

AARO TAFAC Representative Report

September 25, 2009

Washington, DC

Date: October 2, 2009

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

From: Bob Keith, Chair-Elect TAFAC
AARO TAFAC Representative

The Appraisal Foundation Advisory Council (TAFAC) is comprised of 58 not-for-profit organizations or government agencies that are either knowledgeable with respect to the utilization of appraisals in the marketplace and the problems related to such utilization, or have demonstrated a concern relating to the implementation of sound appraisal practices and procedures. The Council seeks to provide appropriate guidance in the formulation of recommendations and/or comments to the Board of Trustees (BOT) of The Appraisal Foundation (Foundation), the Appraisal Standards Board (ASB) and the Appraiser Qualifications Board (AQB).

TAFAC met on September 5, 2009 at the Doubletree Hotel at 1515 NW Rhode Island in Washington D.C. TAFAC committee and working group meetings were held on September 24, 2009. TAFAC committees and working groups include:

- Membership Committee
- Strategic, Long Range Planning and Oversight Committee
- Emerging Issues Committee
- AQB Issues Committee
- ASB Issues Committee
- Nominating Committee
- Personal Property Working Group

During the September 25, 2009 meeting there were reports by TAFAC Chair Chris Rosenthal; Foundation President David Bunton; ASB member Barry Shea; TAFAC's representatives to the Foundation's Board of Trustees and the Foundation's staff reported on the activities of the AQB. In addition, each TAFAC committee and working group chair gave a report on the activity of their respective committee or working group. The following is a brief synopsis of each report.

Report of the Foundation President – David Bunton

Mr. Bunton gave an update report on current projects of the Appraisal Foundation including the Consistent Enforcement Task Force, the Best Practices Task Force and a collaborative initiative with AARO and the Appraisal Subcommittee to provide appraiser investigator training to State appraiser investigators/regulators.

The Consistent Enforcement Task Force has completed a draft report consisting of voluntary disciplinary guidelines to assist State regulatory agencies. This document will be released at the upcoming AARO conference before being released for public comment prior to its proposed adoption in the spring of 2010.

Bunton provided some background information and a report on the Foundations' Best Practices Task Force. The focus of this Task Force is to develop a clear-cut and enforceable body of knowledge for the appraisal profession. Bunton indicated that the best title for the Task Force is Recommended Methods and Techniques to be consistent with USPAP Standard Rule 1-1(a). The proposal is for a panel of Subject Matter Experts to identify various topics and emerging issues to provide timely guidance to appraisal professionals in addition to guidance on actual (recognized) appraisal practice methods and techniques.

Bunton also reported that the 2.5 day State Investigator Training course has been very favorably received with high evaluation results and requests for a second (follow-up) training course. By the end of 2009, 160 state regulators/investigators will have completed the course.

He also reported that the U.S. House of Representatives passed H.R. 1728 which has moved on to the U.S. Senate. This bill has several valuation-related provisions such as: the AQB would set minimum qualification criteria for appraisal management companies and mandate the AQB Real Property Appraisal Criteria for the licensed credential and the trainee classifications (for states having such classifications).

Bunton indicated that two new publications are now available, *USPAP for Non-Appraisers* and *Why You Should Engage a Professional Appraiser* and that the 2010-11 edition of USPAP will be available on October 1, 2009.

Report of the TAFAC Representative to the BOT

Steve Byrnes stated he had no new information to report since the Board of Trustees of the Appraisal Foundation has not met since the last TAFAC meeting.

Report of the AQB – Magdalene Vasquez for Gary Taylor, AQB Chair

Ms. Vasquez reported that the AQB has released an updated version of the *Real Property Appraiser Qualification Criteria* and for the first time, the booklet contains frequently asked questions pertaining to the criteria.

Vasquez also reported that the AQB has released an Exposure Draft of an Interpretation for Qualifying Education in Lieu of College Degrees and that the AQB has approved two graduate degree programs for graduate degree applicants looking to obtain a real property appraiser credential.

The AQB is pleased with the pass rate of the National Examination and individuals taking the exam with post-2008 education are performing well. There are about 600 AQB certified USPAP instructors and the instructor on-line certification course as well as the

on-line version of the National 15-hour USPAP and 7-hour USPAP Update course will be available October 1, 2009.

Report of the ASB – ASB Member Barry Shea

Mr. Shea reported the 2010-2011 USPAP and accompanying education materials are complete and ready for distribution and that the ASB is starting to work on 2012-2013 USPAP issues. One of the main focuses for 2012-2013 will be Reporting Requirements. The ASB has issued a Request for Comments or Suggestions questionnaire on USPAP Reporting Requirements and the ASB is looking forward to the responses. Shea also stated that the ASB will be working on revisions to Standards 7 and 8 and any other suggestions to improve USPAP brought to the attention of the ASB.

Report of the Membership Committee – Aleya Lehmann, Chair

Ms. Lehmann reported that her committee reviewed TAFAC's membership list and the committee will be contacting member organizations with unexcused absences.

Report of the Strategic, Long Range Planning and Oversight Committee (SLRPOC) – Bob Keith for John Rasmus, Chair

Mr. Keith stated the committee met by conference call and reviewed the responses from the Committee Chairs on the Board of Trustees Strategic Goals Project. A report from each committee identifying their prospective contributions was submitted and will be forwarded to the Board of Trustees Business Plan Committee for review.

Report of the Emerging Issues Committee – Doug Winner, Chair

Mr. Winner reported that the Emerging Issues Committee discussed the ongoing issues on the Emerging Issues Chart. Issue A-2, The Tax Reform bill will become part of the Pension Protection Act of 2006. The committee will continue to monitor this issue.

