



" MINIMUM REQUIREMENTS FOR APPRAISAL MANAGEMENT COMPANIES"

OMB CONTROL NUMBER 2590-0013

REVISED SUPPORTING STATEMENT

A. JUSTIFICATION

1. Circumstances Necessitating the Collection of Information

The Federal Housing Finance Agency (FHFA), along with 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) (collectively, the Agencies) are jointly promulgating a final rule to implement newly-adopted statutory requirements to be applied by States in the registration and supervision of appraisal management companies (AMCs). An AMC is an entity that serves as an intermediary for, and provides certain services to, appraisers and lenders. The rule will also implement the statutory requirement that States report to the Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC) the information required by the ASC to administer a new national registry of AMCs (AMC National Registry or Registry).

The Dodd-Frank Wall Street Reform and Consumer Protection Act,¹ which became law in 2010, added a new section 1124 to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and established minimum requirements to be applied by States in the registration and supervision of AMCs.² These minimum requirements apply to States that have elected to establish, pursuant to section 1117 of FIRREA,³ an appraiser certifying and licensing agency with authority to register and supervise AMCs (participating States). The Dodd-Frank Act also created the AMC National Registry, which will be administered by the ASC, and requires participating States to report AMC registration information to the ASC to support the Registry.⁴ The AMC National Registry will include AMCs that are either: (1) registered with, and subject to supervision of, a State appraiser certifying and licensing agency (State-regulated AMCs); or (2) subsidiaries owned and controlled by an insured depository institution or an insured credit union and regulated by a Federal financial institutions regulatory agency (Federally-regulated AMCs).

Under section 1124 of FIRREA, participating States must require that AMCs: (1) register with, and be subject to, supervision by the State appraiser certifying and licensing agency in the State

¹ Pub. L. 111-203, 124 Stat. 1376.

² See 12 U.S.C. § 3353.

³ 12 U.S.C. § 3346.

⁴ 12 U.S.C. 3332(a)(6); 3338(a)(3); 3353(e).



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or States in which such company operates; (2) verify that only State-certified or State-licensed appraisers are used for Federally related transactions;⁵ (3) require that appraisals comply with the Uniform Standards of Professional Appraisal Practice (USPAP); and (4) require that appraisals are conducted in accordance with the statutory appraisal independence standards under the Truth in Lending Act (TILA) (15 U.S.C. 1639e) and implementing regulations.⁶ An AMC that is a subsidiary owned and controlled by an insured depository institution or an insured credit union, and that is regulated by a Federal financial institutions regulatory agency is subject to all of the minimum requirements, except the requirement to register with a State. The minimum requirements will apply to any AMC that provides appraisal management services, as defined in the final rule, and meets the statutory size threshold, which is that the AMC oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or of 25 or more appraisers nationally in a given year. States may establish requirements for AMC registration and supervision that are in addition to these minimum requirements.⁷

Under section 1124, beginning 36 months from the time the Agencies issue the final AMC rule, an AMC may not provide services for a Federally related transaction in a State unless the AMC is registered with the State or is subject to oversight by a Federal financial institutions regulatory agency. This effectively allows each State up to 36 months to set up registration and supervision systems that meet the requirements of the final rule. Section 1124 does not compel a State to establish an AMC registration and supervision program, nor is there a penalty imposed on a State that does not establish a regulatory structure for AMCs within 36 months of issuance of the final AMC rule. However, in such a State, unless and until it establishes such a regulatory structure, AMCs are barred by section 1124 from providing appraisal management services for Federally related transactions.⁸

In addition, under section 1124, the Agencies must establish, by rule, minimum requirements to be imposed by a participating State appraiser certifying and licensing agency on AMCs doing business in the State.⁹ The statute also directs the Agencies to issue regulations that identify certain activities of AMCs that participating State appraiser certifying and licensing agencies should report to the ASC. The rule implements these statutory requirements.

