



**“MINIMUM REQUIREMENTS FOR APPRAISAL  
MANAGEMENT COMPANIES”**

**OMB CONTROL NUMBER 2590-0013**

**SUPPORTING STATEMENT**

**A. JUSTIFICATION**

**1. Circumstances Necessitating the Collection of Information**

In 2015, the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), the Bureau of Consumer Financial Protection (Bureau), and FHFA (collectively, the Agencies) jointly issued regulations<sup>1</sup> to implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) relating to the eligibility of appraisal management companies (AMCs) to provide appraisal management services for real estate related financial transactions that are engaged in, contracted for, or regulated by a “federal financial institutions regulatory agency” or the Resolution Trust Corporation (Federally related transactions).<sup>2</sup> Generally, these statutory provisions provide that an AMC either be registered with a State’s appraiser certifying and licensing agency or be subject to oversight by a federal financial institutions regulatory agency in order to participate in a Federally related transaction.<sup>3</sup>

As required by the Dodd-Frank Act provisions, the Agencies’ joint AMC regulations establish minimum requirements for the registration and supervision of AMCs to be applied by states that have elected to establish an appraiser certifying and licensing agency with authority to register and supervise AMCs (participating states).<sup>4</sup> The joint regulations 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 national registry of AMCs (AMC National Registry or Registry).<sup>5</sup> The AMC National Registry

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<sup>1</sup> See 80 FR 32658 (June 9, 2015). By agreement, the responsibility for clearance under the PRA of information collections contained in the joint regulations is shared only by the FDIC, OCC, the Board, and FHFA.

<sup>2</sup> See 12 U.S.C. 3350(4), (5). “Federal financial regulatory agency” includes the FDIC, OCC, the Board, and National Credit Union Administration. See 12 U.S.C. 3350(6).

<sup>3</sup> Section 1117 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), 12 U.S.C. 3346, permits states to establish an appraiser certifying and licensing agency “to assure the availability of State certified and licensed appraisers for the performance in a State of appraisals in federally related transactions and to assure effective supervision of the activities of certified and licensed appraisers.” The Dodd-Frank Act amended section 1117 to provide that the duties of a state appraiser certifying and licensing agency may also include the registration and supervision of AMCs. Although states are not required by federal law to register and supervise AMCs, or even to establish an appraiser certifying and licensing agency, an AMC that is not registered with such a state agency (except for those regulated by a federal financial institutions regulatory agency) may not participate in a federally related transaction in that state. See 12 U.S.C. 3353(f)(1).

<sup>4</sup> See 12 CFR 1222.23.

<sup>5</sup> See 12 U.S.C. 3353(e).

includes AMCs that are either: (1) subsidiaries owned and controlled by an insured depository institution (as defined in 12 U.S.C. 1813) and regulated by either the FDIC, OCC, or the Board (federally regulated AMCs)<sup>6</sup>; or (2) registered with, and subject to supervision of, a state appraiser certifying and licensing agency. FHFA's AMC regulation, located at Subpart B of 12 CFR part 1222, is substantively identical to the AMC regulations of the FDIC, OCC, and the Board and contains the recordkeeping and reporting requirements described in Item #2 below.<sup>7</sup>

## **2. Use of Data**

The information collection requirements of the joint AMC regulations fall into four general categories: reporting requirements imposed on states, recordkeeping requirements imposed on states, and disclosure requirements imposed on AMCs. These categories of collections and the use of the data collected are described below:

### *I. State Reporting Requirements (formerly IC #1)*

The regulation 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 the information regarding such AMCs required to be submitted by ASC regulations or guidance concerning AMCs that operate in the State.<sup>8</sup> The FDIC has determined not to include this IC in their PRA renewal because the ASC had issued its own regulation governing the information collection.<sup>9</sup> FHFA concurs with this reasoning and will not request to renew the State Reporting Requirements IC included in the 60-day notice and that IC will be removed.

### *II. State Recordkeeping Requirements (Redesignated IC #1, formerly IC #2)*

States seeking to register AMCs must have an AMC registration and supervision program. The regulation requires each participating State to establish and maintain within its appraiser certifying and licensing agency a registration and supervision 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 panel members' certifications or licenses; (v) investigate and assess potential violations of laws, regulations, or orders; (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.<sup>10</sup>

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<sup>6</sup> See 12 CFR 1222.21(k) (defining "Federally regulated AMC").

