

APPRAISAL SUBCOMMITTEE  
*Federal Financial Institutions Examination Council*

ANNUAL  
REPORT  
2011



# Letter of Transmittal

June 15, 2012

The President of the Senate  
The Speaker of the House of Representatives

Pursuant to Section 1103 of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (12 U.S.C. 3332), I am pleased to submit the 2011 Annual Report of the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Gillispie". The signature is fluid and cursive, with the first name "Peter" and last name "Gillispie" clearly distinguishable.

Peter Gillispie  
Chairman



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## Introduction

# The Appraisal Subcommittee

The Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC)<sup>1</sup> was created on August 9, 1989, pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI or Title XI of FIRREA). Title XI's purpose is to "provide that Federal financial and public policy interests in real estate transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision."<sup>2</sup>

In general, the ASC oversees the real estate appraisal process as it relates to federally related transactions as defined in Title XI.<sup>3</sup> The ASC is an FFIEC subcommittee. The FFIEC was established pursuant to Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 as the interagency body empowered to set uniform principles for the examination of federally regulated financial institutions.

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) which included amendments to Title XI. As amended, Title XI requires the ASC to:

- monitor the requirements established by States—

(A) for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility; and

(B) for the registration and supervision of the operations and activities of appraisal management companies (AMCs);<sup>4</sup>

- monitor the requirements established by the Federal financial institutions regulatory agencies with respect to—

(A) appraisal standards for federally related transactions under their jurisdiction; and

(B) determinations as to which federally related transactions under their jurisdiction require the services of a State certified appraiser and which require the services of a State licensed appraiser;

- maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions;
- transmit an annual report to the Congress not later than June 15 of each year that describes the manner in which each function assigned to the Appraisal Subcommittee has been carried out during the preceding year;

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<sup>1</sup>The FFIEC agencies consist of the Board of Governors of the Federal Reserve System (FRB), Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and Office of the Comptroller of the Currency (OCC).

<sup>2</sup>Title XI § 1101, 12 U.S.C. 3331.

<sup>3</sup>A federally related transaction includes any real estate-related financial transaction which: (a) a Federal financial institutions regulatory agency engages in, contracts for, or regulates; and (b) requires the services of an appraiser. (Title XI § 1121 (4), 12 U.S.C. 3350).

<sup>4</sup>The ASC will address its authority to monitor States' registration and supervision of AMCs consistent with the provisions in the Dodd-Frank Act.

- maintain a National Registry of AMCs that either are registered with and subject to supervision of a State appraiser certifying and licensing agency or are operating subsidiaries of a Federally regulated financial institution<sup>5</sup>; and
- monitor and review the practices, procedures, activities and organizational structure of the Appraisal Foundation.

Title XI also requires the ASC to:

- make grants in such amounts as it deems appropriate to the Appraisal Foundation (Foundation), to help defray those costs of the Foundation relating to the activities of its Appraisal Standards Board (ASB) and Appraiser Qualifications Board (AQB); and
- make grants to State appraiser certifying and licensing agencies, in accordance with policies to be developed by the ASC, to support the efforts of such agencies to comply with this title, including—

- the complaint process, complaint investigations, and appraiser enforcement activities of such agencies; and
- the submission of data on State licensed and certified appraisers and AMCs to the National appraisal registry, including information affirming that the appraiser or AMC meets the required qualification criteria and formal and informal disciplinary actions.

The ASC Board has seven members, each designated respectively by the heads of the FFIEC agencies, the Federal Housing Finance Agency (FHFA) and the U.S. Department of Housing and Urban Development (HUD).

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<sup>5</sup>The AMC National Registry and annual AMC registry fees will be implemented along with the State's establishment of AMC registration in accordance with the Dodd-Frank Act.



# Message from the Chairman

The ASC continues to fulfill its mission, as envisioned by Title XI, to promote effective appraisal standards and appraiser qualification requirements in support of the Federal and State appraisal regulatory framework governing federally related transactions. The 2011 Annual Report presents an overview of ASC responsibilities and its 2011 activities, emphasizing the important role of the ASC to monitor the activities of the State appraiser regulatory programs (State Programs) and the Foundation. This report also summarizes our efforts to implement applicable provisions of the Dodd-Frank Act.

Throughout 2011, the ASC continued to focus on its core mission of overseeing the effectiveness of State Programs to comply with Title XI and the activities of the Foundation's boards—the AQB, ASB, and the Appraisal Practices Board (APB). All States<sup>6</sup> have laws in place requiring persons seeking to become certified appraisers to meet at least the minimum criteria established by the AQB.<sup>7</sup> Moreover, all States have laws requiring certified and licensed appraisers to conform to the *Uniform Standards of Professional Appraisal Practice* (USPAP) as promulgated by the ASB when performing appraisals in connection with federally related transactions.

The ASC State Compliance Review process is integral to the ASC oversight of States' appraiser regulatory programs and provides the ASC with valuable information on the effectiveness of these programs. The Compliance Review focuses on three key Title XI mandates:

1. Implementation and enforcement of USPAP and the AQB qualification criteria for appraisers;
2. Adequacy of the State's statutory or regulatory authority, funding and staffing to successfully carry out Title XI-related functions; and
3. Consistency with Title XI in the decisions of the State programs.

The ASC generally conducts a Compliance Review of each State Program every two years to determine whether a State is meeting the Title XI mandates and complying with ASC Policy Statements. In 2011, the ASC reviewed 27 State Programs, and also completed three Follow-up Reviews to assess States' progress to address findings from prior Compliance Reviews. The ASC also performed three on-site visits and held discussions with six State Programs as part of its Priority Contact review process which is addressed later in the report. See Appendix C, *2011 Compliance Review Findings* for information on findings from State Compliance Reviews performed in 2011.

In 2011, as in prior years, the ASC provided grant funds to the Foundation to help defray the Foundation's costs for certain Title XI-related activities of the AQB and ASB. For ASC fiscal year 2011, the ASC provided funds in the amount of \$1.1 million. Given this financial support, the ASC monitors and reviews the practices, procedures, activities and organizational structure of the Foundation. In monitoring the Foundation's Title XI-related activities, ASC staff attended the meetings of the AQB, ASB, APB, and Board of Trustees.

The ASC continues to provide grant funds to the Foundation in support of investigator training courses for State Program investigators, board members, and legal and administrative staff. In total, 63 State employees attended the training in 2011, bringing the total number of State employees to 330 that have attended the courses over the past three years. This training was developed jointly by

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<sup>6</sup>“State” refers to the 50 States, the District of Columbia, and four territories (Commonwealth of Puerto Rico, Commonwealth of the Northern Mariana Islands, Guam, and United States Virgin Islands).

<sup>7</sup>Due to a Dodd-Frank Act amendment to Title XI, effective July 1, 2013, the minimum qualification criteria issued by the AQB will be mandatory for all federally recognized credential levels (State certified general appraiser, State certified residential appraiser, State licensed appraiser, trainee appraiser and supervisor).

the Foundation, the States, and the ASC to provide States with a professional development opportunity that may not be available otherwise to State employees. The course promotes best practices in complaint investigation and resolution. The training covers topics such as USPAP and proper investigative techniques, and provides resources to aid the States in their investigative processing of complaints against appraisers. The ASC has received positive feedback from the States and approved funding for additional investigator training courses for 2012.

During the year, the ASC also devoted resources to addressing implementation of certain provisions in the Dodd-Frank Act. As discussed in this report, the Dodd-Frank Act amended Title XI, resulting in an expansion of the ASC's mission and authority as well as changes to its agency member composition. In 2011, the ASC took the following actions consistent with Title XI as amended by the Dodd-Frank Act:

- Announced that in the absence of an existing appraisal complaint national hotline as prescribed in the Dodd-Frank Act, the ASC will study the establishment and operation of a hotline that can receive complaints and refer complaints to the appropriate federal or State agency.<sup>8</sup> (January 19, 2011)
- Issued ASC Bulletin 2011-01, Statutory Provisions Affecting State Appraiser Regulatory Programs that addresses: States' policies for issuing a reciprocal certification or license to an appraiser from another State; qualification requirements for State licensed apprais-

ers, minimum requirements for trainee appraisers and supervisory appraisers, the AQB's course approval program, and ASC monitoring of funding and staff resources available to State Programs. (March 18, 2011)

- Announced the circumstances under which a State may request an extension of the effective date of the modified National Registry fee. (See ASC Supplement to Bulletin No. 10-1, Requests for an Extension of Effective Date for Modification of National Registry Fee, dated August 5, 2011.)
- Issued a supplement to ASC Bulletin 2011-01 that addresses the statutory requirement that only AQB-compliant appraisers are eligible to perform appraisals for federally related transactions. (August 11, 2011)

Consistent with several provisions of the Dodd-Frank Act, States will need to revise their Programs and may need to adopt legislation or regulations. To this end, the ASC is committed to providing clear expectations for compliance by State Programs.

In closing, the ASC will continue to implement its Title XI responsibilities as amended by the Dodd-Frank Act. Moreover, the ASC member agencies are committed to providing the ASC with the resources to fulfill these statutory mandates in a transparent and efficient manner.

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<sup>8</sup> The ASC has initiated the necessary steps toward establishing and operating a hotline.

# Appraisal Subcommittee

## *Member Representatives*

The ASC board consists of seven individuals appointed by the heads of the FFIEC agencies, the FHFA and HUD. Title XI also requires the FFIEC to appoint a Chairperson from the member representatives to serve a two-year term.



### **Office of the Comptroller of the Currency**

**Chairman:** Deborah Merkle, Chairman, July 2011 to December 2011

Ms. Merkle is the Executive Assistant to the Senior Deputy Comptroller for Bank Supervision Policy and Chief National Bank Examiner.

Member Since: November 2004

Alternate Member: Robert Parson

**Member:** Robert Parson

Member From: April 2009 to July 2011

Mr. Parson is an Appraisal Policy Specialist, Credit and Market Risk Division.

Alternate Member: Doreen Ledbetter



### **Office of Thrift Supervision**

**Chairman:** Deborah Merkle, Chairman April 2010 to July 2011

Member since: November 2004

Ms. Merkle held the position of Senior Project Manager, Credit Risk until July 2011.

Alternate Member: William Magrini



### **Department of Housing and Urban Development**

**Vice Chairman:** Peter Gillispie

Member Since: August 2008

Mr. Gillispie is the Appraiser and Housing Program Policy Specialist, Office of Single Family Program Development.

Alternate Member: Donna Tomposki

Alternate Member: Ada Bohorfoush



### **Board of Governors of the Federal Reserve System**

**Member:** Virginia Gibbs

Member Since: November 1992

Ms. Gibbs is the Manager of Policy Implementation and Effectiveness, Division of Banking Supervision and Regulation.

Alternate Member: None



### **Federal Deposit Insurance Corporation**

**Member:** Steven Fritts

Member From: October 2002 to June 2011

Mr. Fritts is the Associate Director of Risk Management Policy, Division of Supervision and Consumer Protection.

Alternate Member: Beverlea S. Gardner.



### **Federal Housing Finance Agency**

**Member:** Meg Burns

Member Since: September 2011

Ms. Burns is the Senior Associate Director, Housing and Regulatory Policy, Division of Housing Mission and Goals.

Alternate Member: Susan Cooper

**Member:** Susan Cooper

Member From: June 2011 to September 2011

Ms. Cooper is the Senior Policy Analyst, Housing Mission and Goals.

Alternate Member: None

**Member:** Gregory Garner

Member From: November 2010 to June 2011

Mr. Garner is an Examination Manager, Division of Examination Programs, Credit Risk Branch.

Alternate Member: Stephen Fifer



**National Credit Union  
Administration**

**Member:** Joy Lee

Member Since: May 2011

Ms. Lee is the Senior FFIEC Advisor to the Chairman,  
Office of the Chairman.

Alternate Member: Timothy Segerson

**Member:** Vincent Vieten

Member From: September 2010 to May 2011

Mr. Vieten is the Program Officer, Member Business  
Loans, Office of Examination and Insurance.



Consumer Financial  
Protection Bureau

**Consumer Financial  
Protection Bureau**

**Advisory Member:** Paul Sanford

Member Since: November 2011

Mr. Sanford is the Chief of Staff, Office of Large Bank  
Supervision.

# Administration of the Appraisal Subcommittee

## *Staff Listing*

**James R. Park**, Executive Director

**Denise E. Graves**, Deputy Executive Director

**Alice M. Ritter**, General Counsel

**Vicki A. Ledbetter-Metcalf**, Appraisal Policy Manager

**Jenny Howard Tidwell**, Appraisal Policy Manager

**Kristi A. Klamet**, Regulatory Policy Manager

**Neal R. Fenochietti**, Regulatory Policy Manager

**Lori L. Schuster**, Administrative Officer

**Claire M. Brooks**, Administrative Officer

**Ray M. Seward**, Information Management Specialist

### **ASC Meeting Procedures**

The Subcommittee holds monthly meetings. Instructions on how to submit a request to attend the public portion of a meeting are available on the ASC website. The meeting agenda is posted in the Federal Register and on the website approximately seven days prior to the scheduled meeting. Following passage of the Dodd-Frank Act, the ASC began holding its meetings in conformance with Section 1104(b) of Title XI which instructs the ASC to “meet in public session after notice in the Federal Register, but [the ASC] may close certain portions of these meetings related to personnel and review of preliminary State audit reports.”



# State Appraiser Regulatory Program Oversight

As required by Title XI, the ASC monitors each State's Program for compliance with Title XI and ASC Policy Statements.<sup>9</sup> The ASC's Compliance Review of the State Programs focuses on three key components of Title XI: (1) implementation and enforcement of the USPAP and AQB *Real Property Appraiser Qualification Criteria* (AQB Criteria); (2) adequacy of the State's statutory or regulatory authority, funding and staffing to successfully carry out Title XI-related functions; and (3) consistency with Title XI in the decisions of the State Programs. Monitoring State Programs is largely accomplished through the on-site visits to the States.

