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SUBJECT: Information Collection Resubmission OMB Control No. 3064-0195 Minimum Requirements for Appraisal Management Companies

I have reviewed the burden estimates for the information collection resubmission (ICR) entitled Minimum Requirements for Appraisal Management Companies (OMB No. 3064-0195). Below are the proposed updates to the 2015 ICR and the methodology for estimating the total hour and cost burdens.

For the following information collections, the general methodology is to compute the industry wide burden hours for appraisal management companies (AMCs) and then assign a share of the burden hours to each of the regulatory agencies for each information collection.

IC #1: Written Notice of Appraiser Removal from Network or Panel
The first information collection (IC) pertains to the written notice of appraiser removal from the network or panel pursuant to section 323.10. The burden for written notices of appraiser removal from a network or panel is estimated to be equal to the number of appraisers who leave the profession per year multiplied by the estimated percentage of appraisers who work for AMCs, then multiplied by burden hours per notice. The number of appraisers who leave is calculated by adding the number of appraisers who are laid off or resign to the number of appraisers that have had their licenses revoked or surrendered. According to the 2015 ICR, the total burden hours are then split between the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Federal Housing Finance Agency (FHFA) in a ratio of 3:3:3:1. This assumption is based on conversations between the subject matter experts at the aforementioned agencies.

The number of appraisers who are laid off or resign each year is estimated by multiplying the annual rate of "Total separations" by the number of appraisers for each year. Using data from the Bureau of Labor Statistics (BLS) on the finance and insurance industry for 2017, the average monthly rate of "Total separations" can be estimated at 2.0 percent, or 24.0 percent per year.[1] The monthly average has stayed relatively constant over the past 3 years and should be a

[1] Bureau of Labor Statistics, "Job Openings and Labor Turnover Survey: Finance and Insurance" (Series ID: JTS52000000TSR). Date accessed: February 27, 2018.

reasonable estimate for future periods.[2] The following table shows data on monthly "Total separations":

Rate of Total Separations in the United States in the Finance and Insurance Industry													
Year	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Average**
2015	1.9	1.7	2.1	2.2	2.1	2.2	2.0	2.0	1.9	2.1	2.2	2.3	2.1
2016	2.2	2.7	1.9	1.7	1.9	1.9	1.7	1.9	1.8	1.6	1.9	1.7	1.9
2017	2.1	2.0	2.0	1.8	2.1	2.1	2.0	2.1	1.9	2.2	2.1	2.0	2.0

Source: BLS, "Job Openings and Labor Turnover Survey: Finance and Insurance". February 27, 2018.

The number of appraisers is estimated by using the number of appraisers in 2017 as a proxy for the level of appraiser employment over the next three years. In 2017 the total number of appraisers was 97,000.[3] The following table contains data on annual levels of employment of appraisers in the U.S. between 2010 and 2017:

Annual Level of Employment of Appraisers in the US	
Year	Observation Value (Thousands)
2010	79.00
2011	88.00
2012	93.00
2013	98.00
2014	95.00
2015	76.00
2016	73.00
2017	97.00