<sup>7</sup> See 12 CFR §§ 1222.20-1222.26. For clarity, the regulatory citations herein are to FHFA's version of the joint regulations only.

<sup>8</sup> See 12 CFR 1222.26.

<sup>9</sup> See Federal Deposit Insurance Corporation, Agency Information Collection Activities: Proposed Collection Renewal; Comment Request, 86 FR 58269, 58274 (Oct. 21, 2021).

<sup>10</sup> See 12 CFR 1222.23(a).

The regulation requires each participating state to impose requirements on AMC's that are not federally regulated (non-federally regulated AMC's) 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 the Uniform Standards of Professional Appraisal Practice; and (v) establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with sections 129E(a) through (i) of the Truth-in-Lending Act.<sup>11</sup>

FHFA has redesignated this IC as IC#1 from IC#2.

*III. AMC Disclosure Requirements (State-Regulated AMC's) (Redesignated IC#2, formerly IC #3)*

The regulation provides that an AMC may not be registered by a state or included on the AMC National Registry if the 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 for a substantive cause.<sup>12</sup> The regulation also provides that an AMC may not be registered by a state if any person that owns 10 percent or more of the AMC fails to submit to a background investigation carried out by the state appraiser certifying and licensing agency.<sup>13</sup> Thus, each AMC registering with a state must provide information to the state on compliance with those ownership restrictions. Further, the regulation 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 policies regarding the determination of the AMC National Registry fee, and information regarding compliance with the ownership restrictions described above.<sup>14</sup>

In FHFA's 60-day notice, we combined federally and non-federally regulated AMC's in IC#3.<sup>15</sup> Subsequently, the FDIC issued its 30-day notice dividing the same information collected in FHFA's IC#3 into two different IC's: one for state-regulated AMC's, for which FHFA would take 10 percent of the burden (FDIC IC#3); and one for federally regulated AMC's, for which FHFA would take zero burden (FDIC IC#4).<sup>16</sup> FHFA concurs with this approach and revises its submission by disaggregating the federally regulated and state-regulated AMC's and redesignating the IC as IC#2 from IC#3. FHFA's redesignated IC#2 now only applies to state-

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<sup>11</sup> See 12 CFR 1222.23(b). Sections 129E(a) through (i) of the Truth-in-Lending Act are located at 15 U.S.C. 1639e(a)-(i).

<sup>12</sup> See 12 CFR §§ 1222.24(a), 25(b).

<sup>13</sup> See 12 CFR 1222.24(b).

<sup>14</sup> See 12 CFR 1222.25(c).

<sup>15</sup> See 86 FR 47107, 47108-47109.

<sup>16</sup> 86 FR at 58275-58277.

regulated AMC and corresponds to FDIC's IC#3.<sup>17</sup> FHFA is also changing the classification from reporting to disclosure and renaming it "AMC Disclosure Requirements (State-regulated AMCs)."

*IV. AMC Disclosure Requirements (Written Notice of Appraiser Removal From Network or Panel), (Redesignated IC #3, formerly IC #4)*

An entity meets the definition of an AMC that is subject to the requirements of the AMC regulation if, among other things, it oversees an appraiser panel of more than 15 state-certified or state-licensed appraisers in a state, or 25 or more state-certified or state-licensed appraisers in two or more states, within a given 12-month period.<sup>18</sup> For purposes of determining whether a company qualifies as an AMC under that definition, the regulation 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.<sup>19</sup> The AMC would retain these notices in its files. FHFA is also redesignating this IC from #4 to #3, changing the classification from reporting to disclosure, and renaming it "AMC Disclosure Requirements (Written Notice of Appraiser Removal From Network or Panel)." FHFA has redesignated this IC to #3 from #4.

### **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 are required to report or retain under the rule is not available from any alternative sources.

### **5. Impact on Small Entities**

This information collection does not have a significant economic impact on a substantial number of small entities.

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

The various aspects of this information collection are primarily event-driven. Less frequent collections would compromise the effectiveness of the AMC regulations' substantive requirements.

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<sup>17</sup> FHFA's redesignated IC#2 now collects information relating only to state regulated AMCs, but FHFA will still be allocated only 10 percent of the burden, in alignment with the FDIC's 30-day notice. *See Id.* at 58277 (FDIC IC#3).

<sup>18</sup> *See* 12 CFR 1222.21(c)(1)(iii).