Over the past four years, the ASC has increased communication (both formal and informal) with the States, allowing the ASC to address issues in State Programs before they become critical. The ASC performs an on-site Compliance Review of each State at least once every two years. (See Appendix E, *Monitoring State Compliance with Title XI*.)

As a risk management tool, the ASC identifies State Programs that may have a significant impact on the nation's appraiser regulatory system. For States that represent a significant percentage of the credentials on the National Registry, the ASC staff performs annual Priority Contact visits. During 2011, the following 12 States collectively represented over 50% of the appraiser credentials on the National Registry: California, Florida, Georgia, Illinois, Michigan, New York, North Carolina, Ohio, Pennsylvania, Texas, Virginia, and Washington (listed alphabetically). The ASC also schedules a Priority Contact visit for a particular State when a specific concern is identified that requires special attention by ASC staff. The primary purpose of the Priority Contact visit is to review topical

issues, evaluate regulatory compliance issues, and maintain a close working relationship with the State. The Priority Contact visit is not a complete Review of the Program.

In 2011, ASC policy managers conducted 33 on-site visits: 27 of those were full Compliance Reviews; 3 were Follow-up Reviews; 3 were on-site Priority Contact visits.<sup>10</sup> (See Appendix C, *2011 Compliance Review Findings*.)

## Compliance Review Program

2011 marked the third full year the ASC conducted State reviews under the revised ASC Compliance Review process. The new process is risk management based focusing on the areas of State Programs that are not in compliance with Title XI, or exhibit characteristics that could lead to non-compliance. Statistics reflect an improvement in State compliance with Title XI. (See Appendix C, *2011 Compliance Review Findings*.)

Compliance Reviews are scheduled over a two- to four-day period to coincide with a meeting of the Program's decision-making body whenever possible. Once ASC staff completes their Preliminary Findings, which are communicated in an ASC staff report to the State, the State is given 60 days to respond. The ASC staff then considers the State's response(s) and makes formal recommendations to the ASC for final disposition. The ASC considers the ASC staff report and recommendations along with

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<sup>9</sup> The Dodd-Frank Act gave additional authority to the ASC to take interim action in the case of non-compliance with Title XI (as an alternative to, or in advance of non-recognition), and gave the ASC authority to promulgate rules.

<sup>10</sup> Priority Contact visits may be performed onsite or by telephone.

responses from the State Program before rendering a decision. The ASC issues a final Compliance Review Report and letter to the State with a determination regarding the State's compliance with Title XI. State Programs are found to be either: (1) in substantial compliance; (2) not in substantial compliance; or (3) not in compliance.<sup>11</sup> (See Appendix C, *2011 Compliance Review Findings*.)

Of the 27 Compliance Reviews performed during 2011, 15 States (56%) were found to be in substantial compliance; 11 States (41%) were deemed not in substantial compliance; and 1 State (3%) was not in compliance. The general areas of non-compliance with Title XI and the number of States experiencing those problems are presented in the *2011 Compliance Review Findings* (Appendix C). Timeliness of investigation and resolution of complaints against appraisers continues to be the most common area of non-compliance for the States.

## Policy Statements

Policy Statements are issued by the ASC to assist the States in understanding the ASC's expectations for compliance with Title XI. The Policy Statements reflect the general framework that the ASC uses in the Compliance Review process. No substantive changes were made to the Policy Statements in 2011. However, in light of the ASC's amended Compliance Review process and Title XI amendments resulting from the Dodd-Frank Act, the ASC began the process of substantially revising its Policy Statements for reissuance in 2012.

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<sup>11</sup> The Dodd-Frank Act required the Government Accountability Office (GAO) to conduct a study on the ASC's functions pursuant to Title XI. Pursuant to the Dodd-Frank Act, the GAO was required to assess: (1) the ASC's ability to monitor and enforce state and federal appraisal requirements and standards; (2) the extent to which additional data collection would enhance ASC's ability to perform its functions; and (3) the extent to which current exemptions for appraisals for federally related transactions need to be revised. The required GAO study commenced in 2011 with the final findings and recommendations issued in January 2012.

As a result of its study, the GAO recommended (draft in 2011 and final in early 2012) that the ASC board and staff take the following three actions:

- Clarify the definitions used to categorize states' overall compliance with Title XI and include them in ASC's compliance review and policy and procedures manuals, compliance review reports to states, and annual reports to Congress;
- Develop specific policies and procedures for monitoring the appraisal requirements of the federal financial institution regulators and include them in ASC's policy and procedures manuals; and
- Develop specific criteria for assessing whether the grant activities of the Appraisal Foundation are Title XI-related and include these criteria in ASC's policy and procedures manuals.

The ASC was given the opportunity on December 14, 2011, to issue a response letter to the GAO regarding its draft report. In response to the GAO's recommendation regarding Compliance Review definitions, the ASC added its current definitions to the Compliance Review Manual and the Policies and Procedures Manual, and posted them to the ASC website. Also, a copy of the definitions is now included with each Compliance Review Report and each Annual Report to Congress. The ASC is also considering further refining of the Compliance Review definitions. As stated in the ASC's final letter response to Congress issued in March 2012, the remaining GAO recommendations will be addressed in 2012.



# Appraisal Foundation Monitoring and Oversight

The ASC monitors the Foundation, including the AQB and the ASB which serve as the congressionally-authorized source of appraiser qualifications and appraisal standards. In monitoring the Foundation's Title XI-related activities, ASC staff attends AQB, ASB, and Foundation Board of Trustees meetings. APB meetings are also attended by ASC staff as part of their responsibility to monitor activities of the Foundation. However, the APB is not funded by ASC grants. ASC staff also reviews and comments on proposed and final published documents regarding the AQB Criteria and USPAP.

## ASC Grants

Title XI requires the ASC "to make grants in such amounts as it deems appropriate to the Appraisal Foundation, to help defray those costs of the Foundation relating to the activities of the Appraisal Standards and Appraiser Qualifications Boards." The Foundation submits an annual grant request to the ASC providing an overview of Title XI-related activities of the ASB and AQB the Foundation believes are eligible to be funded by the ASC. The ASC reviews the proposal and determines the appropriate level of funding given the proposal and other factors within its budget. During the ASC's 2011 fiscal year, it provided approximately \$1.1 million in grant funding to the Foundation and, since the ASC's inception in 1989, it has provided over \$16 million in aggregate grant funds.

Grant funds are paid on a reimbursement basis. Each month the Foundation submits a detailed reimbursement request. The ASC reviews the reimbursement request to ensure that expenses requested for reimbursement are related to the ASB or the AQB for their Title XI-related<sup>12</sup> work, and that the expenses were included in the Statement of Work provided by the Foundation at the time the grant proposal was approved.

For the past two years, the ASC has been providing the Foundation grant funds for the development, presentation and hosting of State Investigator Training Courses. The courses were developed and sponsored by the Foundation and the Association of Appraiser Regulatory Officials (AARO). Level 1 has been offered six times to 220 attendees; Level 2 has been offered four times to 132 attendees. The courses were offered in four locations across the country. Representatives from 52 of the 55 States attended, including State investigators, board members, attorneys and board staff. Grant funds paid for attendees' meeting materials, lodging, and travel expenses for up to three individuals from each State. The course promotes effective complaint investigation and resolution. The training covers topics such as USPAP and proper investigative techniques, and provides resources to aid the States in their processing of complaints against appraisers. Due to the positive feedback from the States, the ASC approved funding for additional investigator courses for 2012. The ASC has also funded other educational programs for the States including, a mock complaint enforcement trial and USPAP Update for Regulators, both of which were recorded and are available through the Foundation's e-library.

The ASC employs an independent auditing firm on an annual basis to perform an agreed upon procedures engagement in accordance with standards established by the American Institute of Certified Public Accountants relating to the Foundation grant and the following types

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<sup>12</sup> The GAO draft report (see footnote 11 above) included the recommendation that the ASC "[d]evelop 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 manuals." The ASC is currently formalizing the criteria used to assess which activities of the Foundation are Title XI-related and therefore eligible for grant funding, and will include the criteria in the ASC's Policies and Procedures Manual.

of compliance requirements as identified in OMB Circular A-122:<sup>13</sup>

- Ascertain that grant funds are expended for the activities allowed in the grant
- Ascertain that costs charged to the grant are allowed under the grant agreement
- Note whether specific service or expenditure levels are maintained
- Ascertain whether minimum or maximum limits for specified services are met
- Determine whether funds were obligated within the period of availability and obligations were liquidated within the required time period
- Determine whether revenues are correctly recorded and disbursed in accordance with the grant/program requirements
- Determine whether activities related to the grant occurred when the Foundation incurred the expenditure
- Ascertain the costs charged to the meetings are in compliance with the grant agreement
- Ascertain that the costs charged to the grant for conference calls are in compliance with the grant agreement

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<sup>13</sup> OMB Circular A-122, "Cost Principles for Non-Profit Organizations," revised May 10, 2004. This Circular establishes principles for determining costs of grants, contracts and other agreements with non-profit organizations.

# National Registry

As required by Title XI, the ASC maintains a National Registry (Registry) of all State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions. At year's end, the Registry contained just over 106,000 appraiser credentials,<sup>14</sup> down 3.6% from the 110,000 entries at the end of 2010, and down 12.4% from the peak of over 121,000 in 2007. (See Appendix D, *National Appraiser Credential Statistics*.) The Registry is accessible at the ASC's website ([www.asc.gov](http://www.asc.gov)), and is used by appraisers, Federal and State agencies, financial institutions, users of appraisal services, law enforcement and consumers. The Registry allows users to determine whether an appraiser is State certified or licensed to perform appraisals in connection with federally related transactions. Users can also access an appraiser's credential status and determine whether the appraiser's credential is currently suspended, revoked, or surrendered in lieu of State enforcement action.

By making this information publicly available, the Registry facilitates information sharing that assists State Programs in enforcing their appraiser-related statutes and regulations, including temporary practice and reciprocity. Financial institutions and other users may:

- receive from the ASC automatic notifications by daily email about new revocations, suspensions, surrenders, and certification/license expirations;
- download all releasable information or parts of the Registry into predefined queries and user-customized queries; and
- verify the credential of an appraiser.

The Registry also contains non-public data (such as certain disciplinary actions other than suspensions, revocations or voluntary surrenders). Access to non-public data is restricted to authorized State and Federal agency representatives. Use of the Registry is free to the public.

In 2010, the ASC released an upgraded Registry allowing States to submit data to the ASC directly from their credential tracking applications. By the end of 2011, 22% of the States were reporting all of their appraiser data directly into the Registry and 44% of the States were entering some of their appraiser data into the Registry as a supplement to the data files they send in periodically. These upgrades reduced costs for the States, increased efficiency, and allowed States the opportunity to provide almost immediate updates to the Registry, making it a more effective tool for users of appraisal services, consumers, and law enforcement.

States reported 20,559 disciplinary actions taken against appraisers for misconduct or wrong doing from 1991 through 2011. (See Appendix F, *Appraiser Disciplinary Actions Reported by States*.)

The Registry is one of several features of the ASC's website and accessible to the public at [www.asc.gov](http://www.asc.gov). The public can also access ASC correspondence, Title XI, ASC Policy Statements, charts summarizing State appraiser requirements, and State agency contact information. In addition, the website has a comprehensive Freedom of Information Act "reading room" that is updated regularly and conforms to the Electronic Freedom of Information Act Amendments of 1996, 5 U.S.C § 552(a)(2).

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<sup>14</sup> This number does not represent the number of individual appraisers since some appraisers have credentials from multiple States.



# Activities of the ASC Member Agencies

Following Title XI's adoption in 1989, each of the federal financial institutions regulatory agencies and HUD adopted implementing appraisal-related rules and policies. The appraisal regulations of the OCC, FRB, FDIC, and NCUA are in volume 12 of the Code of Federal Regulations at: part 34, subpart C, and in part 164 (OCC); part 208 subpart E, and part 225, subpart G (FRB); part 323 (FDIC); and part 722 (NCUA).<sup>15</sup> HUD's appraisal regulations are in volume 24 of the Code of Federal Regulations at part 200.200 through 200.206.

The OCC, FRB, FDIC, and NCUA (the Agencies) also jointly issued *Interagency Appraisal and Evaluation Guidelines* (Guidelines) that clarify the Agencies' long-standing expectations for an institution's appraisal and evaluation program.<sup>16</sup> These guidelines address the Agencies' expectations for an institution's collateral valuation function, including independence in the appraisal and evaluation functions, minimum appraisal standards for federally related financial transactions, the development and content of evaluations, appraisals for residential tract development lending, and background on the USPAP. There is also a discussion on the conditions under which a federally regulated financial institution's real estate-related transactions might be exempted from the Agencies' appraisal regulations. Under the Agencies' appraisal regulations, regulated institutions must ensure that appraisals supporting federally related transactions adhere to USPAP.

The Agencies have also issued other guidance documents related to appraisal requirements at federally regulated financial institutions, including:

- *Frequently Asked Questions on Appraisal Regulations and the Interagency Statement on Independent Appraisal and Evaluation Functions* (2005)
- *Frequently Asked Questions on Residential Tract Development Lending* (2005)

FHFA's regulated entities, Fannie Mae and Freddie Mac, issued the Appraisal Independence Requirements (AIR) to address the problem of appraisal bias and conflicts of interest for loans they purchase. Like the Interagency Appraisal and Evaluation Guidelines, the goal of the AIR

is to protect appraiser independence and to eliminate conflicts of interest in the appraisal function. By eliminating conflicts of interest in the appraisal function, the AIR protects home buyers, mortgage investors and the housing market from appraisal bias. The AIR continues the core principles of appraisal independence found previously in the Home Valuation Code of Conduct which was retired upon the release of the interim final rules on appraisal independence by the Federal Reserve.

The Dodd-Frank Act requires the FRB, OCC, FDIC, NCUA, FHFA, and CFPB to jointly prescribe rules implementing several provisions regarding valuations in real estate-secured transactions, particularly for mortgages secured by a consumer's principal dwelling. These agencies have formed an interagency working group to develop these rules and will be following their rulemaking procedures for seeking public comment and issuing final rules. The following summarizes the major Dodd-Frank Act provisions related to appraisals that these agencies are currently addressing.

