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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

March 15, 2012

The Honorable Joseph I. Lieberman  
Chairman, Committee on Homeland Security and Governmental Affairs  
United States Senate  
Washington, DC 20510

The Honorable Darrell Issa  
Chairman, Committee on Oversight and Government Reform  
United States House of Representatives  
Washington, DC 20515

Dear Chairmen:

As required by 31 U.S.C. 720, the Appraisal Subcommittee (ASC) is submitting this letter in response to the Government Accountability Office (GAO) report titled *Real Estate Appraisals: Appraisal Subcommittee Needs to Improve Monitoring Procedures* (GAO-12-147), issued January 18, 2012. As indicated in the report, the GAO recommendations are to help ensure effective implementation of the ASC's responsibilities pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (Title XI). On page 41 of its report, the GAO makes three recommendations regarding the ASC. We address each of these recommendations below in the order presented in the report.

- **Clarify the definitions used to categorize states' overall compliance with Title XI and include them in the ASC's Compliance Review and Policy and Procedures Manuals, Compliance Review Reports to States, and Annual Reports to Congress.**

During the Compliance Review, specific areas of a State's Program are evaluated for compliance with Title XI. At the conclusion of the Compliance Review, a report is issued to the State that indicates any areas that are out of compliance and assigns an overall rating. The definitions used to categorize a State's overall compliance with Title XI are as follows:

**In substantial compliance** – applies when no issues of non-compliance or violations of Title XI, ASC Policy Statements or AQB Criteria are identified.

**Not in Substantial Compliance** - applies when there are one or more issues of non-compliance or violations of Title XI, ASC Policy Statements and/or AQB Criteria but the concerns do not rise to the level of "not in compliance."

**Not in Compliance** - applies when the number, seriousness, and/or repetitiveness of the Title XI, ASC Policy Statements and/or AQB Criteria violations warrant this finding.

The ASC recognizes that the current definitions are broad and is currently working to develop a rating system that will provide more specificity with regard to rating States' compliance with Title XI. The ASC is continually refining the State Compliance Review Process.

In response to the GAO's recommendation, the ASC added these definitions to the *Compliance Review Manual* and *Policies and Procedures Manual*, and posted them to the ASC website. A copy of the definitions is now included with each Compliance Review Report, and will be included in Annual Reports to Congress.

- **Develop specific policies and procedures for monitoring the appraisal requirements of the federal financial institution regulators and include them in the ASC's Policy and Procedures Manual.**

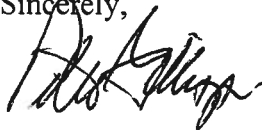
The ASC agrees that policies and procedures should be developed in this area. The ASC will pursue development of policies and procedures to address this Title XI responsibility, and will include them in the ASC's Policy and Procedures Manual.

- **Develop specific criteria for assessing whether the grant activities of the Appraisal Foundation are Title XI-related and include these criteria in the ASC's Policy and Procedures Manual.**

The ASC acknowledges that more specific criteria should be included in the ASC's Policies and Procedures Manual to address which grant activities of the Appraisal Foundation are Title XI-related and therefore eligible for grant funding. The ASC is currently working on these criteria to more clearly reflect assessment of grant reimbursement requests relative to Title XI.

If you have any questions, please contact myself or ASC Executive Director Jim Park.

Sincerely,



Peter Gillispie  
Acting Chairman

cc: Ms. Alexandra Y. Martin-Arseneau, Senior Analyst  
Ms. Yola C. Lewis, Senior Analyst  
Ms. Jocelyn Yin, Analyst