Issue A-16, TAFAC requests that the ASB investigate the USPAP compliance of AppraisalPort and/or other vendor systems, specifically as to the preserving the integrity of the original report drafted by the appraiser and the effect of signature and exhibit stripping from the report after submission to the client. The ASB is reviewing this issue and now that the new USPAP is completed, the ASB will be able to give sufficient attention for a measured response to the issue.

Issue A-18, HVCC is being monitored as an ongoing issue and remains to have significant unintended consequences.

Issue A-20, EIC recommends for TAFAC to become proactive in supporting appraiser's efforts to preserve their independence. The EIC requested that the TAFAC Chair appoint a workgroup to explore the viability of TAF facilitating the establishment of a nationwide organization to advocate the interest of appraisers. Knight reported that the Appraiser Advocacy workgroup met by conference call and it is duly noted that although The Appraisal Foundation is supporting this emerging issue, it is doing so solely as a facilitator. The Appraisal Foundation is not authorized and was not chartered to assist in

the formation of another independent Board or advocate “for” any specific position that might be determined through this discussion. The Appraisal Foundation should be able to continue its involvement up until any Advocacy Group is formally and legally constituted. At that time, The Appraisal Foundation will no longer participate or offer any additional support.

The discussion included defining the differences between potential outcome from providing “support & education” versus forming such an independent organization. It was determined that the desired outcome is to recommend the formation of a separate Advocacy Group for professional appraisers, and that such an Advocacy Group might well be an affiliation of professional appraisal organizations and not just “another” appraiser organization.

It was agreed that a recommendation be made by this Workgroup to Emerging Issues Committee and to the overall Advisory Council that a separate Advocacy Group be further explored.

Issue A-19, That TAFAC recommend to TAF to become proactive in supporting appraisers’ efforts in preserving their independence. To issue communication to appraisers and others to inform them of unacceptable appraisal practices such as entering into agreements that compromise their compliance with USPAP, and appraiser’s independence as a condition of engagement for current or prospective appraisal services. This issue is merged with A-21.

A-21, EIC requests that the TAFAC Chair appoint a workgroup to explore the feasibility of forming a third independent board of TAF to address Best Practices of the appraisal profession.

A-22, EIC request that TAFAC ask the ASB to confer with HUD and the Federal Reserve Board to determine if a third party payment is allowed under regulation Z, Truth in Lending, kick-back regulations, RESPA or other relevant rules or regulations, in the procurement of appraisal services in a real estate sales transaction and to issue an advisory as to the results of the inquiry.

Report of the AQB Issues Committee - Samuel Henderson

Mr. Henderson reported that Bunton and Vasquez provided a summary of current AQB activities. They discussed the AQB Graduate Degree Program, the 2010-2011 National USPAP Courses, the Instructor Certification and Recertification Courses and the current AQB exposure draft. Kanter suggested that in order to familiarize the public, TAF should provide a link on their website for information in regard to CLEP. Snyder recommended that the AQB accept experience credit as education credit for “veteran appraisers” that lack the college education requirement. Kanter and Corson stated they believe the number of appraisers is starting to decline and the new qualification criteria requirements are the reason for the increased decline.

Report of the ASB Issues Committee – Sandie Tropper

Ms. Tropper reported that the Emerging Issues Committee requested the ASB Issues Committee to consider strengthening the language in requesting further clarification of the term “assignment” (specifically in relation to the completion of an assignment and the relationship of the “development” phase of an appraisal) in USPAP. The Committee met June 29 and reviewed the definitions of the term “assignment” and the possible need for further clarification at the request of the TAFAC Emerging Issues Committee (EIC). The EIC felt clarification was needed due to the changes made in the “Third Exposure Draft for Changes for 2010-2011 USPAP.” After discussion, the ASB Issues Committee proposed that due to the changes made to the term “assignment” in the 2010-2011 USPAP, that TAFAC adopt a resolution calling for the clarification of the term “assignment.”

Therefore, be it resolved that TAFAC request that the Appraisal Standards Board provide clarification for appraisers and other users of USPAP clarification regarding the use of the term “assignment” and the application of the newly expanded definition of the term “assignment” as used within USPAP through the use of advisory material.

The Committee discussed the accountability of the appraiser in terms of draft communications and the numerous ways drafts are used as noted in the ASB memo. After a lengthy discussion, it was determined that the use of drafts needs to be addressed by the ASB beginning with an explanation of what is meant when referring to a “draft” or a “draft report.” The Committee thoroughly discussed the reporting options for Standards 2 and 8. (Standard 10 was not addressed since a BV appraiser was not in attendance).

The Committee addressed additional areas of concern such as: communications between the appraiser and client (including email) that contain signatures.

Report of the Nominating Committee – Chair Rosenthal for Nate Arnold

Mr. Rosenthal presented the TAFAC slate of officers for 2010:

Chair: Bob Keith (AARO)

Vice Chair: Charles Tansey (NeighborWorks America)

Secretary: Sandie Tropper (ASA)

Immediate Past Chair: Chris Rosenthal (AICPA)

Rosenthal requested nominations from the floor and there were none submitted.

The slate of candidates was elected by the membership as presented.

Report of the Personal Property Working Group – Jane Campbell-Chambliss

Ms. Campbell-Chambliss reported that the working group met and discussed the operating plan for revising the Personal Property Qualification Criteria.

Next TAFAC Meeting

The next TAFAC meeting is scheduled for January 22, 2010 at the Doubletree Hotel at 1515 Rhode Island Avenue, NW in Washington, D.C.

Portions of the above report are excerpts from the Draft Minutes of the September 25, 2009 TAFAC meeting.