**Section 1471: Appraisal Requirements for "Higher-Risk Mortgages"**—added a new section 129H to the Truth in Lending Act (TILA), mandating that, for every "higher-risk mortgage" transaction, a certified or licensed appraiser must perform an appraisal that includes a physical property visit of the interior of the mortgaged property. TILA section 129H also requires creditors to obtain an appraisal by a second appraiser, at no cost to the applicant, if a higher-risk mortgage is financing the purchase or acquisition of a property from someone who acquired it within the previous 180 days at a lower price. Among other additional requirements, TILA section 129H requires that the creditor provide the consumer with a free copy of the appraisal no later than three days before closing.

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<sup>15</sup> Title III of the Dodd-Frank Act transferred the functions of the Office of Thrift Supervision to the OCC, FDIC, and FRB. The OCC has republished former OTS appraisal regulations applicable to Federal savings associations at 12 CFR Part 164. The FDIC published former OTS appraisal regulations applicable to state savings associations at 12 CFR Parts 390 and 391.

<sup>16</sup> See 75 Federal Register 77450 (December 10, 2010).

**Section 1472: Appraisal Independence**—added new section 129E to TILA establishing requirements for appraisal independence for consumer credit transactions secured by the consumer’s principal dwelling. On October 18, 2010, the FRB issued an interim final rule to implement these provisions by amending Regulation Z (Truth in Lending).<sup>17</sup> The amendments are designed to ensure that real estate appraisals used to support creditors’ underwriting decisions are based on the appraiser’s independent professional judgment, free of any influence or pressure that may be exerted by parties that have an interest in the transaction. The amendments also seek to ensure that creditors and their agents pay customary and reasonable fees to appraisers. Compliance was mandatory for residential mortgage applications received by creditors on or after April 1, 2011. Going forward, the agencies may jointly amend these interim rules or issue other rules, guidelines and policy statements with respect to acts or practices that violate section 129E.

**Section 1473(f)(2): Appraisal Management Company (AMC) Minimum Requirements**—added a new section 1124 to Title XI of FIRREA. Subject to some exceptions, this new section requires AMCs to register with the states in which the AMC operates before it can perform services for federally related transactions. Section 1124 also requires the agencies to establish minimum requirements for states to apply in registering AMCs. Among other elements, these minimum standards must require AMCs to verify that only licensed or certified appraisers are used for federally related transactions. AMCs also must require that appraisals they coordinate comply with USPAP. These minimum standards also apply to federally-regulated AMCs.

In addition, section 1124 requires the agencies to issue regulations for the reporting of AMC activity to the ASC for the purpose of assessing an annual registration fee. The ASC is to maintain a national registry of AMCs and may charge a fee, to be collected by the states and remitted to the ASC, for an AMC to be reported on the registry.

**Section 1473(q): Automated Valuation Models (AVMs)**—added a new section 1125 to Title XI. This new section requires the agencies, in consultation with the

staff of the ASC and the Appraisal Standards Board of the Appraisal Foundation, to issue quality control standards for AVMs used by mortgage lenders and secondary market issuers to determine collateral values for mortgages secured by a consumer’s principal dwelling. The required quality control standards must be designed to, among other things, ensure a high level of confidence in the estimates produced by AVMs and protect against manipulation of data.

### **Federal Reserve Board**

On January 4, 2012, the FRB released a staff paper titled *The U.S. Housing Market: Current Conditions and Policy Considerations*.<sup>18</sup> The paper provides information on current conditions in the housing market and analytic background on some housing market issues, including collateral valuation.

### **Federal Deposit Insurance Corporation**

On December 14, 2011, the FDIC issued the Winter 2011 edition of its Supervisory Insights Journal. This publication featured an article entitled *Navigating the Real Estate Valuation Process*.<sup>19</sup> The article highlights certain aspects of the interagency Guidelines discussed above. The article also provides information for bankers regarding sound practices for banks’ real estate valuation processes in the areas of valuation review, independence, content standards, preparer selection, and monitoring.

### **Federal Housing Finance Agency**

Under FHFA’s direction in February 2010, Fannie Mae and Freddie Mac jointly established the Uniform Mortgage Data Program (UMDP) to provide common

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<sup>17</sup> See 75 Federal Register 66554 (October 28, 2010).

<sup>18</sup> *The U.S. Housing Market: Current Conditions and Policy Considerations* paper may be found on the FRB’s public website at <http://federalreserve.gov/publications/other-reports/files/housing-white-paper-20120104.pdf>.

<sup>19</sup> The *Navigating the Real Estate Valuation Process* article may be found on the FDIC’s public website at <http://www.fdic.gov/regulations/examinations/supervisory/insights/siwin11/index.html>.

requirements for appraisal and loan delivery data. Two components of UMDP are appraisal specific: 1) the Uniform Appraisal Dataset (UAD); and 2) the Uniform Collateral Data Portal (UCDP). Through the implementation of the UAD and UCDP, Fannie Mae and Freddie Mac are improving data quality, ensuring compliance with loan eligibility guidelines, and mitigating repurchase risk.

The UAD defines all the fields required for an appraisal submission for specific appraisal forms and standardizes definitions and responses for a key subset of fields. There are two primary data standardization changes: 1) standardizing inputs for numeric values including dates, dollar amounts and other numbers; and 2) standardizing inputs for specific property characteristics for easier property comparisons. With the implementation of UAD, Fannie Mae and Freddie Mac require lenders to successfully submit the appraisal to UCDP prior to delivering the loan.

The UCDP is the portal required for the electronic submission of appraisal files (UAD) by lenders or their agents to either Fannie Mae or Freddie Mac. The UCDP is designed as an easy to use web-based interface that allows users to upload an electronic appraisal report and/or to allow for business to business integration. Appraisals submitted through the portal go through a series of edit checks. Appraisals that pass all the checks receive a 'successful' status from UCDP. If error messages are returned, there is recourse for lenders or their agents in certain circumstances. Some error messages allow for overrides, while others are fatal and require correction and resubmission.

Key implementation dates for UAD and UCDP in 2011 and 2012

- **June 2011:** Software vendors released updated appraisal forms that comply with UAD, and UCDP was made available to lenders and/or their agents
- **September 2011:** Appraisal forms must be in compliance with UAD
- **December 2011:** Lenders must collect UAD compliant appraisal reports

- **March 2012:** Lenders must submit UAD compliant appraisal reports through UCDP prior to loan delivery

## Department of Housing and Urban Development

In nearly all cases, the Federal Housing Administration (FHA) insured mortgage programs of HUD require an appraisal, which must also include an assessment of the property's condition, to estimate the market value of the property securing the loan as well as to determine its marketability. The maximum mortgage amount of an FHA-insured mortgage is computed from the appraised value. Only appraisers on the FHA Appraiser Roster are eligible to perform the appraisal and must hold, at minimum, a certified residential credential from the issuing state where the property is located. Lenders participating in FHA programs must accept equal responsibility with appraisers for the integrity, credibility, and accuracy of appraisals.

In 2011, HUD released the following policy statements addressing appraisal and property eligibility issues related to single family 1 to 4 unit single family properties:

**Mortgagee Letter 2011-07—Elimination of the Master Appraisal Report (MAR)** —This Mortgagee Letter, released January 12, 2011, announced the elimination of the Master Appraisal Report (MAR) as an acceptable appraisal reporting procedure and methodology in the valuation of one to four unit single family properties. MARs were employed in the appraisal of model homes within Planned Unit Developments (PUD), condominium projects or subdivisions. Historically, lenders and builders have used MARs to reduce appraisal costs and loan processing times and achieve a consistency in value for the same model. As economic instability continues to impact many segments of the economy and the housing market in particular, the Department has determined that it is in the best interest of the Insurance Fund to prohibit the use of MARs and to require an appraisal be performed on each individual unit within a larger housing project to determine the maximum mortgage amount of the property to be security for an FHA-insured mortgage.

**Mortgagee Letter 2011-30—The Uniform Appraisal Dataset (UAD) and appraisal reporting forms**—This mortgagee letter, released August 22, 2011, adopted the Uniform Appraisal Dataset (UAD) and two of the UAD compliant appraisal reporting forms, which further define specific data fields in these industry standard appraisal reporting forms. The UAD is the result of collaboration between the Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, at the direction of the Federal Housing Finance Agency (FHFA) to standardize data reporting quality and improve the collection of electronic appraisal data.

The UAD is part of the Uniform Mortgage Data Program (UMDP), which includes the:

- Uniform Collateral Data Portal (UCDP) and,
- Uniform Loan Delivery Dataset (ULDD)

The UCDP is a web application that will enable lenders to submit appraisal report forms electronically. The ULDD is a standardization of loan delivery data that will leverage the use of MISMO (Mortgage Industry Standards Maintenance Organization) in delivering loan data electronically. FHA is not adopting or requiring the use of the UCDP or the ULDD at this time.



# Activities of the Appraisal Foundation

The Foundation is a private, not-for-profit corporation charged by Title XI with the responsibility to establish uniform appraisal standards and minimum appraiser qualification criteria. The Foundation serves as the parent organization for three boards established to accomplish this mission: the ASB, the AQB, and the APB. The ASB is responsible for promulgating and maintaining USPAP. The AQB is responsible for the AQB Criteria. The APB develops voluntary guidance related to recognized valuation methods and techniques.

The Foundation ensures that USPAP and the AQB Criteria are disseminated to State and Federal regulators, appraisers, users of appraisal services, and the general public. The Foundation sells printed copies of USPAP upon request and provides copies of the AQB Criteria at no charge. This information also can be accessed at no charge on the Foundation's website. The Foundation continues to update over 50,000 appraisers and other interested parties by sending out periodic emails on timely topics and events. These emails include requests for public comments on exposure drafts as well as public meeting notices and press releases.

Title XI requires the ASC to monitor and review the practices, procedures, activities, and organizational structure of the Foundation. Title XI also authorizes the ASC to provide grants to the Foundation in such amounts as the ASC deems appropriate to support the Title XI-related activities of the Foundation. During its 2011 fiscal year, the ASC provided approximately \$1.1 million in grant reimbursements supporting the Foundation's Title XI-related activities. Between 1989 and 2011, the ASC has provided over \$16 million in grant funds to the Foundation. The ASC engages a public accounting firm to review the Foundation's grant-related activities and the request(s) for reimbursement.<sup>20</sup>

## Appraiser Qualifications Board

The AQB accomplished the following items in three public meetings in 2011:

### Revisions to the *Real Property Appraiser Qualification Criteria*

To ensure real estate appraiser qualifications are meeting the needs of the marketplace and public trust is adequately being served, the AQB reviews the AQB Criteria every five to six years for potential revisions. The AQB Criteria that became effective on January 1, 2008, was adopted by the AQB in February 2004. Therefore, in 2010 the AQB again embarked on the process to determine what changes, if any, should be considered to the existing AQB Criteria.

The AQB began considering potential changes and held a public hearing in Minneapolis, MN in June 2010. The AQB received input from a wide variety of constituents, including appraisers, users of appraisal services, State and Federal regulators, professional appraiser organizations, education providers, and the general public.

The AQB deliberated over the feedback received, researched its constituents where necessary, and exposed potential revisions to the AQB Criteria for public comment. The First Exposure Draft was issued in the fall of 2010; the Second Exposure Draft was issued on January 14, 2011; the Third Exposure Draft was issued on March 18, 2011; the Fourth Exposure Draft was issued on June 17, 2011; and the Fifth (and final) Exposure Draft was issued on October 27, 2011. As with all exposure drafts,

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<sup>20</sup> See fn 13 above and related text in the body of this annual report regarding agreed upon procedures engagement.

the AQB reviewed all public comments received and ultimately adopted the revisions contained in the Fifth Exposure Draft at its public meeting on December 9, 2011. The adopted changes become effective on January 1, 2015, to allow State appraiser regulatory agencies, education providers, potential appraiser candidates, and others adequate time to prepare. (A summary of upcoming changes to the AQB Criteria is available at the Foundation website: [www.appraisalfoundation.org](http://www.appraisalfoundation.org))

### *State Licensing and Certification Examinations*

2011 marked the fourth year of implementation of the *National Uniform Licensing and Certification Examinations*. As with each prior year, the exams were updated by the AQB's Subject Matter Experts (SMEs), were thoroughly vetted by the AQB liaisons, and evaluated for psychometric performance by the Foundation's examination development consultant.

By the end of 2011, national pass rates for first-time takers of the exams stabilized and steadily increased over the last 24 months, ranging from approximately 60% to 75%.

### *Improved USPAP Instruction Program*

All AQB Certified USPAP Instructors were required to complete the new Instructor Recertification Course prior to teaching the 2012-13 edition of the *National USPAP Courses*, and in any event, prior to March 31, 2012, in order to maintain their credentials. As of February 2012, approximately 60% of the 550 AQB Certified USPAP Instructors successfully renewed their credentials.

### *Course Approval Program*

The voluntary Course Approval Program (CAP) is designed to facilitate approval of appraisal education submitted by course providers for subsequent use in streamlining approval in the individual States. At the end of 2011, there were over 325 courses approved by the AQB through CAP, including several courses that were approved as equivalent to the 2012-13 National USPAP Courses. All approved courses are posted on the Foundation's website ([www.appraisalfoundation.org](http://www.appraisalfoundation.org)). In addition, CAP offers a national course clearinghouse website, which

allows State appraiser regulators secure access to review course materials submitted for all CAP-approved courses.

### **Appraisal Practices Board**

The APB was formed by the Foundation on July 1, 2010. Its purpose is to offer voluntary guidance on recognized valuation methods and techniques. The Foundation acknowledged that many professional appraiser organizations provide quality education to their membership with respect to valuation methods and techniques. However, only about one-third of the State licensed and certified appraisers in the U.S. belong to a professional appraiser organization. As a result, the Foundation developed the APB to try and inform the remaining majority of appraisers who may not be receiving adequate guidance. The APB does not develop new methods or techniques; rather, this board identifies existing courses, texts, journals, and other appraisal materials that explain an appraisal concept.