<sup>19</sup> *See* 12 CFR 1222.22(b).

## **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), FHFA published an initial notice and request for comments regarding the renewal of the PRA clearance for this information collection in the *Federal Register* on August 23, 2021 (60-day notice).<sup>20</sup> The 60-day comment period closed on October 22, 2021. FHFA received one comment, which is included as an attachment to this Supporting Statement.

The commenter questions FHFA's estimate that 3,860 entities meet the regulatory definitions of an AMC. The commenter stated that "[b]ased on the federal definition of an AMC and our understanding of the number of state licensed AMCs, this estimate of approximately 3,860 entities meeting the definition of an AMC seems exceedingly high. We believe there are approximately 300 licensed entities doing business as AMCs."

The commenter does not provide any detail to explain how they arrived at their much lower estimate of 300 compared to FHFA and FDIC's 3,860. Their comment gives no basis to ascertain the source of the discrepancy, either as to the underlying data or the analysis of the regulatory definition of AMCs.

FHFA has reviewed the comment and continues to have confidence in the 3,860 estimate of AMCs. ASC's 2020 Annual Report states that "[a]s of December 31, 2020, the Registry contained 3,417 AMCs."<sup>21</sup> The FDIC's review determined that there are 3,854 total active AMCs in the Registry (both federally and non-federally regulated) as of June 2021, which we rounded to 3,860 in our 60-day notice. FHFA concurs with the FDIC's review of the ASC Registry in June 2021.<sup>22</sup> Both the FDIC analysis and the ASC Annual Report substantiate FHFA's estimate and confirms our concurrence with the FDIC's review. FHFA remains confident that the number is accurate.

Because the FDIC's documentation of the ASC Registry review is non-public, FHFA has included in the 30-day notice a reference to the ASC Annual Report's statement that there were 3,417 AMCs at the close of 2020. This public information will assist the commenters and other members of the public to understand that FHFA's estimate is in the correct range.

## **9. Provision of Payments to Respondents**

No payments or gifts are made to respondents.

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<sup>20</sup> See 86 FR 47107 (Aug. 23, 2021).

<sup>21</sup> See 2020 Annual Report, Appraisal Subcommittee, <https://www.asc.gov/Documents/AnnualReports/2020%20ASC%20Annual%20Report.pdf> at 17.

<sup>22</sup> See 86 FR at 58276.

## **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.

## **12. Estimated Burden of Information Collection**

Each of the Agencies' AMC regulations contains reporting and recordkeeping requirements applying to participating states and to both federally regulated and non-federally regulated AMCs.<sup>23</sup> FHFA estimates that approximately 3,860 entities meet the regulatory definition of an "appraisal management company," based on FDIC's review of the ASC's National Registry as of June 2021.<sup>24</sup> There are 3,820 state-regulated AMCs.<sup>25</sup>

Unlike the insured depository institutions regulated by the OCC, FDIC, and the Board, none of FHFA's regulated entities owns or controls an AMC or, by law, could ever own or control an AMC. Accordingly, the Agencies have agreed that responsibility for the burdens arising from reporting and recordkeeping requirements imposed upon federally regulated AMCs are to be split evenly among the OCC, FDIC, and the Board and that FHFA will not include those burdens in its totals. The four Agencies have agreed to split the total burdens imposed upon participating states and upon non-federally regulated AMCs evenly between them (*i.e.*, by taking responsibility for 25 percent of the burden per agency).

Thus, for IC #1, which relates to reporting and recordkeeping requirements imposed upon participating states, each agency is responsible for 25 percent of the total estimated burden. For IC #3, which relates to disclosure requirements imposed upon both federally regulated AMCs and non-federally regulated AMCs, the OCC, FDIC, and the Board are each responsible for 30 percent of the total burden, while FHFA is responsible only for 10 percent of the total burden.<sup>26</sup>

To estimate wages, FHFA reviewed May 2020 data for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for credit intermediation and related activities (NAICS 5220A1) for seven occupations of interest: accountants and auditors; compliance officers; financial analysts; legal occupations; management occupations; software developers; and statisticians. To estimate compensation costs associated with the information collection, FHFA uses \$100.89 per hour, which is based on the average of the 75th percentile for seven occupations adjusted for inflation (5.41 percent between May 2020 and September 2021), plus

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<sup>23</sup> In FHFA's regulations, this definition is set forth at 12 CFR 1222.21(c).

