

Appraisal Subcommittee

Federal Financial Institutions Examination Council

December 12, 2012

Mr. Kevin Yeanoplos, Chairman
Arizona Board of Appraisal
1400 West Washington, Suite 360
Phoenix, AZ 85007

RE: ASC Compliance Review of Arizona's appraiser regulatory program

Dear Mr. Yeanoplos:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Arizona appraiser regulatory program (Program) on April 16-18, 2012. This is the final ASC Compliance Review Report (Report) on that Review.

The ASC has considered the preliminary findings regarding the Review and the State's response. The ASC has determined the Program is not in substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended. The ASC identified the following area of non-compliance:

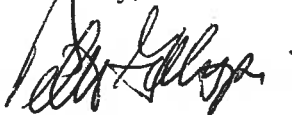
- States should resolve all complaints filed against appraisers within one year, except for special documented circumstances.¹

ASC staff will confirm corrective actions have taken place and are appropriate through off-site monitoring and during the next Review. Arizona will remain on a two-year Review Cycle.

This letter and the attached Report are public record and available on the ASC website in accordance with the Freedom of Information Act.

Please contact us if you have any questions.

Sincerely,



Peter Gillispie
Chairman

Attachment

cc: Mr. Michael Petrus, Vice Chairman
Ms. Jeanne Galvin, Assistant Attorney General
Ms. Margaret Burns, Interim Director
Ms. Rebecca Loar, Appraiser Regulatory Compliance Officer

¹ Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E

“ASC Finding” Defined for ASC Compliance Review Report

1. IN SUBSTANTIAL COMPLIANCE

Applies when no issues of non-compliance or violations of Title XI, ASC Policy Statements or AQB Criteria are identified.

2. NOT IN SUBSTANTIAL COMPLIANCE

Applies when there are one or more issues of non-compliance or violations of Title XI, ASC Policy Statements and/or AQB Criteria but the concerns do not rise to the level of “not in compliance.”

3. NOT IN COMPLIANCE

Applies when the number, seriousness, and/or repetitiveness of the Title XI, ASC Policy Statements and/or AQB Criteria violations warrant this finding.

ASC Compliance Review Report

ASC Finding: **Not In Substantial Compliance**

Final Report Issue Date: **December 12, 2012**

Arizona Appraiser Regulatory Program (Program)

Arizona Board of Appraisal (Board)/Decision Making

PM: K. Klamet

ASC Compliance Review Date: April 16-18, 2012

Review Period: November 2010 to April 2012

Independent

Number of State Credentialed Appraisers on National Registry: **2,330**

Review Cycle: **Two Year**

Requirement/Guidance	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
Arizona Statutes, Regulations, Policies and Procedures:			X					
States must adopt and/or implement all relevant AQB Real Property Appraiser Qualification Criteria. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria.)				<p>A review of the Arizona statutes and regulations revealed the following inconsistencies with the Appraiser Qualifications Board's (AQB) Real Property Appraiser Qualification Criteria (AQB Criteria) regarding: (1) reactivation of an appraiser credential; and (2) Uniform Standards of Professional Appraisal Practice (USPAP) instructor requirements.</p> <p>Prior to reactivation, a credential holder in an inactive status must complete the continuing education that would have been required if the credential holder had been in active status. Arizona statute 32-3625 G allows a State licensed or certified appraiser who has been revoked to reinstate their credential after the term of the revocation has expired by successfully completing the appropriate AQB approved examination.</p> <p>Credit may only be awarded for USPAP qualifying and continuing education when the course is instructed by at least one AQB certified USPAP instructor who is also a State certified appraiser. Arizona regulation R4-46-501 I. 7. h. requires instructors of USPAP courses to be approved through the AQB's USPAP instructor certification program, but does not reference the AQB Criteria requirement that at least one of the approved instructors must also be a State certified appraiser.</p> <p>Despite the conflicting provisions in the statute and regulation, ASC staff found no incidents where the statutes or regulations were applied to any aspect of the Program.</p>	<p>On August 13, 2012, the Board reported to ASC staff that Arizona statute 32-3628 was amended to rectify the area regarding reactivation of an appraiser credential.</p> <p>In addition, with regard to the area of non-compliance for USPAP instructors, the Board reported that this will require a statute change. The Board advised ASC staff that a legislative committee has been formed to begin the process of making the required change.</p>	None	To strengthen the Program, Arizona should amend its statutes and regulations to bring them into compliance with AQB Criteria.	<p>Arizona's August 13, 2012 response did not address Arizona statute 32-3625 that allows an appraiser whose credential has been revoked to reinstate by examination in lieu of completion of the continuing education required in AQB Criteria.</p> <p>Upon adoption, please provide ASC staff with copies of these statute and regulation changes.</p>