⁵ Under FIRREA, a Federally related transaction is a real estate related financial transaction that involves an institution regulated by the OCC, Board, FDIC, or NCUA and that requires the services of an appraiser under the interagency appraisal rules. OCC: 12 CFR part 34, subpart C and 12 CFR part 164; Board: 12 CFR part 208, subpart E and 12 CFR part 225, subpart G; FDIC: 12 CFR part 323; and NCUA: 12 CFR part 722.

⁶ See Board: 12 CFR § 226.42; Bureau: 12 CFR § 1026.42.

⁷ 12 U.S.C. § 3353(b).

⁸ 12 U.S.C. § 3353(f)(1). Under section 1124, this restriction will not apply to AMCs that are subsidiaries owned and controlled by an insured depository institution or an insured credit union, and regulated by a Federal financial institutions regulatory agency. Such AMCs are subject to all the requirements of section 1124, with the exception of the requirement to register with a State.

⁹ 12 U.S.C. 3353(a).



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2. Use of Data

The information collection requirements in the final rule are found in §§ 1222.22-1222.26. These fall into four general categories: reporting requirements imposed on States, recordkeeping requirements imposed on States, reporting requirements imposed on AMCs, and recordkeeping requirements imposed on AMCs

I. State Reporting Requirements

Section 1222.26 requires that each State electing to register AMCs for purposes of permitting AMCs to provide appraisal management services relating to covered transactions in the State submit to the ASC information required to be submitted by ASC regulations or guidance concerning AMCs that operate in the State.

II. State Recordkeeping Requirements

States seeking to register AMCs will be required to have an AMC certifying and licensing program. Section 1222.23(a) requires each participating State to establish and maintain within its appraiser certifying and licensing agency a licensing program with the legal authority and mechanisms to: (i) review and approve or deny an application for initial registration; (ii) periodically review and renew, or deny renewal of, an AMC's registration; (iii) examine an AMC's books and records and require the submission of reports, information, and documents; (iv) verify an AMC's certifications or licenses; (v) investigate and assess potential law, regulation, or order violations; (vi) discipline, suspend, terminate, or deny registration renewals of, AMCs that violate laws, regulations, or orders; and (vii) report violations of appraisal-related laws, regulations, or orders, and disciplinary and enforcement actions to the ASC.

Section 1222.23(b) requires each participating State to impose requirements on AMCs not owned and controlled by an insured depository institution and regulated by a Federal financial institution regulatory agency to: (i) register with and be subject to supervision by a State appraiser certifying and licensing agency in each State in which the AMC operates; (ii) use only State-certified or State-licensed appraisers for Federally regulated transactions in conformity with any Federally regulated transaction regulations; (iii) establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type; (iv) direct the appraiser to perform the assignment in accordance with USPAP; and (v) establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with section the relevant provisions of the Truth in Lending Act.



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III. AMC Reporting Requirements

Section 1222.24(b) requires that a Federally regulated AMC report to the State or States in which it operates the information required to be submitted by the State pursuant to the ASC's policies, including: (i) policies regarding the determination of the AMC National Registry fee; and (ii) the information listed in § 1222.25.

Section 1222.25 provides that an AMC may not be registered by a State or included on the AMC National Registry if such company is owned, directly or indirectly, by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State. Each person that owns more than 10 percent of an appraisal management company will be required to submit to a background investigation carried out by the State appraiser certifying and licensing agency. While section 1222.25 does not authorize States to conduct background investigations of Federally regulated AMCs, it allows a State to do so if the Federally regulated AMC chooses to register voluntarily with the State.

IV. AMC Recordkeeping Requirements

Section 1222.22(b) provides that an appraiser in an AMC's network or panel is deemed to remain on the network or panel until: (i) the AMC sends a written notice to the appraiser removing the appraiser with an explanation; or (ii) receives a written notice from the appraiser asking to be removed or a notice of the death or incapacity of the appraiser. The AMC will retain these notices in its files.

3. Use of Information Technology

The rule does not specify the manner in which the information must be retained or reported. This has been left to the discretion of either the ASC or the individual participating States, which may use any available type of information technology to meet the requirements of the rule.

4. Efforts to Identify Duplication

The information that AMCs and participating States will be required to report or retain under the rule is not available from any alternative sources.