<sup>24</sup> 86 FR at 58276.

<sup>25</sup> *Id.*

<sup>26</sup> As described above, FHFA's IC#2 now collects information relating only to state regulated AMCs. However, FHFA will still be allocated only 10 percent of the burden for IC#2 per agreement with the agencies. *See* 86 FR at 58277.

an additional 32.8 percent for benefits (based on the percent of total compensation allocated to benefits as of Q2 2021 for NAICS 522: credit intermediation and related activities).

The total annualized hour burden placed on respondents by the information collection in the joint AMC regulations to be 8,208 hours, with associated costs of \$828,105.12. The FHFA estimates its share of the hour burden to be 837 hours, with associated costs of \$84,444.93. The calculations for each of FHFA's three ICs are described below. The other three Agencies take a combined burden of 7,371 hours, which includes an additional 78 hours for the information collection containing only federally regulated AMCs, which FHFA no longer takes, as described above.<sup>27</sup> The totals for all Agencies for IC#1-3 below add up to 8,130 hours. With the addition of the 78 hours taken solely by the OCC, FDIC, and Federal Reserve, the total burden from all four agencies is 8,208.

### ***IC #1 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. According to the ASC, there were 4 states that had not developed a system to register and oversee AMCs.<sup>28</sup>

- Attributable to all Agencies combined:
  - Number of states without current AMC certifying and licensing programs: 4
  - Recordkeeping activities per state: 1
  - Total recordkeeping activities: 4
  - Recordkeeping time per activity: 40 hours
  - Total hours attributable to all Agencies combined: 160
- Attributable to FHFA:
  - Percentage of burden: 25%
  - Recordkeeping time per activity: 40 hours
  - Total hours attributable to FHFA: 40
  - Hourly rate: \$100.89
  - Total compensation costs attributable to FHFA: \$4,035.60

### ***IC #2 AMC Disclosure Requirements (State-Regulated AMCs)***

State-regulated AMCs disclose 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 19.56 states and that approximately 2 of those states would not have AMC registration systems ( $4/55 \times 19.56 = 1.422$  states, rounded up to 2 states). The AMCs will need to submit information to each of those states.

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<sup>27</sup> See 86 FR at 58277. The additional 78 hours are in FDIC's IC#4.

<sup>28</sup> Appraisal Institute "Enacted State AMC Laws," <https://www.appraisalinstitute.org/advocacy/enacted-state-amc-laws1/>.

- Attributable to all Agencies combined:
  - Number of AMCs: 3,820
  - Reports per AMC: 2
  - Total reports: 7,640
  - Preparation time per report: 1 hour
  - Total hours attributable to all Agencies combined: 7,640
- Attributable to FHFA:
  - Percentage of burden: 10%
  - Preparation time per report: 1 hour
  - Total hours attributable to FHFA: 764
  - Hourly rate: \$100.89
  - Total compensation costs attributable to FHFA: \$77,079.96.

***IC #3 AMC Disclosure Requirements (Written Notice of Appraiser Removal From Network or Panel)***

State-regulated AMCs disclose written notices sent or received regarding appraiser removal from the AMC's network or panel. The Agencies estimate that 4,130 appraisers annually will be laid off or resign from an AMC or have their licenses revoked, generating one removal notice sent or received per appraiser.

- Attributable to all Agencies combined:
  - Number of appraisers leaving AMCs: 4,130
  - Removal notices sent or received by AMC per appraiser: 1
  - Total removal notices sent or received by AMCs: 4,130
  - Reporting time per notice: 0.08 hours
  - Total hours attributable to all Agencies combined: 330
- Attributable to FHFA:
  - Percentage of burden: 10%
  - Reporting time per notice: 0.08 hours
  - Total hours attributable to FHFA: 33
  - Hourly rate: \$100.89
  - Total compensation costs attributable to FHFA: \$3,329.37

**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**

Compared to the estimates contained in FHFA's 2018 Supporting Statement, the total estimated burden associated with this information collection increased from 1,445 to 8,208, with FHFA's portion of the burden rising proportionally, from 183 hours to 837 hours. This increase is due almost entirely to the increase from 200 to 3,860 in the Agencies' estimate as to the number of entities that qualify as an "AMC" for purposes of the joint AMC regulations and the related information collection.

#### **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.

#### **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.