Due to the variety and complexity of some of the topics the APB will ultimately address, the APB will utilize groups of SMEs, who have demonstrated expertise in the specific subject matter under consideration. These SMEs will work together to identify all publicly available guidance on the particular topic, and in conjunction with Board Member Liaisons from the APB, draft material for the entire APB to review and consider for public exposure and comment. Based on the comments received, the APB will again coordinate with the SMEs to address any questions or concerns that are brought forward. This process will continue until the APB feels the guidance is appropriate and complete, at which time the APB will formally adopt it.

The first significant action for the APB was to identify and prioritize topics requiring guidance. The APB listed the following topics as those they would address first:

- Residential Appraising in a Declining Market
- Adjusting Comparable Sales for Seller Concessions
- Identifying Comparable Properties
- Valuation of Green Buildings

The APB issued its First Exposure Draft on *Residential Appraising in a Declining Market* on November 3, 2011.

It solicited written public comments through December 5, 2011, as well as oral comments at its public meeting on December 12, 2011. Based on the comments received, the APB anticipated issuing a Second Exposure Draft on the topic prior to the end of January 2012.

The APB also issued a First Exposure Draft on *Adjusting Comparable Sales for Seller Concessions*. This draft was issued on October 3, 2011, with a written public comment deadline of December 2, 2011. As with the prior topic, oral comments were also accepted at the APB's public meeting on December 12, 2011. And as with the other topic, the APB anticipated issuing a Second Exposure Draft on this topic by the end of January 2012.

Prior to the end of 2011, the APB also developed a work plan for its third topic, *Identifying Comparable Properties*. The APB also selected the SMEs for this project, and anticipated an initial face-to-face meeting with the SMEs by the end of February 2012.

Lastly for 2011, the APB commenced the significant task of providing guidance on the *Valuation of Green Buildings*. Due to the potential size and scope of this project, in late 2011 the APB reached out to recognized experts in this field to assist the APB in developing an appropriate scope of work. The topic also is part of the Foundation's five-year *Memorandum of Understanding* with the U.S. Department of Energy, in an effort to increase the awareness and understanding that appraisers will need as the valuation of energy-efficient buildings takes on a greater and greater role in the real estate marketplace. The APB anticipates identifying one or more groups of SMEs for this topic by the end of the first quarter in 2012.

## **Appraisal Standards Board**

The ASB accomplished the following actions in three public meetings in 2011:

### ***Uniform Standards of Professional Appraisal Practice***

The 2010-11 edition of USPAP was effective from January 1, 2010 through December 31, 2011.

After an extensive outreach effort to help determine the areas of USPAP that needed to be addressed for the 2012-13 edition of USPAP, the ASB focused on the following areas of USPAP for potential revision:

- Reporting
- Record Keeping
- STANDARDS 7 and 8

The ASB issued a total of four exposure drafts in 2010, soliciting and considering public comments from each draft. The written comment deadline for the Fourth Exposure Draft was January 14, 2011, and the ASB also accepted oral comments at its public meeting on January 21, 2011.

The ASB issued a Fifth (and final) Exposure Draft on February 11, 2011, with a written comment deadline of April 1, 2011. In addition, the ASB accepted oral comments at its public meeting on April 8, 2011. At that meeting, after carefully considering all comments received, the ASB ultimately adopted the proposed revisions to the following topics contained in the Fifth Exposure Draft for the 2012-13 edition of USPAP, which would become effective on January 1, 2012:

- DEFINITIONS of "Client," "Extraordinary Assumption," "Hypothetical Condition," and "Exposure Time"
- Development and Disclosure of Exposure Time Opinion
- Standards Rules 2-3, 3-6, 6-9, 8-3 and 10-3
- RECORD KEEPING RULE and the Conduct Section of the ETHICS RULE
- Advisory Opinion 21, USPAP Compliance
- STANDARDS 7 and 8: PERSONAL PROPERTY APPRAISAL, DEVELOPMENT and REPORTING

In a separate action, on May 10, 2011, the ASB adopted an additional revision related to Advisory Opinion 13 (AO-13), *Performing Evaluations of Real Property Collateral to Conform with USPAP*.

## *Frequently Asked Questions*

The ASB continued its policy of addressing frequently asked questions issuing USPAP Q&As on an as-needed basis. The ASB compiles the USPAP Q&As into the USPAP FAQ for publication with each edition of USPAP.

As was done with the prior two editions of the USPAP document, the 2012-13 edition of USPAP incorporated the USPAP FAQs into the same document as USPAP and the Advisory Opinions, utilizing a master index for easy reference.

## *National USPAP Courses*

The 15-hour *National USPAP Course* is designed for those students entering the appraisal profession, and is a comprehensive look into USPAP.

The 2012-13 edition of the 7-hour *National USPAP Update Course* is designed to be much more meaningful to practicing appraisers, who are required to complete the course every two years. It highlights the revisions to USPAP, as well as focuses on several key issues that arise in day-to-day appraisal practice.

## *Improved USPAP Instruction Program*

The ASB continued to work with the AQB and Appraisal Foundation staff to improve course and examination material for the AQB Certified USPAP Instructor program. To date, the ASB has presented the Instructor Certification Course to well over 1,000 students, with over 550 that obtained the credential of AQB Certified USPAP Instructor.

The Program also includes an Instructor Disciplinary Panel, which investigates complaints submitted related to an AQB Certified USPAP Instructor's compliance with the provisions of the Program.

## **Board of Trustees**

The Appraisal Foundation is led by a 25-member Board of Trustees, charged with appointing members to its three independent Boards as well as securing funding for and providing oversight of their activities. Ten members of the Board of Trustees are elected At-Large with the balance being appointed by the Foundation's Sponsoring Organizations and Advisory Councils. During 2011, Joseph Traynor of Indianapolis, Indiana served as Chair and Paul Bierschwale of Junction, TX served as Vice Chair.

In 2011 The Appraisal Foundation continued its progress on several projects that assist State appraiser regulatory agencies in their enforcement of USPAP:

- **State Investigator Training Program:** This program represents a joint effort between the Foundation, the ASC and the AARO. The program commenced in 2009, and by the end of 2011, over 330 State regulators had received training on USPAP enforcement and investigative techniques. At the end of 2011, a special update to this program was videotaped. The approximately three-hour video will be available to State appraiser regulators in early 2012.
- **Updates to the Voluntary Disciplinary Action Matrix:** This document was developed in 2010 by a special task force of the Board of Trustees and was updated in 2011 to coordinate with the 2012-13 edition of USPAP. It is intended to offer a voluntary set of disciplinary guidelines for use by State appraiser regulatory agencies when enforcing USPAP.
- **Additions to the free Video eLibrary:** This online library offers free videotaped training sessions of benefit to State appraiser regulators. Videos of interest that were added to the eLibrary in 2011 include *A Preview of Changes to the 2012-13 USPAP and the 2012-13 USPAP Update for State Regulators*.

# Financial Status of the ASC

In FY 2011, revenue totaled approximately \$2.64 million, and expenses (including grants to the Appraisal Foundation) totaled approximately \$3.7 million. All funds used for grants to the Foundation are derived from the annual National Registry fee<sup>21</sup> that every licensed and certified appraiser is required to pay.

Appendix A contains the ASC's FY 2011 audited financial statements, ending September 30, 2011. The ASC operated at a financial loss of approximately \$1 million. The ASC determined that operating at a loss during FY 2011 was not inappropriate given the important Title XI-related initiatives funded through the annual grant to the Foundation and the resources necessary to operate an effective Compliance Review process. Moreover, the ASC had reserves of over \$4.8 million. The external auditors did not find any material weakness involving the ASC's internal control structure and operation, or any material instances of noncompliance with selected provisions of applicable laws and regulations tested.

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<sup>21</sup> In October 2010, the ASC increased the annual National Registry fee from \$25 to \$40 effective January 1, 2012.



# Appendix A

## *Financial Statements*

**Appraisal Subcommittee Financial Statements**  
**September 30, 2011 and 2010**

# APPRAISAL SUBCOMMITTEE

## Financial Statements

September 30, 2011 and 2010

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## INDEPENDENT AUDITORS' REPORT

To the Appraisal Subcommittee of the  
Federal Financial Institutions Examination Council  
Washington, DC

We have audited the accompanying statements of financial position of the Appraisal Subcommittee as of September 30, 2011 and 2010, and the related statements of operations and changes in net position and cash flows for the years then ended. These financial statements are the responsibility of the Subcommittee's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Appraisal Subcommittee as of September 30, 2011 and 2010, and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2012 on our consideration of the Appraisal Subcommittee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*O'Connor & Drew, P.C.*  
Certified Public Accountants

January 17, 2012

# **APPRAISAL SUBCOMMITTEE**

## **Statements of Financial Position**

**September 30, 2011 and 2010**

# APPRAISAL SUBCOMMITTEE

## Statements of Financial Position

September 30,

### Assets

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Fund balances with U.S. Treasury	\$ 5,243,951	\$ 6,094,611
Accounts receivable	353,486	334,401
Property and equipment, net	<u>113,428</u>	<u>184,155</u>
<b>Total Assets</b>	<b><u>\$ 5,710,865</u></b>	<b><u>\$ 6,613,167</u></b>

### Liabilities and Net Position

<b>Liabilities:</b>		
Accounts payable	\$ 35,287	\$ 37,239
Grants payable	508,902	321,532
Deferred revenues	1,147,700	1,218,175
Accrued expenses	<u>240,870</u>	<u>232,529</u>
<b>Total Liabilities</b>	<b><u>1,932,759</u></b>	<b><u>1,809,475</u></b>
<b>Net Position</b>	<b><u>3,778,106</u></b>	<b><u>4,803,692</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 5,710,865</u></b>	<b><u>\$ 6,613,167</u></b>

*The accompanying notes are an integral part of the financial statements.*

# APPRAISAL SUBCOMMITTEE

## Statements of Operations and Changes in Net Position

For the Years Ended September 30,

	<u>2011</u>	<u>2010</u>
<b>Registry Fees</b>	<b><u>\$ 2,640,425</u></b>	<b><u>\$ 2,782,197</u></b>
<b>Operating Expenses:</b>		
Personnel compensation and benefits	1,518,264	1,523,660
Rent, communications and utilities	262,817	265,204
Contracted services	227,647	210,379
Travel and transportation	163,682	173,509
Depreciation	76,883	49,838
Supplies and materials	22,265	27,358
Printing and reproduction	23,156	21,621
Other	<u>8,175</u>	<u>11,409</u>
<b>Total Operating Expenses</b>	<b><u>2,302,889</u></b>	<b><u>2,282,978</u></b>
Appraisal Foundation Grant	<u>1,363,122</u>	<u>1,281,265</u>
<b>Changes in Net Position</b>	<b>(1,025,586)</b>	<b>(782,046)</b>
Net Position, Beginning of Year	<u>4,803,692</u>	<u>5,585,738</u>
<b>Net Position, End of Year</b>	<b><u>\$ 3,778,106</u></b>	<b><u>\$ 4,803,692</u></b>

*The accompanying notes are an integral part of the financial statements.*

# APPRAISAL SUBCOMMITTEE

## Statements of Cash Flows

For the Years Ended September 30,

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net position	<u>\$ (1,025,586)</u>	<u>\$ (782,046)</u>
Adjustments to reconcile change in net position to net cash applied to operating activities:		
Depreciation	76,883	49,838
Change in assets and liabilities:		
Accounts receivable	(19,085)	31,681
Accounts payable	(1,952)	(78,299)
Grants payable	187,370	(31,785)
Deferred revenues	(70,475)	(77,000)
Accrued expenses	<u>8,341</u>	<u>36,742</u>
Total Adjustments	<u>181,082</u>	<u>(68,823)</u>
Net Cash Applied to Operating Activities	<u>(844,504)</u>	<u>(850,869)</u>
<b>Cash Flow from Investing Activity:</b>		
Purchase of property and equipment	<u>(6,156)</u>	<u>-</u>
Net Decrease in Fund Balances with U.S. Treasury	(850,660)	(850,869)
Fund Balances with U.S. Treasury, Beginning of Year	<u>6,094,611</u>	<u>6,945,480</u>
Fund Balances with U.S. Treasury, End of Year	<u>\$ 5,243,951</u>	<u>\$ 6,094,611</u>

*The accompanying notes are an integral part of the financial statements.*

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements

September 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies**

**Organization**

The Appraisal Subcommittee of the Federal Financial Institutions Examination Council (the "Appraisal Subcommittee" or "ASC") was created by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. The mission of the Appraisal Subcommittee is to monitor the certification and licensing programs of the States to determine compliance with Title XI of FIRREA. The purpose of this title is to ensure that the Federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with Federally related transactions are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision. In accordance with Title XI of FIRREA, an appraiser must be registered to perform appraisals connected to federal transactions. ASC assesses each state an annual fee of \$25 per registered appraiser.

The Federal financial institutions regulatory agencies include the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Consumer Financial Protection Bureau (CFPB), the Office of the Comptroller of the Currency, the National Credit Union Administration, and the Office of Thrift Supervision. On July 21, 2011, the Office of Thrift Supervision became part of the Office of the Comptroller of the Currency. The member agencies of the Appraisal Subcommittee include the Federal financial institutions regulatory agencies, the Department of Housing and Urban Development, and the Federal Housing Finance Agency (FHFA). The CFPB and FHFA were added as members to the ASC as a result of the Dodd-Frank Wall Street Wall Street Reform and Consumer Protection Act of 2010.

**Method of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Federal Accounting Standards Advisory Board (FASAB) Statements and Interpretations, as well as AICPA and FASB pronouncements specifically made applicable to federal governmental entities by FASAB Statements or Interpretations.

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Fund Balances with U.S. Treasury**

Fund balances with the U.S. Treasury are amounts remaining as of fiscal year-end from which the Appraisal Subcommittee is authorized to make expenditures and pay liabilities resulting from operational activities, except as restricted by law.

