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Appraisal Subcommittee

Federal Financial Institutions Examination Council

Bulletin No. 2015-01

Issue Date: June 17, 2015

To: State Appraiser Regulatory Officials

Subject: State Registration and Supervision of
Appraisal Management Companies (AMCs)

Purpose

The Appraisal Subcommittee (ASC) is issuing this Bulletin to provide information regarding registration and supervision of AMCs (State AMC Programs). This Bulletin addresses the following:

- ASC Oversight of State AMC Programs
- State Registration and Supervision of AMCs
- The National Registry of AMCs (AMC Registry)
- Federally regulated AMCs¹
- Statutory Implementation Period

Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act)² added section 1124, *Appraisal Management Company Minimum Requirements*, to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989³ (Title XI). Section 1124 required the Office of the Comptroller of the Currency (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); National Credit Union Administration (NCUA); Bureau of Consumer Financial Protection (Bureau); and Federal Housing Finance Agency (FHFA) (collectively, the agencies) to establish, by rule, minimum requirements for State registration and supervision of AMCs.⁴ In accordance with the statute, the agencies recently issued a final rule (referred to as the AMC Rule) which was published on June 9, 2015, at 80 *Federal Register* 32658 (June 9, 2015) with an effective date of August 10, 2015.

¹ This refers to AMCs that are subsidiaries owned and controlled by an insured depository institution and regulated by a Federal financial institutions regulatory agency.

² Pub. L. 111-203, 124 Stat. 1376.

³ Pub. L. 101-73, 103 Stat. 183; 12 U.S.C. 3353.

⁴ 12 U.S.C. 3353(a). The statute also directed those agencies to issue regulations concerning the reporting of information to the ASC for purposes of maintaining the AMC Registry.

ASC Oversight of State AMC Programs

States are not required to establish an AMC registration and supervision program. For those States electing to participate in the registration and supervision of AMCs, the ASC staff will informally monitor the State's progress to implement the requirements of the AMC Rule.

Formal ASC oversight of State AMC Programs will begin at the next regularly scheduled Compliance Review of a State after the following occurs:

- (1) the AMC Registry is operational; and
- (2) a participating State establishes a registration and supervisory program with appropriate AMC oversight authority and begins registering AMCs on the AMC Registry.

Upon expiration of the statutory implementation period (*see below* Statutory Implementation Period), Compliance Reviews will include ASC oversight of AMC Programs for any State with an AMC Program.

Participating States may establish requirements in addition to those in the AMC Rule. Participating States may also have a more expansive definition of AMC. However, if a participating State has a more expansive definition of AMCs than in the AMC Rule (thereby encompassing State regulation of AMCs that are not within the definition of AMC in the AMC Rule), the State must ensure such non-Federally recognized AMCs are identified as such in the State database.

State Registration and Supervision of AMCs

If a State chooses to participate in the registration and supervision of AMCs (participating State), the State will be required to comply with the AMC Rule. This Bulletin summarizes the provisions of the AMC Rule that participating States will need to implement as part of their AMC programs. States should refer to the AMC Rule for compliance requirements.

Minimum Requirements

In summary, the AMC Rule includes requirements for participating States to:

- (a) Establish and maintain a program with the legal authority and mechanisms to:
 - (1) Review and approve or deny AMC applications and/or renewals for registration;
 - (2) Examine records of AMCs and require AMCs to submit information;
 - (3) Verify that appraisers on AMCs' panels hold valid State credentials;
 - (4) Conduct investigations of AMCs for potential violations of appraisal-related laws, regulations, or orders;
 - (5) Discipline AMCs that violate appraisal-related laws, regulations, or orders; and

(6) Report appraisal-related violations of AMCs, as well as discipline or enforcement actions to the ASC.

(b) Impose requirements on AMCs to:

- (1) Register with and be subject to supervision by the participating State (except for Federally regulated AMCs);
- (2) Engage only State certified or State licensed appraisers for Federally related transactions;
- (3) Establish and comply with processes and controls to ensure AMCs engage competent and independent appraisers;
- (4) Require USPAP compliance; and
- (5) Require compliance with the requirements of section 129E(a) through (i) of the Truth in Lending Act, 15 U.S.C. 1639e(a) through (i), and regulations thereunder.

Ownership limitations

Participating States will also be required to comply with the ownership limitations set forth in the AMC Rule. In summary, the AMC Rule includes ownership limitations that could result in a prohibition for an AMC from being registered by a State or included on the AMC Registry under certain circumstances, and also sets forth exceptions to the prohibition. Other statutory ownership limitations are also addressed in the AMC Rule.

AMC Registry

In the future to aid the States in implementing the AMC Rule, the ASC will provide additional guidance by issuing supplements to this Bulletin to address the following:

- (1) When the AMC Registry will be open for participating States;
- (2) Reporting requirements (information required to be submitted by States in order to register AMCs on the AMC Registry); and
- (3) AMC registry fees after Notice and Request for Comment in the *Federal Register*.

Federally Regulated AMCs

Federally regulated AMCs must comply with the minimum requirements for providing appraisal management services no later than 12 months from the effective date of the AMC Rule. Compliance for providing and remitting information and AMC registry fees is subject to notification regarding the availability of the AMC Registry and the procedures for doing so. Participating States are not required to identify Federally regulated AMCs operating in their States, but rather the Federal financial institution regulatory agencies are responsible for requiring such AMCs to identify themselves to participating States and report required information.

Statutory Implementation Period

The AMC Rule sets forth the statutory implementation period. In summary, beginning 36 months after the effective date of the AMC Rule, an AMC may not provide services for a Federally related transaction in a non-participating State unless the AMC is a Federally regulated AMC. The ASC, with the approval of the Federal Financial Institutions Examination Council (FFIEC), may extend this period for an additional 12 months if the ASC makes a finding that the State has made substantial progress toward implementing a registration and supervision program for AMCs that meets the standards of Title XI.⁵

For further information, contact James R. Park, Executive Director, at (202) 595-7575 or Jim@ASC.gov, or Alice M. Ritter, General Counsel, at (202) 595-7577 or Alice@ASC.gov.

Sincerely,

\s\ Arthur Lindo

Arthur Lindo
ASC Chairman

⁵ 12 U.S.C. 3353(f)(2).