

Report to AARO on ASB Meeting

November 19, 2010

Coconut Gove, FL

Date: December 1, 2010

To: Executive Committee of the
Association of Appraiser Regulatory Officials (AARO)

From: Nikole Avers, AARO – ASB Oversight Committee Chair

The Appraiser Standards Board (ASB) of The Appraisal Foundation held a public meeting in Coconut Grove, FL on November 19, 2010. I attended this meeting on behalf of AARO and offer the following report.

The following items were on the Board's agenda:

- Introduction of 2010 Board Members
- Introduction of new Board Members for 2011
- Review and Approval of Draft Minutes
- Report of the President (Dave Bunton)
- Report from the AQB (John Brennan)
- Report from the Appraisal Practices Board (John Brennan)
- Discussion of the Third Exposure Draft on the proposed changes to the 2012-2013 USPAP
- 2011 Business Plan (Sandy Guilfoil)
- Open Forum Discussion

ASB Members Present

Sandra Guilfoil – Outgoing Chair

Carl Shultz – 2011 Chair

Barry Shea – 2011 Vice-Chair

Richard Knitter

New Member Introductions

R. Lee Robinette (GA) - Experienced as an appraiser of large and small machinery and equipment. He has been called upon to appraise large industrial warehouses damaged by natural disasters and USPAP Instructor.

Maggie Hambleton (OH) – Significant contributor to the development of the 7 hour USPAP course and USPAP Instructor.

Dennis J. Black (FL) - Named the National Appraisal Educator by the National Association of Independent Fee Appraiser in 2008 and was named the National Appraiser of the Year in 2009 and USPAP Instructor.

Dennis Badger (KY) – AARO member, SME for the National Appraiser Exam, Certified General Real Property Appraiser, and USPAP Instructor.

Also Present from the Appraisal Foundation

Carrie Composto

John Brennan

Dave Bunton

Nikole Avers was present at the meeting on behalf of AARO as the Appraisal Standards Board Oversight Committee - Chair. Other AARO attendees were Don Rogers, AARO President Elect, from North Carolina and Dennis Badger, Investigator Chair, from Kentucky.

The Appraisal Foundation's President, David Bunton, gave a brief report concerning the Foundations projects including, a mark to market webinar, activities of the International Valuations Standards Committee, progress on the Appraisal Practices Board, Investigator Training courses, Consistent Enforcement Task Force (voluntary disciplinary action matrix), training sessions available on the TAF website:

<http://www.globalpres.com/mediasite/Catalog/pages/catalog.aspx?catalogId=97b75dbc-da29-4ac2-b603-caa7705cf271> including the mock trail held at the AARO fall conference and USPAP for regulators. He thanked Barry Shea for his contributions, including work on the video, and thanked Sandy Guilfoil for 9 years of dedicated service to the Appraisal Foundation.

John Brennan, Appraisal Foundation Director of Research and Technical Issues, gave a report on the activities of the Appraisal Qualifications Board (AQB) that highlighted the three exposure drafts communicated by the AQB and he said it would be January 2015 before the proposed implementation of Qualification changes. Current proposals include, Background Checks, requiring the 7 hour USPAP update be taken towards the beginning of the release of new editions of USPAP, removing the "in lieu of" college degree allowance. He indicated future exposure drafts will include proposals for requirements for supervisors and trainees and changes to the personal property criteria. He discussed the pass rates for the national exams including that there is currently a 50-65% pass rate for first time applicants. Mr. Brennan then discussed the activities of the Appraisal Practices Board which focuses on identifying and making available voluntary guidance on recognized methods and techniques for appraisers. He indicated the first topic the APB is going to work on is guidance for residential appraising in declining markets and that they are currently soliciting subject matter experts. He indicated they plan to work on 2-4 topics by the end of 2011. Further information on the APB can be found on the Foundation's website at:

<http://netforum.avectra.com/eweb/DynamicPage.aspx?Site=taf&WebCode=APB>

Sandy Guilfoil – Chair of the Appraisal Standards Board (ASB) gave a report on the activities of the ASB. She indicated they have been working on changes for the 2012 edition of USPAP including changes to the Reporting sections of USPAP, changes to

Standards Rules 7 & 8. She indicated that in order to maintain their projected time line changes would have to be adopted by April of 2011 to be published in October of 2011. She indicated that the Reporting issues have been framed and has been included in exposure drafts, but they felt that a Communication Rule would need to be further studied and developed before making any changes to the Reporting requirements. She said that changes to the Reporting requirements were therefore on hold until 2014 and would be the project of the new ASB members beginning in 2011. She indicated the current ASB members were working on a 4th exposure draft to be released for comment by mid-December 2010. The next public meeting of the ASB will be January 21, 2011 in Phoenix and they are hoping to adopt any final changes at the April 8, 2011 meeting in San Antonio, Texas. Topics slated for future meets of the ASB will cover the COMMUNICATION RULE, RECORD KEEPING RULE, Reporting options and Draft Reports as well as work on future FAQ's on these topics.

There was much discussion from audience participants on the current exposure draft. The proposals for requiring specific disclosure of the use of "Extraordinary Assumptions" and "Hypothetical Conditions" were seemingly very controversial in the group. There was discussion pertaining to the proposed changes to the definition of Client and the implication of the Dodd-Frank legislation. Bonnie Roerig (CO), of the AI Appraisal Standards Committee, read a comment letter on the third exposure draft during the discussion.

During my comments to the ASB during the public comment period I commented on "draft report" and recommended the ASB review closely if a "final report" should be tied to a signature or not. Sending an unsigned partial appraisal report seemed ill-advised to me in a similar fashion to giving out a blank-check to a stranger. I also advised that draft reports communicated to a client should have labeling requirements which are readily observable such as "not completed" or "draft" to be watermarked over the report and that these electronically communicated drafts have some security requirement, such as a signed certification and digital encryption security. There seems to be some consensus that there should be some requirement for Record Keeping on draft reports and communication with the client.

I expressed to the ASB that AARO stands ready and willing to assist them in whatever way they determine would be helpful.