**Accounts Receivable**

Accounts receivable consist of amounts due to the Appraisal Subcommittee for registry fees. As of the balance sheet date, management is of the opinion that an allowance for doubtful accounts is not necessary.

**Property and Equipment**

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to ten years. The capitalization threshold is \$5,000 for assets with a useful life of 3 or more years. For bulk purchases, items will be capitalized when the individual useful lives are at least three years and have an aggregate value of \$15,000 or more.

**Deferred Revenues**

Registry fees received in advance are deferred and recognized as earned during the applicable fee year.

**Tax Status**

The Appraisal Subcommittee is a Federal governmental agency and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2011 and 2010

Note 2 - **Property and Equipment**

Property and equipment at September 30, consist of the following:

	<u>2011</u>	<u>2010</u>
Computer equipment	\$ 372,015	\$ 365,859
Furniture	<u>31,803</u>	<u>31,803</u>
	<b>403,818</b>	397,662
Less: accumulated depreciation	<u>290,390</u>	<u>213,507</u>
Net Property and Equipment	\$ <u>113,428</u>	\$ <u>184,155</u>

Note 3 - **Retirement and Benefit Plans**

The Appraisal Subcommittee contributes to the Civil Service Retirement System and the Federal Employees' Retirement System administered by the Office of Personnel Management for the benefit of U.S. Government employees. The retirement plans are participatory. Under the Civil Service Retirement System, the employer and employee each contribute 7 percent of salary to the plan. Under the Federal Employees' Retirement System, 13 percent of salary is contributed by the Appraisal Subcommittee and 0.8 percent of salary is contributed by the employee.

The Appraisal Subcommittee contributes up to 5 percent of base pay for participants in the Thrift Savings Plan under the Federal Employees Retirement System. Contributions by the Appraisal Subcommittee during fiscal years 2011 and 2010 for the Civil Service Retirement System and the Federal Employees' Retirement System plans aggregated approximately \$182,000 and \$168,000, respectively.

Although the Appraisal Subcommittee contributes a portion of pension benefits for its employees participating in the retirement plans and withholds the necessary payroll deductions from them, it has no liability for future payments to employees under those programs and is not accountable for the assets of the Civil Service and Federal Employees' Retirement Systems, nor does the Appraisal Subcommittee have actuarial data concerning the accumulated plan benefits or the unfunded pension liability relating to its employees. These amounts are reported by the Office of Personnel Management for the retirement systems and are not allocated to the individual employers. The Office of Personnel Management also accounts for all health and life insurance programs for retired Federal employees.



# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2011 and 2010

Note 4 - **Appraisal Foundation Grant**

Title XI of FIRREA provides that amounts appropriated for, or collected by, the Appraisal Subcommittee be used to make grants to the Appraisal Foundation to help defray costs of the Appraisal Foundation relating to the activities of its Appraisal Standards and Appraiser Qualification Boards. Since inception of the Appraisal Subcommittee on August 9, 1989, it has made grants to the Appraisal Foundation under which approximately \$16,256,000 was expended through September 30, 2011. As of September 30, 2011, the Appraisal Subcommittee has \$508,902 in undistributed grant funding available to the Foundation for the grant year ending December 31, 2011, which is recorded in grants payable.

Note 5 - **Interagency Transactions**

The Appraisal Subcommittee has a Memorandum of Understanding with the U.S. General Services Administration (GSA) to share the costs of office space including operating costs and real estate taxes expiring in October 2018. Payments are due monthly, as billed by GSA. Base rent expense totaled \$207,850 and \$207,824 for the years ended September 30, 2011 and 2010, respectively. Although the ultimate responsibility of the lease is that of the GSA, the Memorandum of Understanding is a lease agreement, in substance rather than form. As such, minimum future payments under the agreement subsequent to September 30, 2011 are as follows:

<u>Fiscal Years</u> <u>Ending September 30,</u>	<u>Amount</u>
2012	\$ 212,420
2013	212,420
2014	221,781
2015	222,633
2016	222,633
Thereafter	<u>445,265</u>
	\$ <u>1,537,152</u>

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2011 and 2010

Note 5 - **Interagency Transactions - Continued**

In conducting its administrative operations, the Appraisal Subcommittee uses the services of various other Federal Agencies. The largest of the administrative service arrangements is with the U.S. General Services Administration for certain accounting and reporting functions, and processing of payroll and related benefits. Operating expenses of the Appraisal Subcommittee for fiscal years 2011 and 2010 include approximately \$54,000 and \$58,000, respectively, for these services.

Note 6 - **Concentrations and Contingencies**

*Subsequent Events*

Management has evaluated subsequent events through January 17, 2012, the date for which the financial statements were available for issuance.

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing  
Standards***



**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Appraisal Subcommittee of the  
Federal Financial Institutions Examination Council  
Washington, DC

We have audited the financial statements of the Appraisal Subcommittee as of and for the year ended September 30, 2011, and have issued our report thereon dated January 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Appraisal Subcommittee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Appraisal Subcommittee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Subcommittee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Subcommittee's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Appraisal Subcommittee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the Appraisal Subcommittee and is not intended to be and should not be used by anyone other than these specified parties.

*O'Connor & Drew, P.C.*

**Certified Public Accountants**

January 17, 2012



# Appendix B

## Statutory References

### Unofficial ASC staff “redlined” version of Title XI of FIRREA Real Estate Appraisal Reform [12 U.S.C. 3331-3351] as amended by the Dodd-Frank Act [text in red indicates amendments]

Full text of the Dodd-Frank Act at  
<http://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>

#### § 1101. Purpose [12 U.S.C. 3331]

The purpose of this title is to provide that Federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

#### § 1102. Establishment of Appraisal Subcommittee of the Federal Financial Institutions Examination Council [12 U.S.C. 3310]

The Federal Financial Institutions Examination Council Act of 1978 (12 U.S.C. 3301 et seq.) is amended by adding at the end thereof the following new section:

##### § 1011. Establishment of Appraisal Subcommittee

There shall be within the Council a subcommittee to be known as the Appraisal Subcommittee, which shall consist of the designees of the heads of the Federal financial institutions regulatory agencies, the Bureau of Consumer Financial Protection, and the Federal Housing Finance Agency. Each such designee shall be a person who has demonstrated knowledge and competence concerning the appraisal profession. At all times at least one member of the Appraisal Subcommittee shall have demonstrated knowledge and competence through licensure, certification, or professional designation within the appraisal profession.

#### § 1103. Functions of Appraisal Subcommittee [12 U.S.C. 3332]

- (a) *In general.* The Appraisal Subcommittee shall—
- ~~(1) monitor the requirements established by States for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility;~~
    - (1) monitor the requirements established by States—
      - (A) for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility; and
      - (B) for the registration and supervision of the operations and activities of an appraisal management company;
    - (2) monitor the requirements established by the Federal financial institutions regulatory agencies [and the Resolution Trust Corporation] with respect to—
      - (A) appraisal standards for federally related transactions under their jurisdiction, and
      - (B) determinations as to which federally related transactions under their jurisdiction require the services of a State certified appraiser and which require the services of a State licensed appraiser;
    - (3) maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions; ~~and~~
    - (4) [Omitted] terminated effective May 15, 2000, pursuant to § 3003 of Act Dec. 21, 1995, P.L. 104-66, which appears as 31 USCS § 1113 note (see also page 170 of House Document No. 103-7);

(5) transmit an annual report to the Congress not later than June 15 of each year that describes the manner in which each function assigned to the Appraisal Subcommittee has been carried out during the preceding year. The report shall also detail the activities of the Appraisal Subcommittee, including the results of all audits of State appraiser regulatory agencies, and provide an accounting of disapproved actions and warnings taken in the previous year, including a description of the conditions causing the disapproval and actions taken to achieve compliance; and

(6) maintain a national registry of appraisal management companies that either are registered with and subject to supervision of a State appraiser certifying and licensing agency or are operating subsidiaries of a Federally regulated financial institution.

(b) *Monitoring and reviewing Foundation.* The Appraisal Subcommittee shall monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation.

**§ 1104. Chairperson of Appraisal Subcommittee; term of Chairperson; meetings**  
[12 U.S.C. 3333]

(a) *Chairperson.* The Council shall select the Chairperson of the subcommittee. The term of the Chairperson shall be 2 years.

(b) *Meetings; quorum; voting.* The Appraisal Subcommittee shall meet in public session after notice in the Federal Register, but may close certain portions of these meetings related to personnel and review of preliminary State audit reports at the call of the Chairperson or a majority of its members when there is business to be conducted. A majority of members of the Appraisal Subcommittee shall constitute a quorum but 2 or more members may hold hearings. Decisions of the Appraisal Subcommittee shall be made by the vote of a majority of its members. The subject matter discussed in any closed or executive session shall be described in the Federal Register notice of the meeting.

**§ 1105. Officers and staff** [12 U.S.C. 3334]

The Chairperson of the Appraisal Subcommittee shall appoint such officers and staff as may be necessary to carry out the functions of this title consistent with the appointment and compensation practices of the Council.

**§ 1106. Powers of Appraisal Subcommittee**  
[12 U.S.C. 3335]

The Appraisal Subcommittee may, for the purpose of carrying out this title, establish advisory committees, hold hearings, prescribe regulations in accordance with chapter 5 of title 5, *United States Code* (commonly referred to as the Administrative Procedures Act) after notice and opportunity for comment, sit and act at times and places, take testimony, receive evidence, provide information, and perform research, as the Appraisal Subcommittee considers appropriate. Any regulations prescribed by the Appraisal Subcommittee shall (unless otherwise provided in this title) be limited to the following functions: temporary practice, national registry, information sharing, and enforcement. For purposes of prescribing regulations, the Appraisal Subcommittee shall establish an advisory committee of industry participants, including appraisers, lenders, consumer advocates, real estate agents, and government agencies, and hold meetings as necessary to support the development of regulations.

**§ 1107. Procedures for establishing appraisal standards and requiring the use of certified and licensed appraisers**  
[12 U.S.C. 3336]

Appraisal standards and requirements for using State certified and licensed appraisers in federally related transactions pursuant to this title shall be prescribed in accordance with procedures set forth in section 553 of title 5, *United States Code*, including the publication of notice and receipt of written comments or the holding of public hearings with respect to any standards or requirements proposed to be established.



**§ 1108. Startup funding** [12 U.S.C. 3337]

(a) *In general.* For purposes of this title, the Secretary of the Treasury shall pay to the Appraisal Subcommittee a one-time payment of \$ 5,000,000 on the date of the enactment of this Act [enacted Aug. 9, 1989]. Thereafter, expenses of the subcommittee shall be funded through the collection of registry fees from certain certified and licensed appraisers pursuant to section 1109 [12 USCS § 3338] or, if required, pursuant to section 1122(b) of this title [12 USCS § 3351(b)].

(b) *Additional funds.* Except as provided in section 1122(c) of this title [12 USCS § 3351(b)], funds in addition to the funds provided under subsection (a) may be made available to the Appraisal Subcommittee only if authorized and appropriated by law.

(c) *Repayment of Treasury loan.* Not later than September 30, 1998, the Appraisal Subcommittee shall repay to the Secretary of the Treasury the unpaid portion of the \$5,000,000 paid to the Appraisal Subcommittee pursuant to this section.

**§ 1109. Roster of State certified or licensed appraisers; authority to collect and transmit fees** [12 U.S.C. 3338]

(a) *In general.* Each State with an appraiser certifying and licensing agency whose certifications and licenses comply with this title, shall—

(1) transmit to the Appraisal Subcommittee, not less than annually, a roster listing individuals who have received a State certification or license in accordance with this title; and

(2) transmit reports on the issuance and renewal of licenses and certifications, sanctions, disciplinary actions, license and certification revocations, and license and certification suspensions on a timely basis to the national registry of the Appraisal Subcommittee;

(3) transmit reports on a timely basis of supervisory activities involving appraisal management companies or other third-party providers of appraisals and appraisal management services, including investigations initiated and disciplinary actions taken; and

~~(2) collect from such individuals who perform or seek to perform appraisals in federally related transactions, an~~

~~annual registry fee of not more than \$ 25, such fees to be transmitted by the State agencies to the Council on an annual basis.~~

~~(4) collect—~~

~~(A) from such individuals who perform or seek to perform appraisals in federally related transactions, an annual registry fee of not more than \$40, such fees to be transmitted by the State agencies to the Council on an annual basis; and~~

~~(B) from an appraisal management company that either has registered with a State appraiser certifying and licensing agency in accordance with this title or operates as a subsidiary of a federally regulated financial institution, an annual registry fee of—~~

~~(i) in the case of such a company that has been in existence for more than a year, \$25 multiplied by the number of appraisers working for or contracting with such company in such State during the previous year, but where such \$25 amount may be adjusted, up to a maximum of \$50, at the discretion of the Appraisal Subcommittee, if necessary to carry out the Subcommittee's functions under this title; and~~

~~(ii) in the case of such a company that has not been in existence for more than a year, \$25 multiplied by an appropriate number to be determined by the Appraisal Subcommittee, and where such number will be used for determining the fee of all such companies that were not in existence for more than a year, but where such \$25 amount may be adjusted, up to a maximum of \$50, at the discretion of the Appraisal Subcommittee, if necessary to carry out the Subcommittee's functions under this title.~~

~~Subject to the approval of the Council, the Appraisal Subcommittee may adjust the dollar amount of registry fees, up to a maximum of \$ 50 per annum, as necessary to carry out its functions under this title.~~

Subject to the approval of the Council, the Appraisal Subcommittee may adjust the dollar amount of registry fees under paragraph (4)(A), up to a maximum of \$80 per annum, as necessary to carry out its functions under this title. The Appraisal Subcommittee shall consider at least once every 5 years whether to adjust the dollar amount of the registry fees to account for inflation. In implementing

any change in registry fees, the Appraisal Subcommittee shall provide flexibility to the States for multi-year certifications and licenses already in place, as well as a transition period to implement the changes in registry fees. In establishing the amount of the annual registry fee for an appraisal management company, the Appraisal Subcommittee shall have the discretion to impose a minimum annual registry fee for an appraisal management company to protect against the under reporting of the number of appraisers working for or contracted by the appraisal management company.

