, what has not, and determine whether to recommend any modifications for consideration by the ASC. The discussion of the EWS was raised when an ASC member posed a question regarding a letter staff provided to the Governor of Alabama. An ASC member expressed concerns with the content of the letter and committed to discuss the matter with J. Park in the near future.

P. Gillispie moved for approval of the Arizona Compliance Review Report and letter with edits, noting Arizona is not in substantial compliance with Title XI, delegating authority to the ASC Chair to review and sign the letter. S. Gardner seconded; all members present voted to approve.

- **Kentucky Compliance Review Report and Letter**

J. Park presented the Kentucky Compliance Review Report and letter. ASC staff has determined Kentucky is in substantial compliance with Title XI. Staff recommends Kentucky remain on a two-year Review Cycle. P. Gillispie moved for approval of the Kentucky Compliance Review Report and letter, noting Kentucky is in substantial compliance with Title XI, delegating authority to the ASC Chair to review and sign the letter. S. Gardner seconded; all members present voted to approve.

- **Nevada Compliance Review Report and Letter**

J. Park presented the Nevada Compliance Review Report and letter. ASC staff has determined Nevada is not in substantial compliance with Title XI. ASC staff

identified one area of non-compliance which pertained to complaints not being resolved against appraisers in a timely manner. Staff identified as an area of concern, the failure by the State to process temporary practice permit applications within five business days following receipt of a completed application. Staff recommends Nevada remain on a two-year Review Cycle. In the discussion that followed, an ASC member noted that like Arizona, Nevada's program is affected by lack of resources. Another member noted that with both programs, ASC staff identified weaknesses in their appraiser complaint enforcement process. S. Gardner moved for approval of the Nevada Compliance Review Report and letter with edits, noting Nevada is not in substantial compliance with Title XI, delegating authority to the ASC Chair to review and sign the letter. P. Gillispie seconded; all members present voted to approve.

- **Notation Vote on 2010 ASC Annual Report**

An ASC member notation vote was held May 31, 2011 to approve the *2010 ASC Annual Report*. The report was approved by a vote of 6-0. A vote was not received from FHFA.

The Open Session adjourned at 11:40 a.m. into Closed Session. The observers, with the exception of P. Sanford of the CFPB, left the meeting.