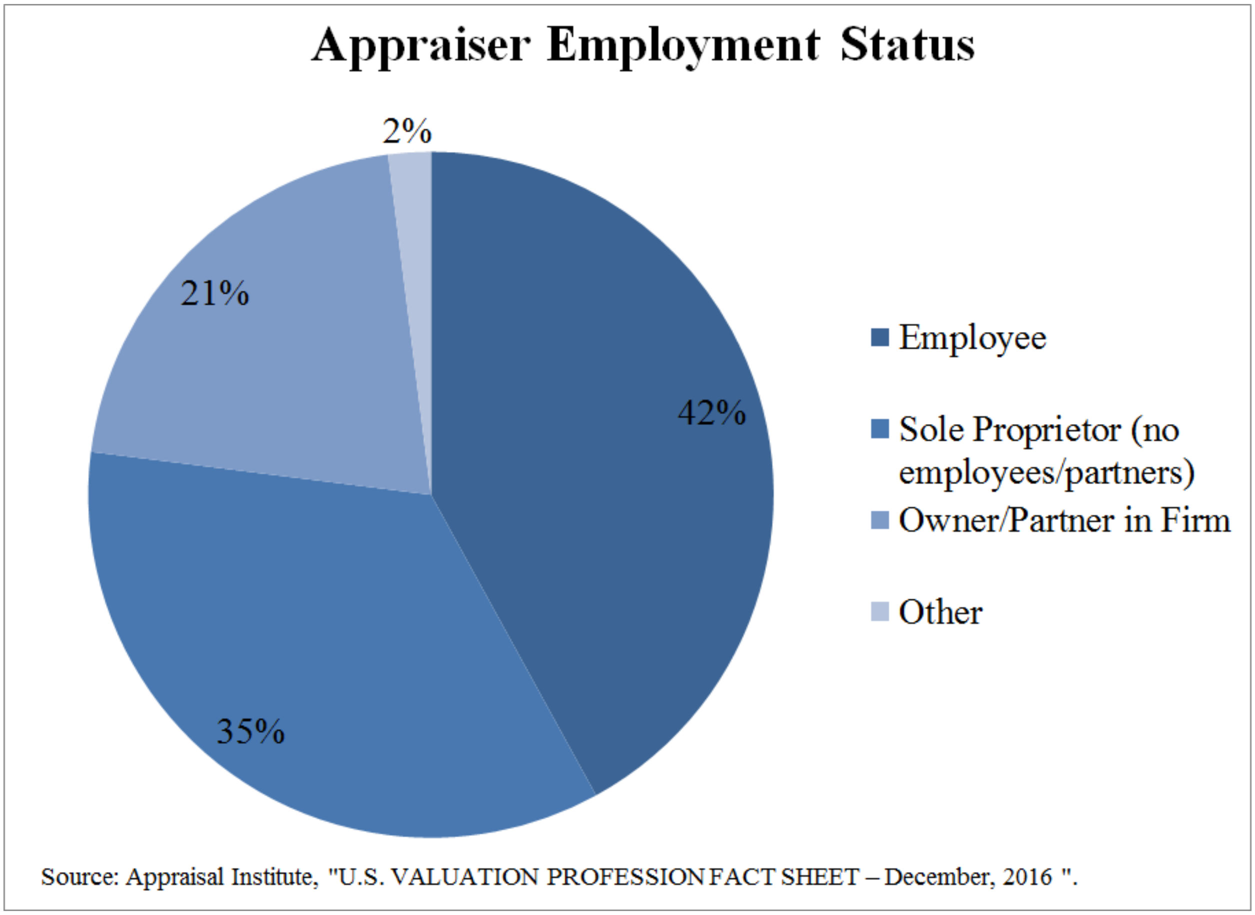
Source: Bureau of Labor Statistics, "Employed - Appraisers and assessors of real estate" (Series ID: LNU02038218). February 27, 2018.

Using the annual rate of total separations and the level of employment for appraisers, the number of appraisers who are laid off or resign is calculated by multiplying the annual separation rate by the number of appraisers: 97,000 x 24% = 23,280.

The second portion of the first information collection is the number of appraisers who have their license revoked or surrendered per year. According to the Appraisal Subcommittee, between January 1, 2007 and December 31, 2016 the number of appraisers who have had their license revoked or surrendered is 1,585 and 860, respectively.[4] Thus, the annual average over the 10 year span was 245 licenses revoked or surrendered per year.

[2] The average monthly rates of "Total separations" were 2.1% and 1.9% in 2015 and 2016, respectively.
[3] Bureau of Labor Statistics, "Employed - Appraisers and assessors of real estate" (Series ID: LNU02038218). Date accessed: February 27, 2018.
[4] Federal Financial Institution Examination Council: Appraisal Subcommittee, "Annual Report 2016: Appendix E Appraiser Disciplinary Actions Reported by State". https://www.asc.gov/About-the-ASC/AnnualReports.aspx

The number of appraisal removal notices for AMCs is then calculated adding the number of separations to the number of licenses revoked or surrendered, then multiplying by the estimated percent of total appraisers who work for AMCs. According the Appraisal Institute, approximately 58 percent of appraisers are sole proprietors, owner/partners in a firm, or are listed as having other forms of employment status.[5] The remaining 42 percent of appraisers are employed by either AMCs, appraisal services companies, or other companies. This methodology likely overestimates the number of appraisal removal notices for AMC, however it is more reasonable than using all appraisers as a basis for the calculation, and it is the best available information as far as I am aware. Thus, the total number of appraisal removal notices for AMC is 9,881 notices: (245 + 23,280) * 42 percent = 9,881 notices.



Finally, the burden hours are calculated by multiplying the number of written notices of appraiser removal by the burden per notice. Thus, the estimate for the total burden hours is 790 hours: 9,881 notices x 0.08 hours.[6] As previously mentioned, the total burden hours are then split

[5] Appraisal Institute, "U.S. VALUATION PROFESSION FACT SHEET – December, 2016". Accessed March 14, 2018. https://www.appraisalinstitute.org/assets/1/7/U.S._Appraiser_Demos_3_1_16.pdf.
[6] The "per notice" burden estimate of 0.08 hours is from 2015 ICR. The subject matter experts in RMS at the FDIC do not believe this estimate needs to be updated for the 2018 ICR.

between the FDIC, FRB, OCC, and the FHFA such that the FHFA is responsible for 79 hours and the other three agencies are responsible for 237 hours each.