(b) *Use of amounts appropriated or collected.* Amounts appropriated for or collected by the Appraisal Subcommittee under this section shall be used—

(1) to maintain a registry of individuals who are qualified and eligible to perform appraisals in connection with federally related transactions;

(2) to support its activities under this title;

(3) to reimburse the general fund of the Treasury for amounts appropriated to and expended by the Appraisal Subcommittee during the 24-month start-up period following the date of the enactment of this title [enacted Aug. 9, 1989]; and

(4) to make grants in such amounts as it deems appropriate to the Appraisal Foundation, to help defray those costs of the foundation relating to the activities of its Appraisal Standards and Appraiser Qualification Boards;

(5) to make grants to State appraiser certifying and licensing agencies, in accordance with policies to be developed by the Appraisal Subcommittee, to support the efforts of such agencies to comply with this title, including—

(A) the complaint process, complaint investigations, and appraiser enforcement activities of such agencies; and

(B) the submission of data on State licensed and certified appraisers and appraisal management companies to the National appraisal registry, including information affirming that the appraiser or appraisal management company meets the required qualification criteria and formal and informal disciplinary actions; and

(6) to report to all State appraiser certifying and licensing agencies when a license or certification is surrendered, revoked, or suspended.

### **§ 1110. Functions of Federal financial institutions regulatory agencies relating to appraisal standards** [12 U.S.C. 3339]

Each Federal financial institutions regulatory agency and the Resolution Trust Corporation shall prescribe appropriate standards for the performance of real estate appraisals in connection with federally related transactions under the jurisdiction of each such agency or instrumentality. These rules shall require, at a minimum—

(1) that real estate appraisals be performed in accordance with generally accepted appraisal standards as evidenced by the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation;

and

(2) that such appraisals shall be written appraisals. Each such agency or instrumentality may require compliance with additional standards if it makes a determination in writing that such additional standards are required in order to properly carry out its statutory responsibilities; and

(3) that such appraisals shall be subject to appropriate review for compliance with the Uniform Standards of Professional Appraisal Practice.

### **§ 1111. Time for proposal and adoption of standards** [12 U.S.C. 3340]

Appraisal standards established under this title shall be proposed not later than 6 months and shall be adopted in final form and become effective not later than 12 months after the date of the enactment of this Act [enacted Aug. 9, 1989].

### **§ 1112. Functions of Federal financial institutions regulatory agencies relating to appraiser qualifications** [12 U.S.C. 3341]

(a) In general. Each Federal financial institutions regulatory agency and the Resolution Trust Corporation shall prescribe, in accordance with sections 1113 and 1114 of this title [12 USC §§ 3342, 3343], which categories of federally related transactions should be appraised by a State certified appraiser and which by a State licensed appraiser under this title.

(b) *Threshold level.* Each Federal financial institutions regulatory agency and the Resolution Trust Corporation may establish a threshold level at or below which a certified or licensed appraiser is not required to perform appraisals in connection with federally related transactions, if such agency determines in writing that such threshold level does not represent a threat to the safety and soundness of financial institutions and receives concurrence from the Bureau of Consumer Financial Protection that such threshold level provides reasonable protection for consumers who purchase 1–4 unit single-family residences.

(c) *GAO study of appraisals in connection with real estate related financial transactions below the threshold level.*

(1) GAO studies. The Comptroller General of the United States may conduct, under such conditions as the Comptroller General determines appropriate, studies on the adequacy and quality of appraisals or evaluations conducted in connection with real estate related financial transactions below the threshold level established under subsection (b), taking into account—

- (A) the cost to any financial institution involved in any such transaction;
- (B) the possibility of losses to the Deposit Insurance Fund or the National Credit Union Share Insurance Fund;
- (C) the cost to any customer involved in any such transaction; and
- (D) the effect on low-income housing.

(2) *Reports to Congress and the appropriate Federal financial institutions regulatory agencies.* Upon completing each of the studies referred to in paragraph (1), the Comptroller General shall submit a report on the Comptroller General’s findings and conclusions with respect to such study to the Federal financial institutions regulatory agencies, the Committee on Banking, Finance and Urban Affairs of the House of Representatives, and the Committee on Banking, Housing, and Urban Affairs of the Senate, together with such recommendations for legislative or administrative action as the Comptroller General determines to be appropriate.

**§ 1113. Transactions requiring the services of a State certified appraiser** [12 U.S.C. 3342]

In determining whether an appraisal in connection with a federally related transaction shall be performed by a State certified appraiser, an agency or instrumentality under this title shall consider whether transactions, either individually or collectively, are of sufficient financial or public policy importance to the United States that an individual who performs an appraisal in connection with such transactions should be a State certified appraiser, except that—

- (1) a State certified appraiser shall be required for all federally related transactions having a value of \$1,000,000 or more; and
- (2) 1-to-4 unit, single family residential appraisals may be performed by State licensed appraisers unless the size and complexity requires a State certified appraiser, where a complex 1-to-4 unit single family residential appraisal means an appraisal for which the property to be appraised, the form of ownership, the property characteristics, or the market conditions are atypical.

**§ 1114. Transactions requiring the services of a State licensed appraiser** [12 U.S.C. 3343]

All federally related transactions not requiring the services of a State certified appraiser shall be performed by either a State certified or licensed appraiser.

**§ 1115. Time for proposal and adoption of rules** [12 U.S.C. 3344]

As appropriate, rules issued under sections 1113 and 1114 [12 USCS §§ 3342 and 3343] shall be proposed not later than 6 months and shall be effective upon adoption in final form not later than 12 months after the date of the enactment of this Act [enacted Aug. 9, 1989].

**§ 1116. Certification and licensing requirements** [12 U.S.C. 3345]

(a) *In general.* For purposes of this title, the term “State certified real estate appraiser” means any individual who has satisfied the requirements for State certification in a State or territory whose criteria for certification as a real estate appraiser currently meets the minimum criteria for certification issued by the Appraiser Qualification Board of the Appraisal Foundation.

(b) *Restriction.* No individual shall be a State certified real estate appraiser under this section unless such individual has achieved a passing grade upon a suitable examination administered by a State or territory that is consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the Appraiser Qualification Board of the Appraisal Foundation.

(c) *“State licensed appraiser” defined.* As used in this section, the term “State licensed appraiser” means an individual who has satisfied the requirements for State licensing in a State or territory whose criteria for the licensing of a real estate appraiser currently meet or exceed the minimum criteria issued by the Appraisal Qualifications Board of The Appraisal Foundation for the licensing of real estate appraisers.

(d) *Additional qualification criteria.* Nothing in this title shall be construed to prevent any Federal agency or instrumentality under this title from establishing such additional qualification criteria as may be necessary or appropriate to carry out the statutory responsibilities of such department, agency, or instrumentality.

(e) *Authority of Appraisal Subcommittee.* The Appraisal Subcommittee shall not set qualifications or experience requirements for the States in licensing real estate appraisers, including a de minimus [de minimis] standard. Recommendations of the Subcommittee shall be nonbinding on the States.

(e) *Minimum Qualification Requirements.*—Any requirements established for individuals in the position of ‘Trainee Appraiser’ and ‘Supervisory Appraiser’ shall meet or exceed the minimum qualification requirements of the Appraiser Qualifications Board of The Appraisal Foundation. The Appraisal Subcommittee shall have the authority to enforce these requirements.

### **§ 1117. Establishment of State appraiser certifying and licensing agencies** [12 U.S.C. 3346]

To assure the availability of State certified and licensed appraisers for the performance in a State of appraisals in federally related transactions and to assure effective supervision of the activities of certified and licensed appraisers, a State may establish a State appraiser certifying and

licensing agency. The duties of such agency may additionally include the registration and supervision of appraisal management companies and the addition of information about the appraisal management company to the national registry.

### **§ 1118. Monitoring of State appraiser certifying and licensing agencies** [12 U.S.C. 3347]

~~(a) *In general.* The Appraisal Subcommittee shall monitor State appraiser certifying and licensing agencies for the purpose of determining whether a State agency’s policies, practices, and procedures are consistent with this title. The Appraisal Subcommittee and all agencies, instrumentalities, and federally recognized entities under this title shall not recognize appraiser certifications and licenses from States whose appraisal policies, practices, or procedures are found to be inconsistent with this title.~~

(a) *In general.*—The Appraisal Subcommittee shall monitor each State appraiser certifying and licensing agency for the purposes of determining whether such agency—  
(1) has policies, practices, funding, staffing, and procedures that are consistent with this title;  
(2) processes complaints and completes investigations in a reasonable time period;  
(3) appropriately disciplines sanctioned appraisers and appraisal management companies;  
(4) maintains an effective regulatory program; and  
(5) reports complaints and disciplinary actions on a timely basis to the national registries on appraisers and appraisal management companies maintained by the Appraisal Subcommittee.

The Appraisal Subcommittee shall have the authority to remove a State licensed or certified appraiser or a registered appraisal management company from a national registry on an interim basis, not to exceed 90 days, pending State agency action on licensing, certification, registration, and disciplinary proceedings. The Appraisal Subcommittee and all agencies, instrumentalities, and Federally recognized entities under this title shall not recognize appraiser certifications and licenses from States whose appraisal policies, practices, funding, staffing, or procedures are found to be inconsistent with this title. The Appraisal Subcommittee shall have the authority to impose sanctions, as described in this section, against a State agency that fails to have an effective appraiser regulatory program.



In determining whether such a program is effective, the Appraisal Subcommittee shall include an analysis of the licensing and certification of appraisers, the registration of appraisal management companies, the issuance of temporary licenses and certifications for appraisers, the receiving and tracking of submitted complaints against appraisers and appraisal management companies, the investigation of complaints, and enforcement actions against appraisers and appraisal management companies. The Appraisal Subcommittee shall have the authority to impose interim actions and suspensions against a State agency as an alternative to, or in advance of the derecognition of a State agency.

(b) *Disapproval by Appraisal Subcommittee.* The Federal financial institutions, regulatory agencies, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Resolution Trust Corporation shall accept certifications and licenses awarded by a State appraiser certifying the licensing agency unless the Appraisal Subcommittee issues a written finding that—

- (1) the State agency fails to recognize and enforce the standards, requirements, and procedures prescribed pursuant to this title;
- (2) the State agency is not granted authority or sufficient funding by the State which is adequate to permit the agency to carry out its functions under this title; or
- (3) decisions concerning appraisal standards, appraiser qualifications and supervision of appraiser practices are not made in a manner that carries out the purposes of this title.

(c) *Rejection of State certifications and licenses.*

(1) *Opportunity to be heard or correct conditions.*

Before refusing to recognize a State's appraiser certifications or licenses, the Appraisal Subcommittee shall provide that State's certifying and licensing agency a written notice of its intention not to recognize the State's certified or licensed appraisers and ample opportunity to provide rebuttal information or to correct the conditions causing the refusal.

(2) *Adoption of procedures.* The Appraisal Subcommittee shall adopt written procedures for taking actions described in this section.

(3) *Judicial review.* A decision of the subcommittee under this section shall be subject to judicial review.

## § 1119. Recognition of State certified and licensed appraisers for purposes of this title

[12 U.S.C. 3348]

(a) *Effective date for use of certified or licensed appraisers only.*

(1) *In general.* Not later than December 31, 1992, all appraisals performed in connection with federally related transactions shall be performed only by individuals certified or licensed in accordance with the requirements of this title.

(2) *Extension of effective date.* Subject to the approval of the Council, the Appraisal Subcommittee may extend, until December 31, 1991, the effective date for the use of certified or licensed appraisers if it makes a written finding that a State has made substantial progress in establishing a State certification and licensing system that appears to conform to the provisions of this title.

(b) *Temporary waiver of appraiser certification or licensing requirements for State having scarcity of qualified appraisers.* Subject to the approval of the Council, the Appraisal Subcommittee may waive any requirement relating to certification or licensing of a person to perform appraisals under this title if the Appraisal Subcommittee or a State agency whose certifications and licenses are in compliance with this title, makes a written determination that there is a scarcity of certified or licensed appraisers to perform appraisals in connection with federally related transactions in a State, or in any geographical political subdivision of a State, leading to significant delays in the performance of such appraisals. The waiver terminates when the Appraisal Subcommittee determines that such significant delays have been eliminated.

(c) *Reports to State certifying and licensing agencies.* The Appraisal Subcommittee, any other Federal agency or instrumentality, or any federally recognized entity shall report any action of a State certified or licensed appraiser that is contrary to the purposes of this title to the appropriate State agency for a disposition of the subject of the referral. The State agency shall provide the Appraisal Subcommittee or the other Federal agency or instrumentality with a report on its disposition of the matter referred. Subsequent to such disposition, the subcommittee or the agency or instrumentality may take such further action,

pursuant to written procedures, it deems necessary to carry out the purposes of this title.

## § 1120. Violations in obtaining and performing appraisals in federally related transactions

[12 U.S.C. 3349]

(a) *Violations.* Except as authorized by the Appraisal Subcommittee in exercising its waiver authority pursuant to section 1119(b) [12 USCS § 3348(b)], it shall be a violation of this section—

(1) for a financial institution to seek, obtain, or give money or any other thing of value in exchange for the performance of an appraisal by a person who the institution knows is not a State certified or licensed appraiser in connection with a federally related transaction; and

(2) for the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Resolution Trust Corporation to knowingly contract for the performance of any appraisal by a person who is not a State certified or licensed appraiser in connection with a real estate related financial transaction defined in section 1121(5) [12 USCS § 3350(5)] to which such association or corporation is a party.

(b) *Penalties.* A financial institution that violates subsection (a)(1) shall be subject to civil penalties under section 8(i)(2) of the Federal Deposit Insurance Act or section 206(k)(2) of the Federal Credit Union Act [12 USCS § 1818(i)(2) or 1786(k)(2)], as appropriate.