ASC Compliance Review Report

ASC Finding: Not In Substantial Compliance

Final Report Issue Date: December 12, 2012

Arizona Appraiser Regulatory Program (Program)

Arizona Board of Appraisal (Board)/Decision Making

PM: K. Klamet

ASC Compliance Review Date: April 16-18, 2012

Review Period: November 2010 to April 2012

Independent

Number of State Credentialed Appraisers on National Registry: 2,330

Review Cycle: Two Year

Requirement/Guidance	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
Arizona Statutes, Regulations, Policies and Procedures, Continued:	X							
States must require that appraisals be performed in accordance with the latest version of the Uniform Standards of Professional Appraisal Practice (USPAP). (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 3; AQB Real Property Appraiser Qualification Criteria.)				Arizona regulation R4-46-401 refers to the 2008-2009 version of USPAP. The Board adopted, by policy, the 2012-2013 version of USPAP at their January 13, 2012 Board meeting. This Policy is posted on the Board's website.	On August 13, 2012, the Board reported to ASC staff that this has been rectified through a statute change that was signed by the Governor and will become law within the next month. The statute states that the Uniform Standards of Professional Appraisal Practice are the Standards for the appraisal practice in Arizona unless the Board objects.	None	None	The statute change resolves this concern.
Temporary Practice:	X							
				No compliance issues noted.	N/A	None	None	None
National Registry:	X							
				No compliance issues noted.	N/A	None	None	None
Application Process:	X							
				No compliance issues noted.	N/A	None	None	None
Reciprocity:	X							
				No compliance issues noted.	N/A	None	None	None

ASC Compliance Review Report						ASC Finding: Not In Substantial Compliance			
						Final Report Issue Date: December 12, 2012			
Arizona Appraiser Regulatory Program (Program)									
Arizona Board of Appraisal (Board)/Decision Making			PM: K. Klamet			ASC Compliance Review Date: April 16-18, 2012		Review Period: November 2010 to April 2012	
Independent				Number of State Credentialed Appraisers on National Registry: 2,330		Review Cycle: Two Year			
Requirement/Guidance		Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
		YES	NO	AC					
Education:				X					
States should ensure that course approval expiration dates assigned by the State coincide with course approval expiration dates assigned by AQB's CAP and/or IDECC. (Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria.)					Arizona approves courses for one year. Courses that have AQB Course Approval Program (CAP) approval for content and/or International Distance Education Certification Center (IDECC) approval for delivery are granted a one-year State course approval without further review. Arizona does not ensure that the State's course approval expiration date assigned by the State coincides with CAP and/or IDECC course approval expiration dates.	On August 13, 2012, the Board reported to ASC staff that the course application forms are being revised to correct this item.	None	None	During the next Review, ASC staff will pay particular attention to this area for compliance with Title XI and AQB Criteria.
Enforcement:			X						
States should resolve all complaints filed against appraisers within one year, except for special documented circumstances. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)					Arizona had 101 outstanding complaints of which 22 were unresolved for more than 1 year. None of the complaints outstanding for more than 1 year fall under the exception for special documented circumstances. Of those 22 complaints, 18 were in various stages of the disciplinary process, and 4 were still under investigation.	On August 13, 2012, the Board reported to ASC staff that they agree an effective and timely complaint investigation and resolution program is critical to the State's effective supervision as required by Title XI. They share the desire of the ASC to resolve complaints in a timely manner. The Board reported that as of their August 2012 Board meeting, there are now 24 complaints outstanding for more than one year.	Arizona must continue to submit quarterly complaint logs to ASC staff. Staff will analyze each log. If progress is not made, the ASC may place additional requirements upon the State.	None	Through off-site monitoring and during the next Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10E.