IC #2: Develop and Maintain a State Licensing Program

The second information collection pertains to developing and maintaining a state licensing program for AMCs pursuant to section 323.14. This burden falls on the states, not AMCs. The burden is calculated by multiplying the number of states without a registration and licensing program by the hour burden to develop the system. The total burden hours are then equally divided among the FDIC, FRB, OCC, and FHFA. According to the Appraisal Institute as of July 26, 2017, there are 5 states that have not developed a system to register and oversee AMCs.[7] The 2015 ICR estimate of the hour burden per state without a registration system was 40 hours. The subject matter experts in RMS at the FDIC do not believe this estimate needs to be updated for the 2018 ICR. Therefore, the total hour burden is 200 hours: 5 states x 40 hours/state = 200 hours. Finally, the total hour burden is divided among the four agencies such that each agency is responsible for 50 burden hours.[8]

IC #3: AMC Reporting Requirements (State and Federal AMCs)

The third information collection relates to AMC reporting requirements pursuant to section 323.12 and 323.13(c). The reporting requirements for these line items include registration limitations/requirements as well as information regarding the determination of the AMC National Registry fee. The burden estimate is calculated by multiplying the number of AMCs by the frequency of response then by the burden per response. The burden hours are then divided between the FDIC, FRB, OCC, and FHFA at a ratio of 3:3:3:1.[9]

The subject matter expert in the division in the FDIC's Division of Risk Management Supervision estimates there are approximately 400 entities that provide appraisal management services as defined by section 323.9(d). Of these 400 entities, the subject matter expert estimates approximately 200 entities meet the definition of an AMC as defined by section 323.9(c).[10]

The frequency of response is estimated as the number of states that do not have an AMC registration program in which the average AMC operates.[11] According the Appraisal Institute, 5 states do not have AMC registration or oversight programs.[12] According to the Consumer Financial Protection Bureau (CFPB), the average AMC operates in 19.56 states.[13] Therefore, the

[7] Appraisal Institute, "Enacted State AMC Laws". https://www.appraisalinstitute.org/advocacy/enacted-state-amc-laws1/

[8] The assumption to divide the burden hours between the agencies is based on conversations between the subject matter experts at the FDIC, FRB, OCC, and FHFA. The burden hours are shared in the same ratio as the 2015 ICR.

[9] See previous footnote.

[10] Note: The FDIC anticipates more definitive information will become available when AMC registration requirements become effective on August 10, 2018.

[11] The number of states includes all U.S. states, territories, and districts to include: the Commonwealth of the Northern Mariana Islands, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

[12] Appraisal Institute, "Enacted State AMC Laws". https://www.appraisalinstitute.org/advocacy/enacted-state-amc-laws1/ . Date accessed: February 27, 2018.

[13] The CFPB conducted a survey of 9 AMCs in 2013 regarding the provisions in the rule and the related PRA burden.

average AMC operates in approximately 2 states that do not have AMC registration systems: (5 states/55 states) x 19.56 states = 1.778 states ~ 2 states.

Therefore the total hour burden for the third information collection is 400 hours: 200 AMCs x 2 states (frequency) x 1 hour = 400 hours. The burden hours are then divided such that the FDIC, FRB, and OCC are each responsible for 120 burden hours and the FHFA is responsible for 40 burden hours.[14]

IC #4: State Reporting Requirements to the Appraisal Subcommittee
The fourth information collection relates to state reporting requirements to the Appraisal Subcommittee pursuant to section 323.14. The burden hours are estimated by multiplying the number of states by the hour burden per state.[15] Then the burden hours are divided equally among the FDIC, FRB, OCC, and the FHFA. The total burden hour for state reporting is 50 hours: 55 states x 1 hour/state = 55 hours. This is then equally divided across the 4 agencies for 14 burden hours each, with rounding.[16]

Total Hour Burden:
The total hour burden is calculated by combining all 4 of the ICs. The total hour burden is 1,445 hours: 790 + 200 + 400 + 55 = 1,445 hours. The FDIC, FRB, and OCC will each have equally-sized shares of the total burden with each agency responsible for 421 hours. The FHFA is responsible for the remaining 183 hours.[17] The burden hour estimates are recorded below:

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[14] The assumption to divide the burden hours between the agencies is based on conversations between the subject matter experts at the FDIC, FRB, OCC, and FHFA. The burden hours are shared in the same ratio as the 2015 ICR.
[15] The number of states includes all U.S. states, territories, and districts to include: the Commonwealth of the Northern Mariana Islands, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.
[16] The assumption to divide the burden hours between the agencies is based on conversations between the subject matter experts at the FDIC, FRB, OCC, and FHFA. The burden hours are shared in the same ratio as the 2015 ICR.
[17] The estimates for the burden hours for each agency have been rounded. This means the sum of all the agency burdens is greater than the actual total hour burden by 1 hours.