(c) *Proceeding.* A proceeding with respect to a violation of this section shall be an administrative proceeding which may be conducted by a Federal financial institutions regulatory agency in accordance with the procedures set forth in subchapter II of chapter 5 of title 5, United States Code [5 USCS §§ 551 et seq.].

## § 1121. Definitions

[12 U.S.C. 3350]

For purposes of this title:

(1) *State appraiser certifying and licensing agency.* The term “State appraiser certifying and licensing agency” means a State agency established in compliance with this title.

(2) *Appraisal Subcommittee; subcommittee.* The terms “Appraisal Subcommittee” and “subcommittee” mean the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

(3) *Council.* The term “Council” means the Federal Financial Institutions Examination Council.

(4) *Federally related transaction.* The term “federally related transaction” means any real estate-related financial transaction which—

(A) a federal financial institutions regulatory agency or the Resolution Trust Corporation engages in, contracts for, or regulates; and

(B) requires the services of an appraiser.

(5) *Real estate related financial transaction.* The term “real estate-related financial transaction” means any transaction involving—

(A) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;

(B) the refinancing of real property or interests in real property; and

(C) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

(6) *Federal financial institutions regulatory agencies.* The term “Federal financial institutions regulatory agencies” means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration.

(7) *Financial institution.* The term “financial institution” means an insured depository institution as defined in section 3 of the Federal Deposit Insurance Act [12 USCS § 1813] or an insured credit union as defined in section 101 of the Federal Credit Union Act [12 USCS § 1752].

(8) *Chairperson.* The term “Chairperson” means the Chairperson of the Appraisal Subcommittee selected by the ~~council~~ Council.

(9) *Foundation.* The terms “Appraisal Foundation” and “Foundation” means [mean] the Appraisal Foundation established on November 30, 1987, as a not for profit corporation under the laws of Illinois.

(10) *Written appraisal.* The term “written appraisal” means a written statement used in connection with a federally related transaction that is independently and impartially prepared by a licensed or certified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by presentation and analysis of relevant market information.

(11) *Appraisal Management Company.*—  
The term ‘appraisal management company’ means, in connection with valuing properties collateralizing mortgage loans or mortgages incorporated into a securitization, any external third party authorized either by a creditor of a consumer credit transaction secured by a consumer’s principal dwelling or by an underwriter of or other principal in the secondary mortgage markets, that oversees a network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally within a given year—

- (A) to recruit, select, and retain appraisers;
- (B) to contract with licensed and certified appraisers to perform appraisal assignments;
- (C) to manage the process of having an appraisal performed, including providing administrative duties such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and underwriters, collecting fees from creditors and underwriters for services provided, and reimbursing appraisers for services performed; or
- (D) to review and verify the work of appraisers.

**§ 1122. Miscellaneous provisions**  
[12 U.S.C. 3351]

- (a) *Temporary practice.*
- (1) In general. A State appraiser certifying or licensing agency shall recognize on a temporary basis the certification or license of an appraiser issued by another State if—
    - (A) the property to be appraised is part of a federally related transaction,
    - (B) the appraiser’s business is of a temporary nature, and

(C) the appraiser registers with the appraiser certifying or licensing agency in the State of temporary practice.

(2) *Fees for temporary practice.* A State appraiser certifying or licensing agency shall not impose excessive fees or burdensome requirements, as determined by the Appraisal Subcommittee, for temporary practice under this subsection.

(b) *Reciprocity.* ~~The Appraisal Subcommittee shall encourage the States to develop reciprocity agreements that readily authorize appraisers who are licensed or certified in one State (and who are in good standing with their State appraiser certifying or licensing agency) to perform appraisals in other States.~~

Notwithstanding any other provisions of this title, a federally related transaction shall not be appraised by a certified or licensed appraiser unless the State appraiser certifying or licensing agency of the State certifying or licensing such appraiser has in place a policy of issuing a reciprocal certification or license for an individual from another State when—

- (1) the appraiser licensing and certification program of such other State is in compliance with the provisions of this title; and
- (2) the appraiser holds a valid certification from a State whose requirements for certification or licensing meet or exceed the licensure standards established by the State where an individual seeks appraisal licensure.

(c) *Supplemental funding.* Funds available to the Federal financial institutions regulatory agencies may be made available to the Federal Financial Institutions Examination Council Financial Institutions Examination Council to support the ~~council’s~~ Council’s functions under this title.

(d) *Prohibition against discrimination.* Criteria established by the Federal financial institutions regulatory agencies, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Resolution Trust Corporation for appraiser qualifications in addition to State certification or licensing ~~shall not exclude a certified or licensed appraiser for consideration for an assignment solely by virtue of membership or lack of membership in any particular appraisal organization.~~ may include education achieved, experience, sample appraisals, and references from prior clients. Membership in a nationally recognized professional appraisal organization

may be a criteria considered, though lack of membership therein shall not be the sole bar against consideration for an assignment under these criteria.

(e) *Other requirements.* A corporation, partnership, or other business entity may provide appraisal services in connection with federally related transactions if such appraisal is prepared by individuals certified or licensed in accordance with the requirements of this title. An individual who is not a State certified or licensed appraiser may assist in the preparation of an appraisal if—

- (1) the assistant is under the direct supervision of a licensed or certified individual; and
- (2) the final appraisal document is approved and signed by an individual who is certified or licensed.

(f) *Studies.*

(1) *Study.* The Appraisal Subcommittee shall—

(A) conduct a study to determine whether real estate sales and financing information and data that is available to real estate appraisers in the States is sufficient to permit appraisers to properly estimate the values of properties in connection with federally related transactions; and

(B) study the feasibility and desirability of extending the provisions of this title to the function of personal property appraising and to personal property appraisers in connection with Federal financial and public policy interests.

(2) *Report.* The Appraisal Subcommittee shall— (A) report its findings to the Congress with respect to the study described in paragraph (1)(A) no later than 12 months after the date of the enactment of this title [enacted Aug. 9, 1989], and (B) report its findings with respect to the study described in paragraph (1)(B) to Congress not later than 18 months after the date of the enactment of this title [enacted Aug. 9, 1989].

(g) *Appraiser Independence Monitoring.*—The Appraisal Subcommittee shall monitor each State appraiser certifying and licensing agency for the purpose of determining whether such agency's policies, practices, and procedures are consistent with the purposes of maintaining appraiser independence and whether such State has adopted and maintains effective laws, regulations, and policies aimed at maintaining appraiser independence.

(h) *Approved Education.*—The Appraisal Subcommittee

shall encourage the States to accept courses approved by the Appraiser Qualification Board's Course Approval Program.

(i) *Appraisal Complaint National Hotline.*—If, 6 months after the date of the enactment of this subsection, the Appraisal Subcommittee determines that no national hotline exists to receive complaints of non-compliance with appraisal independence standards and Uniform Standards of Professional Appraisal Practice, including complaints from appraisers, individuals, or other entities concerning the improper influencing or attempted improper influencing of appraisers or the appraisal process, the Appraisal Subcommittee shall establish and operate such a national hotline, which shall include a toll-free telephone number and an email address. If the Appraisal Subcommittee operates such a national hotline, the Appraisal Subcommittee shall refer complaints for further action to appropriate governmental bodies, including a State appraiser certifying and licensing agency, a financial institution regulator, or other appropriate legal authorities. For complaints referred to State appraiser certifying and licensing agencies or to Federal regulators, the Appraisal Subcommittee shall have the authority to follow up such complaint referrals in order to determine the status of the resolution of the complaint.

### **§ 1123. Emergency exceptions for disaster areas** **[12 U.S.C. 3352]**

(a) *In general.* Each Federal financial institutions regulatory agency may, by regulation or order, make exceptions to this title, and to standards prescribed pursuant to this title, for transactions involving institutions for which the agency is the primary Federal regulator with respect to real property located within a disaster area if the agency—

(1) makes the exception not later than 30 months after the date on which the President determines, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 USCS § 5170], that a major disaster exists in the area; and

(2) determines that the exception—

- (A) would facilitate recovery from the major disaster; and
- (B) is consistent with safety and soundness.

(b) *3-year limit on exceptions.* Any exception made under this section shall expire not later than 3 years after the date of the determination referred to in subsection (a)(1).



(c) *Publication required.* Any Federal financial institutions regulatory agency shall publish in the Federal Register a statement that—

- (1) describes any exception made under this section; and
- (2) explains how the exception—
  - (A) would facilitate recovery from the major disaster; and
  - (B) is consistent with safety and soundness.

(d) *“Disaster area” defined.* For purposes of this section, the term “disaster area” means an area in which the President, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 USCS § 5170], has determined that a major disaster exists.

#### **§ 1124. Appraisal Management Company Minimum Requirements.**

(a) *In General.*—The Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection shall jointly, by rule, establish minimum requirements to be applied by a State in the registration of appraisal management companies. Such requirements shall include a requirement that such companies—

- (1) register with and be subject to supervision by a State appraiser certifying and licensing agency in each State in which such company operates;
- (2) verify that only licensed or certified appraisers are used for federally related transactions;
- (3) require that appraisals coordinated by an appraisal management company comply with the Uniform Standards of Professional Appraisal Practice; and
- (4) require that appraisals are conducted independently and free from inappropriate influence and coercion pursuant to the appraisal independence standards established under section 129E of the Truth in Lending Act.

(b) *Relation to State Law.*—Nothing in this section shall be construed to prevent States from establishing requirements in addition to any rules promulgated under subsection (a).

(c) *Federally Regulated Financial Institutions.*—The requirements of subsection (a) shall apply to an appraisal

management company that is a subsidiary owned and controlled by a financial institution and regulated by a Federal financial institution regulatory agency. An appraisal management company that is a subsidiary owned and controlled by a financial institution regulated by a Federal financial institution regulatory agency shall not be required to register with a State.

(d) *Registration Limitations.*—An appraisal management company shall not be registered by a State or included on the national registry if such company, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State. Additionally, each person that owns more than 10 percent of an appraisal management company shall be of good moral character, as determined by the State appraiser certifying and licensing agency, and shall submit to a background investigation carried out by the State appraiser certifying and licensing agency.

(e) *Reporting.*—The Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection shall jointly promulgate regulations for the reporting of the activities of appraisal management companies to the Appraisal Subcommittee in determining the payment of the annual registry fee.

(f) *Effective Date.*—

(1) *In General.*—No appraisal management company may perform services related to a federally related transaction in a State after the date that is 36 months after the date on which the regulations required to be prescribed under subsection (a) are prescribed in final form unless such company is registered with such State or subject to oversight by a Federal financial institutions regulatory agency.

(2) *Extension of Effective Date.*—Subject to the approval of the Council, the Appraisal Subcommittee may extend by an additional 12 months the requirements for the registration and supervision of appraisal management companies if it makes a written finding that a State has made substantial progress in establishing a State appraisal management company registration and supervision system that appears to conform with the provisions of this title.

## § 1125. Automated Valuation Models Used to Estimate Collateral Value for Mortgage Lending Purposes.

(a) *In general.*—Automated valuation models shall adhere to quality control standards designed to—

- (1) ensure a high level of confidence in the estimates produced by automated valuation models;
- (2) protect against the manipulation of data;
- (3) seek to avoid conflicts of interest;
- (4) require random sample testing and reviews; and
- (5) account for any other such factor that the agencies listed in subsection (b) determine to be appropriate.

(b) *Adoption of Regulations.*—The Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection, in consultation with the staff of the Appraisal Subcommittee and the Appraisal Standards Board of the Appraisal Foundation, shall promulgate regulations to implement the quality control standards required under this section.

(c) *Enforcement.*—Compliance with regulations issued under this subsection shall be enforced by—

- (1) with respect to a financial institution, or subsidiary owned and controlled by a financial institution and regulated by a Federal financial institution regulatory agency, the Federal financial institution regulatory agency that acts as the primary Federal supervisor of such financial institution or subsidiary; and
- (2) with respect to other participants in the market for appraisals of 1-to-4 unit single family residential real estate, the Federal Trade Commission, the Bureau of Consumer Financial Protection, and a State attorney general.

(d) *Automated Valuation Model Defined.*— For purposes of this section, the term ‘automated valuation model’ means any computerized model used by mortgage originators and secondary market issuers to determine the collateral worth of a mortgage secured by a consumer’s principal dwelling.

## § 1126. Broker Price Opinions.

(a) *General Prohibition.*—In conjunction with the purchase of a consumer’s principal dwelling, broker price opinions may not be used as the primary basis to determine the value of a piece of property for the purpose of a loan origination of a residential mortgage loan secured by such piece of property.

(b) *Broker Price Opinion Defined.*—For purposes of this section, the term ‘broker price opinion’ means an estimate prepared by a real estate broker, agent, or sales person that details the probable selling price of a particular piece of real estate property and provides a varying level of detail about the property’s condition, market, and neighborhood, and information on comparable sales, but does not include an automated valuation model, as defined in section 1125(c).

## Department of Housing and Urban Development Reform Act of 1989 § 142 FHA Operations [12 U.S.C. 1708(e)]

(e) Appraisal standards.

(1) The Secretary shall prescribe standards for the appraisal of all property to be insured by the Federal Housing Administration. Such appraisals shall be performed in accordance with uniform standards, by individuals who have demonstrated competence and whose professional conduct is subject to effective supervision. These standards shall require at a minimum—

(A) that the appraisals of properties to be insured by the Federal Housing Administration shall be performed in accordance with generally accepted appraisal standards promulgated by the Appraisal Foundation a not-for-profit corporation established on November 30, 1987 under the laws of Illinois; and

(B) that each appraisal is a written statement used in connection with a real estate transaction that is independently and impartially prepared by a licensed or certified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by presentation and analysis of relevant market information.

(2) The Appraisal Subcommittee of the Federal Financial Institutions Examination Council shall include the Secretary or his designee.

