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Appraisal Subcommittee

Federal Financial Institutions Examination Council

October 31, 2018

Mr. Robert Charlton, Superintendent
Arizona Department of Financial Institutions
100 North 15th Avenue, Suite 261
Phoenix, AZ 85007

RE: ASC Compliance Review of Arizona's Appraisal Management Company (AMC) Regulatory Program

Dear Mr. Charlton:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Arizona AMC regulatory program (AMC Program) on August 28-30, 2018, to determine the AMC Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The ASC considered the preliminary results of the Review and the State's response to those results. The AMC Program has been awarded an ASC Finding of "Good." The final ASC Compliance Review Report (Report) is attached.

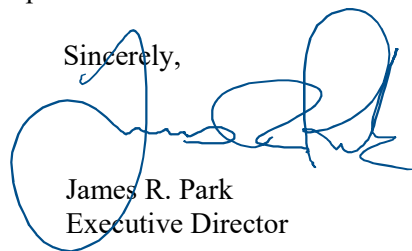
The ASC identified the following area of non-compliance:

- Participating States must establish and maintain an AMC Program with the legal authority and mechanisms consistent with the AMC Rule.¹

ASC staff will confirm that appropriate corrective actions have been taken during the next Review. Arizona will remain on a two-year Review Cycle.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,



James R. Park
Executive Director

Attachment

cc: Mr. Mark Murphy, Division Manager, Licensing and Consumer Affairs
Ms. Tammy Seto, Division Manager, Financial Services

¹ (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26; Policy Statement 8.

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	<ul style="list-style-type: none"> • State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure 	2-year
Good	<ul style="list-style-type: none"> • State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure 	2-year
Needs Improvement	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure 	2-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure 	1-year
Poor	<ul style="list-style-type: none"> • State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure 	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

ASC State AMC Program Compliance Review Report

ASC Finding: Good

Final Report Issue Date: October 31, 2018

Arizona AMC Regulatory Program (State)

State Board Title: N/A

PM: V. Metcalf

ASC Compliance Review Date: August 28-30, 2018

Review Period: June 2016 - August 2018

Umbrella Agency: Licensing and Consumer Affairs Division, Department of Financial Institutions

Number of AMCs on National Registry: 0

Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Statutes, Regulations, Policies and Procedures:		X					
Participating States must establish and maintain an AMC Program with the legal authority and mechanisms consistent with the AMC Rule. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 - 323.14; 12 CFR 1222.20 – 1222.26; Policy Statement 8.)				A regulated AMC must notify appraisers on its appraiser panel before their removal from the panel. The State allows regulated AMCs to remove an appraiser from its panel, without notice, within the first sixty days after the appraiser is first added to the appraiser panel.	On October 1, 2018, the State provided draft language to bring the statute into compliance and proposed to amend the statute during the 2019 legislative session.	The State must continue the process to amend the statute to bring it into compliance and provide the ASC staff with a copy once finalized.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 8.
Statutes, Regulations, Policies and Procedures:		X					
Participating States must establish and maintain an AMC Program with the legal authority and mechanisms consistent with the AMC Rule. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 - 323.14; 12 CFR 1222.20 – 1222.26; Policy Statement 8.)				States must report violations of appraisal related laws, regulations, or orders, and disciplinary and enforcement actions to the ASC. The State limits its reporting of any action of a state-licensed or state-certified appraiser or appraisal management company to those related to the disposition of any matter referred by the ASC or any other federal agency or instrumentality or federally recognized entity.	On October 1, 2018, the State provided draft language to bring the statute into compliance and proposed to amend the statute during the 2019 legislative session.	The State must continue the process to amend the statute to bring it into compliance and provide the ASC staff with a copy once finalized.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 8.

ASC State AMC Program Compliance Review Report

ASC Finding: Good
Final Report Issue Date: October 31, 2018

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State Board Title: N/A	PM: V. Metcalf	ASC Compliance Review Date: August 28-30, 2018	Review Period: June 2016 - August 2018
Umbrella Agency: Licensing and Consumer Affairs Division, Department of Financial Institutions		Number of AMCs on National Registry: 0	Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Statutes, Regulations, Policies and		X					
Participating States must establish and maintain an AMC Program with the legal authority and mechanisms consistent with the AMC Rule. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 - 323.14; 12 CFR 1222.20 – 1222.26; Policy Statement 8.)				An AMC that is a subsidiary owned and controlled by a financial institution regulated by a Federal financial institution regulatory agency shall not be required to register with a State. The State does not exempt AMCs that are subsidiaries of the Federal financial institutions from State registration.	On October 1, 2018, the State provided draft language and proposed to amend the statute during the 2019 legislative session.	The State must amend the proposed statutory language which exempts AMCs that are a department or unit within a financial institution but does not exempt AMCs that are a subsidiary owned and controlled by a financial institution. The State must continue the process to amend the statute to bring it into compliance and provide the ASC staff with a copy once finalized.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 8.
National Registry:	X						
				No compliance issues noted.	N/A	None	None
Enforcement:	X						
				No compliance issues noted.	N/A	None	None