5. Impact on Small Entities

The information collection in the rule will not have a significant economic impact on a substantial number of small entities.



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6. Consequences of Less Frequent Collection and Obstacles to Burden Reduction

The various aspects of the information collection under the rule will be primarily event-driven. Less frequent collections would compromise the effectiveness of the rule's substantive requirements.

7. Circumstances Requiring Special Information Collection

There are no special circumstances that would require FHFA to conduct the information collection in a manner inconsistent with the guidelines provided in Item 7.

8. Solicitation of Comments on Information Collection

In accordance with the requirements of 5 CFR 1320.8(d), the Agencies issued a notice of proposed rulemaking which included a request for public comments regarding this information collection. *See* 79 FR 19521 (April 9, 2014). The 60-day comment period closed on June 9, 2014. The Agencies received no comments regarding the collection.

9. Provision of Payments to Respondents

There will be no payment or gift made to respondents.

10. Assurance of Confidentiality

The Agencies have not provided, and are not required to provide, any assurance of confidentiality with respect to the information to be collected.

11. Questions of Sensitive Nature

There are no questions of a sensitive nature in this information collection.



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12. Estimated Burden of Information Collection

The Agencies estimate the total annualized hour burden placed on respondents by the information collection in this joint rulemaking to be 5,252 hours. FHFA estimates its share of the hour burden to be 617 hours, based upon the calculations detailed below.

In estimating the burdens, the Agencies assumed that there will be 500 AMCs operating in the U.S. and that, of these, 200 will be State regulated AMCs and 300 will be Federally regulated AMCs. FHFA is not taking burden for reporting or recordkeeping requirements imposed upon Federally regulated AMCs because, unlike the OCC, FDIC and the Board, none of the entities FHFA regulates control an AMC or, by law, could ever control an AMC. Accordingly, those burdens are appropriately taken by the Federal agencies that will be regulating those AMCs. With respect to burdens imposed upon State regulated AMCs, or otherwise associated with State regulation of AMCs, the Agencies have agreed to split the total burdens evenly between them (*i.e.*, by taking 25 percent of the burden per agency). Thus, for the reporting and recordkeeping activities listed below, FHFA has shown the total burden the rule is expected to place on States or State-regulated AMCs, followed by a calculation of the portion of the burden attributable to FHFA.

To estimate hourly compensation costs associated with the collection, FHFA used an estimate of \$92 per hour, which is based on May 2012 Bureau of Labor Statistics wage data for the average of the 90th percentile for seven occupations that are likely to implement the various reporting and recordkeeping requirements (*i.e.*, accountants and auditors, compliance officers, financial analysts, lawyers, management occupations, software developers, and statisticians), plus an additional 33 percent to cover adjustments and private sector benefits. According to the Bureau of Labor Statistics employer costs of employee benefits data, thirty percent represents the average private sector costs of employee benefits. Given the wide discretion the rule permits the States as to the manner in which they are to regulate AMCs, it is nearly impossible at this stage to determine with precision the types of employees that will perform the required reporting or recordkeeping duties, how those duties will be distributed among different levels of employees or the hourly costs for those employees.

I. State Reporting Requirements

States electing to register AMCs for purposes of permitting AMCs to provide appraisal management services relating to covered transactions in the State report information to ASC, as required by ASC regulations or guidance:

- Attributable to all Agencies combined:
 - Number of States: 50
 - Number of responses per State: 1
 - Total responses: 50
 - Total reporting time per response: 1 hour
 - Total hours attributable to all Agencies combined: 50



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- Attributable to FHFA:
 - Percentage of burden: 25%
 - Reporting time per response: 0.25 hours
 - Total hours attributable to FHFA: 13

 - Hourly rate: \$92 (includes salary, benefits, and overhead)
 - Total compensation costs attributable to FHFA: \$1,196

II. State Recordkeeping Requirements

States without a current AMC certifying and licensing program that elect to establish such a program as a result of the rule maintain records related to the rule's substantive requirements.