# Appendix C

## *2011 Compliance Review Findings*

### *2011 Compliance Review Summary*

<b>State</b>	<b>Date of Review</b>	<b>ASC Finding</b>	<b>Review Cycle</b>
Tennessee	January	In Substantial Compliance	Two Year
Kentucky	January	In Substantial Compliance	Two Year
Idaho	February	Not In Substantial Compliance	Two Year
Utah	February	Not In Substantial Compliance	Two Year
Delaware	March	In Substantial Compliance	Two Year
District of Columbia	March	In Substantial Compliance	Two Year
Indiana	March	Not In Substantial Compliance	Two Year with Follow-up
Mississippi	April	In Substantial Compliance	Two Year
Virginia	May	In Substantial Compliance	Two Year
South Carolina	May	In Substantial Compliance	Two Year
Alaska	May	Not In Substantial Compliance	Two Year
Rhode Island	June	In Substantial Compliance	Two Year
Wyoming	June	Not In Substantial Compliance	Two Year
Montana	June	Not In Substantial Compliance	One Year
Iowa	July	In Substantial Compliance	Two Year
New Hampshire	July	In Substantial Compliance	Two Year
Hawaii	August	Not In Substantial Compliance	Two Year
Wisconsin	August	Not In Substantial Compliance	Two Year
Maine	September	In Substantial Compliance	Two Year
Nebraska	September	In Substantial Compliance	Two Year
New York	September	Not In Substantial Compliance	Two Year
Kansas	October	Not In Substantial Compliance	Two Year
Oklahoma	October	In Substantial Compliance	Two Year
New Mexico	November	In Substantial Compliance	Two Year
Illinois	November	Not In Compliance	One year with Accelerated Periodic Supervision
Ohio	November	In Substantial Compliance	Two Year
Florida	December	Not In Substantial Compliance	One Year

Copies of Compliance Review Reports are available on the ASC website at [www.asc.gov/State-Appraiser-Regulatory-Programs/StateComplianceReviews.aspx](http://www.asc.gov/State-Appraiser-Regulatory-Programs/StateComplianceReviews.aspx).

*2009–2011 Compliance Review Findings*

<b>Areas of Non-Compliance</b>			
<b>Requirement/Guidance Areas</b>	<b>2011 27 States Reviewed</b>	<b>2010 26 States Reviewed</b>	<b>2009 32 States Reviewed</b>
Statutes, Regulations, Policies and Procedures:	4	2	7
Temporary Practice:	0	0	0
National Registry:	0	0	1
Application Process:	2	4	17
Reciprocity:	0	0	0
Education:	0	2	7
Enforcement:	18	19	16
<b>State Compliance Status</b>			
	<b>2011 27 States Reviewed</b>	<b>2010 26 States Reviewed</b>	<b>2009 32 States Reviewed</b>
In Substantial Compliance	15	9	14
Not in Substantial Compliance	11	17	18
Not in Compliance	1	0	0

The table above documents the 2009, 2010, and 2011 Compliance Review findings by requirement and areas of guidance.

*State Compliance Status 2007–2011*

<b>State Compliance Status Showing Improvement</b>					
	<b>2011 27 States Reviewed</b>	<b>2010 26 States Reviewed</b>	<b>2009 32 States Reviewed</b>	<b>2008 26 States Reviewed</b>	<b>2007 30 States Reviewed</b>
In Substantial Compliance	15	9	14	5	4
Not in Substantial Compliance	11	17	18	20	26
Not in Compliance	1	0	0	1	0
% In Substantial Compliance	56%	35%	44%	19%	13%

*State Compliance Review Finding Descriptions*

“ASC Finding” Defined for ASC Compliance Review Report
1. <b>IN SUBSTANTIAL COMPLIANCE:</b> Applies when no issues of non-compliance or violations of Title XI, ASC Policy Statements or AQB Criteria are identified.
2. <b>NOT IN SUBSTANTIAL COMPLIANCE:</b> 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.”
3. <b>NOT IN COMPLIANCE:</b> Applies when the number, seriousness, and/or repetitiveness of the Title XI, ASC Policy Statements and/or AQB Criteria violations warrant this finding.

**ASC Compliance Report Descriptions:** Below is a guideline for reporting of the States compliance determination for “Yes”, “No” and “Area of Concern (AC)” in the ASC Final and Preliminary Compliance Review Report.

**Yes**—Applies when the State is in compliance in the area and ASC staff has not recommended State actions.

**No**—Applies when the identified area is not in compliance with Title XI, ASC Policy statements or AQB Criteria. “No” also applies when the State has not completely resolved the concern. A “No” finding may be changed to a “Yes” from the Preliminary Compliance Review Report to the Final Compliance Review Report if the State completely resolves the violation and ASC staff has validated the change. May be changed to an AC from the Preliminary Compliance Review Report to the Final Compliance Review Report if the State reports they resolved the violation, however, ASC staff has not validated the action(s).

**Area of Concern (AC)**—Applies when an area is identified as technically in compliance, however ASC staff identified something that, if continued, could cause the

Program to become out of compliance. As an example, the State’s regulations do not require AQB Criteria for continuing education. The State, however, is in compliance by practice. The concern is that a legal challenge of the State could result in an appraiser being renewed under the erroneous regulation. An AC applies when ASC staff has identified best practice suggestions that could strengthen the Program. The finding may be changed to a “Yes” from the Preliminary Compliance Review Report to the Final Compliance Review Report if the State’s action resolves the concern and ASC staff has validated the action(s). As an example, the State amended and adopted the regulation to meet AQB Criteria and provided documentation showing the adoption was finalized. An AC will remain if ASC staff is unable to verify the State’s reported remedy. Therefore, if the State reports that a remedy is in place and provides documents showing the new process, but ASC staff cannot validate that the State is actually using the new process, it will remain an AC until the next Review.



# Appendix D

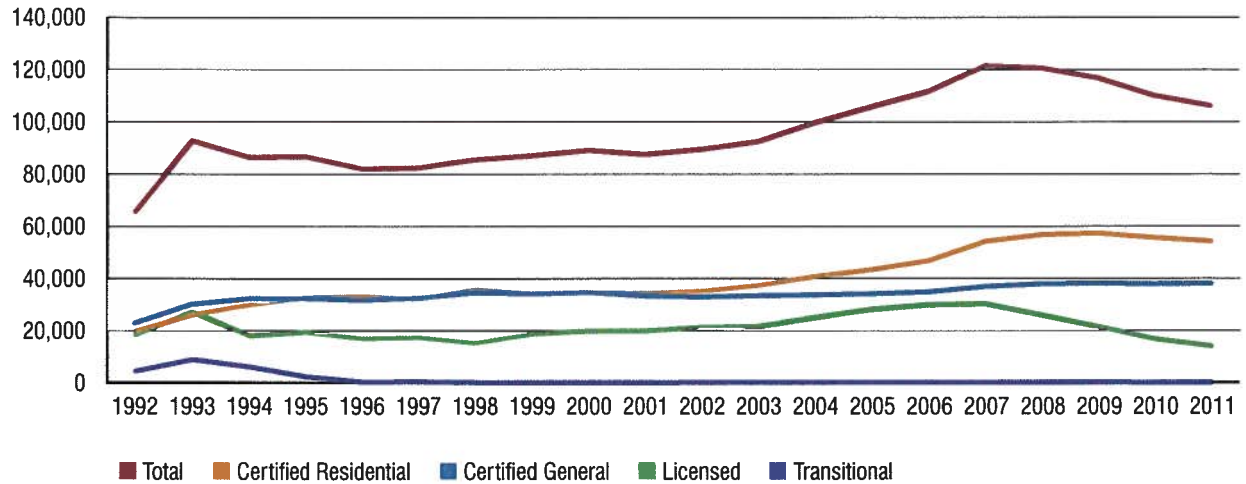
## *National Appraiser Credential Statistics*

*Note: These statistics reflect the number of appraiser credentials, not the number of appraisers. It is not uncommon for the same appraiser to hold multiple State credentials.*

### **National Registry Credentials—Year-End 1992–2011**

<b>Year-End</b>	<b>Certified General</b>	<b>Certified Residential</b>	<b>Licensed</b>	<b>Transitional</b>	<b>Total</b>
1992	23,133	19,772	18,406	4,405	65,716
1993	30,348	26,163	27,316	8,882	92,709
1994	32,450	29,949	17,960	6,043	86,402
1995	32,305	32,733	19,375	2,244	86,657
1996	31,628	33,141	16,984	226	81,979
1997	32,519	32,161	17,371	318	82,369
1998	34,485	35,697	15,287	23	85,492
1999	34,082	34,237	18,676	24	87,019
2000	34,609	34,702	19,755	28	89,094
2001	33,246	34,401	19,837	23	87,507
2002	32,959	35,233	21,261	37	89,490
2003	33,394	37,418	21,575	47	92,434
2004	33,725	40,726	25,095	46	99,592
2005	34,074	43,327	28,185	52	105,638
2006	34,812	46,701	29,921	51	111,485
2007	36,881	54,177	30,286	63	121,407
2008	37,851	56,704	25,931	65	120,551
2009	38,061	57,253	21,434	43	116,791
2010	37,807	55,522	16,674	23	110,026
2011	38,016	54,201	13,900	13	106,130

### National Registry Credentials



*Note:* Transitional licensing enabled persons to become licensed when they passed the appropriate examination but lacked either the educational or the experience requirements adopted by the State. States generally have required: (1) transitionally-licensed appraisers to satisfy the missing requirements within no more than two years after being tested and transitionally licensed by the State; and (2) each transitional license is to indicate clearly its transitional nature, period of validity and a non-extendable termination date.



# Appendix E

## *Monitoring State Compliance with Title XI*

<b>Monitoring Tool</b>	<b>Description</b>	<b>Frequency</b>
Routine Compliance Reviews	Full on-site Reviews of State appraiser regulatory Programs.	Every 2 years or annually if ASC determines a State needs closer monitoring.
Follow-up Compliance Reviews	On-site Reviews focused on areas of noncompliance identified during routine Compliance Reviews.	6 to 12 months after previous Compliance Review.
Priority Contact Visits	On-site visits, usually to States with large populations of appraisers, to discuss potentially problematic emerging issues and maintain a close working relationship with the State agency.	As needed.
Off-site Monitoring	Telephone or e-mail contacts with State agencies regarding emerging compliance issues and progress in addressing previously identified issues.	Continuous.



# Appendix F

## *Appraiser Disciplinary Actions Reported by States<sup>22</sup>*

January 1, 1991 through December 31, 2011

State or US Territory	Revocation	Suspension	Voluntary Surrender	Downgrade	Probation	Fine	Additional Education	Official Reprimand	Warnings, Corrective Actions	Other	Total
Alaska	1	1	4	6	7	4			3		26
Alabama	9	44	17	4	6	15	6	12		16	129
Arkansas	9	22	8	2	153	7	26	8		74	309
Arizona	40	27	43	1	74	1	2			361	549
California	133	62	110	1	54	503	92		140	43	1,138
Colorado	37	56	92	3	42	200	179	1	2	11	623
Connecticut	6	6	7	145	36	1				6	207
District Of Columbia	2	5	9	19	2	2					39
Delaware	1	13	7	4	14	13					52
Florida	272	185	27	1	607	570	125	6	4		1,797
Georgia	283	135	31							353	802
Hawaii	1					13	5		1		20
Iowa	17	8	33		54	47	138	19	4	6	326
Idaho	5	18	9		70	163	117	4	4	36	426
Illinois	138	108	8	1	21	94	13	11	660	3	1,057
Indiana	88	100	10		154	24	15	55	7	73	526
Kansas	32	16	16	1	104	80	165		18		432
Kentucky	3	43	19	2	153	85			5	4	314
Louisiana	2	13				23			24		62
Massachusetts	23	18	53		76	120	4	200	6		500
Maryland	12	40	3			79	39	13	1	2	189
Maine	21	18	8		15	104	61	58	15	6	306
Michigan	89	29	4		35	373	129				659
Minnesota	66	66			1	331	36	28	21	18	567
Missouri	99	130	17		259			2	2	52	561
Mississippi	10	18	5		26		39	2	1	278	379
Montana	9	8	3	25	38	35	6			2	126
North Carolina	17	175	51	1		3	203	79	6	1	536
North Dakota	2	5	5	2	11		16	1		1	43
Nebraska	1	6	21	3	9	2	66		3	34	145
New Hampshire	3	11	1	53	36						104

State or US Territory	Revocation	Suspension	Voluntary Surrender	Downgrade	Probation	Fine	Additional Education	Official Reprimand	Warnings, Corrective Actions	Other	Total
New Jersey	17	71	12	2	37	176	44	74	5		438
New Mexico	13	7	2	3	28	60	11	14			138
Nevada	36	26	36	13	10	107	151		3	4	386
New York	139	85	1			137	26	1	49	5	443
Ohio	30	158	20			164	262	6	75		715
Oklahoma	376	171	18	3	15	138	39	3	2	13	778
Oregon	16	40	27			335	22	27	4	24	495
Pennsylvania	8	49	22		35	243	184	14			555
Puerto Rico		2				8	2			8	20
Rhode Island	8	6	2			16	11			2	45
South Carolina	16	18	14	7	73	134	51	77	3		393
South Dakota	6	16	3			50	45	44	3	4	171
Tennessee	12	30	12	5	24	148	141	8	75	44	499
Texas	83	51	42		82	199	335	13	6	10	821
Utah	17	5	32	7	13	155	69	22	320	22	320
Virginia	32	82	5		2	8	4		117	1	251
Vermont	2	6	2		2	4	8		23	7	54
Washington	58	45	5		82	65	16	2	34	1	308
Wisconsin	16	61	46		8	127	220	103	12	10	603
West Virginia	3	29			25	37	36	11	6	3	150
Wyoming	1	1	5		6	6	5			3	27
<b>Total</b>	<b>2,320</b>	<b>2,345</b>	<b>911</b>	<b>57</b>	<b>2,237</b>	<b>5,455</b>	<b>3,418</b>	<b>909</b>	<b>1,366</b>	<b>1,541</b>	<b>20,559</b>

<sup>22</sup> Public disciplinary actions on the National Registry are those State actions currently in effect that affect an appraiser's ability to appraise: revocations, suspensions or voluntary surrenders in lieu of discipline. No disciplinary actions have been reported by Guam, Mariana Islands or Virgin Islands.