2018 Summary of Annual Burden and Internal Cost (3064-0195)									
	Type of Burden	Obligation to Respond	Estimated Number of Respondents	Estimated Frequency of Responses	Estimated Time per Response	Frequency of Response	Total Annual Estimated Burden	FDIC, FRB, and OCC Share	FHFA Share
IC #1 - Written Notice of Appraiser Removal From Network or Panel (12 CFR part 323.10)	Recordkeeping	Mandatory	9,881	1	0.08	On Occasion	790	237	79
IC #2 - State Recordkeeping Requirements (12 CFR parts 323.11(a) and 323.11(b))	Recordkeeping	Mandatory	5	1	40	On Occasion	200	50	50
IC #3 - AMC Reporting Requirements (State and Federal AMCs) (12 CFR parts 323.12 and 323.13(c))	Reporting	Mandatory	200	2	1	On Occasion	400	120	40
IC #4 - State Reporting Requirements to the Appraisal Subcommittee (12 CFR parts 323.14)	Reporting	Mandatory	55	1	1	On Occasion	55	14	14
TOTAL HOURLY BURDEN							**1,445**	**421**	**183**

Source: FDIC.

Wage Estimate:

The wage estimate associated with the labor hours necessary to comply with the information collection has been updated to more accurately represent current labor costs. The 2015 supporting statement lists the hourly cost at $92.00 per hour, which is "the average of the 90th percentile for seven occupations… plus an additional 33 percent to cover adjustments and private sector benefits". However, the estimate needs to be updated since the wage data was from May 2012 and the estimate was not adjusted for inflation.

Therefore, I have updated the total burden cost estimate for the ICR (OMB 3064-0195) utilizing data gathered from the Bureau of Labor Statistics (BLS) as of September 2017. The 2015 ICR uses an average of the following seven occupations: accountants and auditors, compliance officers, financial analysts, legal occupations, management occupations, software developers, and statisticians.[18] According to the May 2016 National Industry-Specific Occupational

[18] The May 2016 Wage Estimates for depository credit intermediaries does not have a wage estimate for statisticians. Thus, mathematical science occupations will be used instead.

Employment and Wage Estimates for the Depository Credit Intermediation sector the 75th percentile wages for the seven aforementioned occupations are as follows[19]:

Occupation (SOC code)	Hourly 75th percentile wage (Unadjusted)
Management Occupations (110000)	$74.48
Compliance Officers (131041)	$38.28
Accountants and Auditors (132011)	$43.99
Financial Analysts (132051)	$50.81
Software Developers, Systems Software (151133)	$62.04
Mathematical Science Occupations (152000)	$47.42
Legal Occupations (230000)	$86.43
Average Wage (Unadjusted)	$57.64

Source: Bureau of Labor Statistics, "National Industry-Specific Occupational Employment and Wage Estimates: Depository Credit Intermediation sector" (May 2016)

The wage information reported by the BLS in the Specific Occupational Employment and Wage Estimates does not include health benefits and other non-monetary benefits. According to the September 2017 Employer Cost of Employee Compensation data compensation rates for health and other benefits are 35.5 percent of total compensation. I have also inflation adjusted the wage information according to the BLS data on the Consumer Price Index for Urban Consumers (CPI-U) so that it is contemporaneous with the non-wage compensation statistic. The inflation rate was 2.93 percent between May 2016 and September 2017. Therefore, the adjusted average wage for the seven occupations is $91.98 per hour.

Total Cost Burden:
Using the total hour burden for the FDIC, FRB, and OCC and the wage estimate, the total cost burden for each agency for the ICR (OMB No. 3064-0195) is:

421 hours x $91.98/hr = $38,723.58 per year.

Similarly, the total cost burden for the FHFA is calculated:

183 hours x $91.98/hr = $16,832.34 per year.

The total burden for the entire ICR is:

($38,723.58 x 3) + $16,832.34 = $133,003.08 per year.

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[19] The 75th percentile wages were used instead of the 90th percentile wages since several of the occupations used in the wage estimate were missing data beyond the 75th percentile.