- Attributable to all Agencies combined:
 - Number of States without current AMC certifying and licensing programs: 14
 - Recordkeeping activities per State: 1
 - Total recordkeeping activities: 14
 - Recordkeeping time per activity: 40 hours
 - Total hours attributable to all Agencies combined: 560

- Attributable to FHFA:
 - Percentage of burden: 25%
 - Recordkeeping time per activity: 10 hours
 - Total hours attributable to FHFA: 140

 - Hourly rate: \$92 (includes salary, benefits, and overhead)
 - Total compensation costs attributable to FHFA: \$12,880

III. State-Regulated AMC Reporting Requirements

State-regulated AMCs report to States information necessary to determine whether any person that owns more than 10 percent of the AMC has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State. The Agencies estimate that each AMC will operate in an average of six States and will need to submit information to each of those States.

- Attributable to all Agencies combined:
 - Number of State-regulated AMCs: 200
 - Reports per State-regulated AMC: 6 (AMCs operate in 6 states on average)
 - Total reports: 1,200
 - Preparation time per report: 1 hour
 - Total hours attributable to all Agencies combined: 1,200



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- Attributable to FHFA:
 - Percentage of burden: 25%
 - Preparation time per report: 0.25 hours
 - Total hours attributable to FHFA: 300

 - Hourly rate: \$92 (includes salary, benefits, and overhead)
 - Total compensation costs attributable to FHFA: \$27,600

IV. State-Regulated AMC Recordkeeping Requirements

State-regulated AMCs maintain records of written notices sent or received regarding appraiser removal from the AMC's network or panel.

The Agencies estimate that 20,263 appraisers will be laid off or resign annually. This estimate is based on the facts that there are currently about 81,050 appraisers in the U.S. and that about 25 percent of U.S. appraisers have been laid off or resigned annually in recent years. The Agencies estimate that 229 appraisers will have their licenses revoked, or will voluntarily surrender their licenses, annually. This is based on an annual average of the 2,283 appraisers who had their licenses revoked, or who surrendered their licenses, during the years 2001-2010. Thus, the Agencies estimate that a total of 20,492 appraisers will leave an appraisal network or panel annually, generating one removal notice sent or received per appraiser. Based on the Agencies' estimate that 40 percent of AMCs (*i.e.*, 200 out of 500 AMCs) will be State-regulated, it is further estimated that 40 percent of removal notices—or 8,197 notices—will be sent or received by State-regulated AMCs.

- Attributable to all Agencies combined:
 - Number of appraisers leaving State-regulated AMCs: 8,197
 - Removal notices sent or received by AMC per appraiser: 1
 - Total removal notices sent or received by State-regulated AMCs: 8,197
 - Recordkeeping time per notice: .08 hours
 - Total hours attributable to all Agencies combined: 656

- Attributable to FHFA:
 - Percentage of burden: 25%
 - Recordkeeping time per notice: .02 hours
 - Total hours attributable to FHFA: 164

 - Hourly rate: \$92 (includes salary, benefits, and overhead)
 - Total compensation costs attributable to FHFA: \$15,088

TOTAL BURDEN HOURS ATTRIBUTABLE TO FHFA: 617 hours
TOTAL COMPENSATION COSTS ATTRIBUTABLE TO FHFA: \$56,764



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13. Estimated Total Annualized Cost Burden to Respondents

The FHFA has not identified any start-up costs to respondents. It is expected that States and AMCs will already have the infrastructure in place to carry out the rule's reporting and recordkeeping requirements.

14. Estimated Cost to the Federal Government

There will be no costs to the Federal government associated with this information collection.

15. Reasons for Change in Burden

This is a new information collection; therefore, there is no change in burden.

16. Plans for Tabulation, Statistical Analysis and Publication

FHFA will not publish the results of this information collection.

17. If Seeking Approval to Not Display the Expiration Date for OMB Approval of the Information Collection, Explain the Reasons Why Display Would Be Inappropriate

FHFA plans to display the expiration date for OMB approval in the final regulation.

18. Explain Each Exception to the Topics of the Certification Statement Identified in "Certification for Paperwork Reduction Act Submission."

There are no exceptions to the certification statement identified in Item 18.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

This information collection does not employ statistical methods.