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Appraisal Subcommittee

Federal Financial Institutions Examination Council

April 9, 2014

Mr. Roman S. Demapan, Chairperson
Board of Professional Licensing
P O Box 502078
Saipan, MP 96950

RE: ASC Compliance Review of Commonwealth of the Northern Mariana Islands' Appraiser
Regulatory Program

Dear Mr. Demapan:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Commonwealth of the Northern Mariana Islands' appraiser regulatory program (Program) on November 19-20, 2013, to determine the 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 Program is given an ASC Finding of "Needs Improvement." The final ASC Compliance Review Report (Report) is attached.

The ASC identified the following areas of non-compliance:

- States must have policies, practices and procedures consistent with Title XI;¹ and
- States must have funding and staffing sufficient to carry out their Title XI-related duties.²

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and during the next Review. Commonwealth of the Northern Mariana Islands 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,



Arthur Lindo
Chairman

Attachment

cc: Ms. Florence Sablan, Executive Director

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

² Title XI § 1118 (b), 12 U.S.C. § 3347; ASC Policy Statement 1.

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 ³ | <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.

³ An ASC Finding of "Poor" may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 8, *Interim Sanctions*.

ASC Compliance Review Report

ASC Finding: Needs Improvement
Final Report Issue Date: April 9, 2014

| | | | |
|--|--------------------|---|---|
| Commonwealth of the Northern Mariana Islands Appraiser Regulatory Program (Program) | | | |
| Board of Professional Licensing (Board) / Decision Making | PM: N. Fenochietti | ASC Compliance Review Date: November 19-20, 2013 | Review Period: August 2009 to November 2013 |
| Umbrella Agency: Independent | | Number of State Credentialed Appraisers on National Registry: 7 | 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 | | | | | |
| Commonwealth of the Northern Mariana Islands Statutes, Regulations, Policies and Procedures: | | X | | | | | | |
| States must have policies, practices and procedures consistent with Title XI. (Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement 1.) | | | | Title XI provides that any requirements established for individuals in the position of Trainee Appraiser and Supervisory Appraiser shall meet or exceed AQB Criteria. AQB Criteria requires that Trainee Appraisers be supervised by Certified Appraisers. The Board's regulation, Part IV. § 4.3.C.7. allows Trainee Appraisers to be supervised by State Licensed Appraisers and Part IV. § 9.1.A. allows State Licensed Appraisers to supervise Trainee Appraisers. | On January 27, 2014, the Board reported that they are drafting proposed amendments to the regulations. | The Board must continue the process to amend its rules to bring them into compliance with AQB Criteria, and provide the ASC staff with a copy of the final rules once adopted. | None | Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1. |
| Commonwealth of the Northern Mariana Islands Statutes, Regulations, Policies and Procedures continued: | | X | | | | | | |
| States must have funding and staffing sufficient to carry out their Title XI-related duties. (Title XI § 1118 (b), 12 U.S.C. § 3347; ASC Policy Statement 1.) | | | | ASC Policy Statement 4 requires that persons analyzing work product for Uniform Standards of Professional Appraisal Practice (USPAP) compliance must have sufficient knowledge to make that determination. The Board does not have staff with sufficient knowledge of USPAP or a process in place to ensure an applicant's work product is USPAP compliant. ASC Policy Statement 7 requires that persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must document how such persons are so qualified. The Board does not have staff or a process in place to ensure effective enforcement. | On January 27, 2014, the Board reported they are making arrangements for the Executive Director to attend the AQB level I investigator training in 2014. On November 20, 2013, the Board discussed pursuing the appointment of an appraiser to the Board to provide expert advice to staff. | The Board must continue its efforts to achieve and maintain the necessary resources and/or implement processes to ensure persons analyzing appraisals have sufficient knowledge of USPAP. | None | Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statements 4 and 7. |

ASC Compliance Review Report

ASC Finding: Needs Improvement
Final Report Issue Date: April 9, 2014

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| 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 | | | | | |
| 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 | | | | | |
| Persons analyzing work product for USPAP compliance must have sufficient knowledge to make that determination. (Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement 4.) | | | | The Board does not have staff with USPAP knowledge sufficient to review applicants' work samples or a process in place to determine work samples are in compliance with USPAP. | On January 27, 2014, the Board reported that they are making arrangements for the Executive Director to attend the AQB level I investigator training in 2014. On November 20, 2013, the Board discussed pursuing the appointment of an appraiser to the Board to provide expert advice to staff. | | To strengthen the Program, the Board should find ways to achieve and maintain the necessary resources and/or implement processes to ensure persons analyzing appraisals for USPAP compliance are knowledgeable. | During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4. |
| Reciprocity: | X | | | No compliance issues noted. | N/A | None | None | None |
| Education: | X | | | No compliance issues noted. | N/A | None | None | None |
| Enforcement: | | | X | | | | | |
| Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must document how such persons are so qualified. (Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement 7.) | | | | The Board does not have staff with sufficient knowledge of USPAP and appraiser practice or a process in place to ensure effective supervision. | On January 27, 2014, the Board reported that they are making arrangements for the Executive Director to attend the AQB level I investigator training in 2014. On November 20, 2013, the Board discussed pursuing the appointment of an appraiser to the Board to provide expert advice to staff. | | To strengthen the Program, the Board should find ways to achieve and maintain the necessary resources and/or implement processes to ensure persons analyzing appraisals in connection with a complaint are knowledgeable, should a complaint be filed. | During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7. |