

■   ■   ■   ■   ■   ■   ■

**Appraisal Subcommittee**  
*Federal Financial Institutions Examination Council*

December 8, 2015

Ms. Christine Martine, Executive Director  
Virginia Real Estate Appraiser Board  
9960 Mayland Drive, #400  
Richmond, VA 23233

RE: ASC Compliance Review of Virginia's Appraiser Regulatory Program

Dear Ms. Martine:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Virginia appraiser regulatory program (Program) on August 11-13, and 18, 2015, 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 verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement;<sup>1</sup> and
- States must document and maintain files to enable understanding of facts, determinations, and rationale for those determinations.<sup>2</sup>

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and in a Follow-up Review in approximately six months. Virginia 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: Mr. Nick Christner, Deputy Director  
Mr. Kevin Hoeft, Board Administrator

---

<sup>1</sup> 12 U.S.C. § 3347; Policy Statement 4.

<sup>2</sup> 12 U.S.C. § 3347; Policy Statement 7 B.

## ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	<ul style="list-style-type: none"> <li>• State meets all Title XI mandates and complies with requirements of ASC Policy Statements</li> <li>• State maintains a strong regulatory Program</li> <li>• Very low risk of Program failure</li> </ul>	2-year
Good	<ul style="list-style-type: none"> <li>• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements</li> <li>• Deficiencies are minor in nature</li> <li>• State is adequately addressing deficiencies identified and correcting them in the normal course of business</li> <li>• State maintains an effective regulatory Program</li> <li>• Low risk of Program failure</li> </ul>	2-year
Needs Improvement	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program</li> <li>• State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies</li> <li>• State regulatory Program needs improvement</li> <li>• Moderate risk of Program failure</li> </ul>	2-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program</li> <li>• State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing</li> <li>• State regulatory Program has substantial deficiencies</li> <li>• Substantial risk of Program failure</li> </ul>	1-year
Poor <sup>3</sup>	<ul style="list-style-type: none"> <li>• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements</li> <li>• Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program</li> <li>• State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies</li> <li>• High risk of Program failure</li> </ul>	Continuous monitoring

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

<sup>3</sup> 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: December 8, 2015

<b>Virginia Appraiser Regulatory Program (State)</b>				<b>PM: J. Tidwell</b>		<b>ASC Compliance Review Date: August 11-13 &amp; 18, 2015</b>		<b>Review Period: May 2013 to August 2015</b>	
<b>Virginia Real Estate Appraiser Board (Board) / Decision Making</b>									
<b>Umbrella Agency: Department of Professional and Occupational Regulation</b>						<b>Number of State Credentialed Appraisers on National Registry: 3,539</b>		<b>Review Cycle: Two Year with Follow-up</b>	
Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments		
	YES	NO	AC						
<b>Statutes, Regulations, Policies and Procedures:</b>	X			No compliance issues noted.	N/A	None	None		
<b>Temporary Practice:</b>	X			ASC Policy Statement 2 requires that State agencies may not limit the valid time period of a temporary practice permit to less than 6 months, except in the case of an appraiser not holding a credential in active status for at least that period of time; and State agencies must allow at least one temporary practice permit extension through a streamlined process. ASC staff found temporary practice permits expired based on a "termination date" provided by the appraiser on the application; in most cases this period was less than 6 months. The application for a temporary practice permit states that a temporary license cannot be renewed although in practice the State allows one free extension if requested in writing before the expiration date.	On October 27, 2015, the State reported amending the Temporary Practice application, letter of approval, and license to indicate the temporary license is valid for 1-year from the date of issuance.	None	The State's resolution addresses the concern.		
<b>National Registry:</b>	X			No compliance issues noted.	N/A	None	None		
<b>Application Process:</b>		X		The State issued 13 appraiser credentials after January 1, 2015, without verifying the applicants held the AQB Criteria required college level education.	On October 27, 2015, the State reported they reviewed the application files and found 1 applicant had the required college education for the credential issued. In order to afford due process to the other 12 credential holders, they will be scheduling informal fact-finding conferences to ascertain whether or not they have the necessary college level education to retain their license.	The State must, within 60 days of the date of this Report, provide ASC staff a detailed account of the results of the informal fact-finding conferences. ASC staff will analyze the results to ensure the State does not allow appraisers who fail to meet AQB Criteria to appraise property for federally related transactions. The ASC may place additional requirements upon the State.	Through off-site monitoring as well as during a Follow-up Review and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 4.  ASC staff has been made aware that the Board has now rescinded the examination approval for other applicants who lacked the AQB Criteria required college level education.		

ASC Compliance Review Report

ASC Finding: Needs Improvement  
Final Report Issue Date: December 8, 2015

<b>Virginia Appraiser Regulatory Program (State)</b>							
<b>Virginia Real Estate Appraiser Board (Board) / Decision Making</b>		PM: J. Tidwell		ASC Compliance Review Date: August 11-13 & 18, 2015		Review Period: May 2013 to August 2015	
<b>Umbrella Agency: Department of Professional and Occupational Regulation</b>				Number of State Credentialed Appraisers on National Registry: 3,539		Review Cycle: Two Year with Follow-up	
Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
<b>Application Process continued:</b>			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.)				Commercial property work product is reviewed by individuals who have USPAP training, however Virginia's staff analyzing residential property work product has not received formal USPAP training.	On October 27, 2015, the State reported they are scheduling both licensing and investigative staff to take the 15-hour USPAP course within the next 6 months.	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 4.
<b>Reciprocity:</b>	X						
				No compliance issues noted.	N/A	None	None
<b>Education:</b>	X						
				No compliance issues noted.	N/A	None	None
<b>Enforcement:</b>		X					
States must document and maintain files to enable understanding of facts, determinations, and rationale for those determinations. (12 U.S.C. § 3347; Policy Statement 7 B.)				ASC staff requested 32 complaint files for review. Of those 32 files, 7 had been destroyed.	On October 27, 2015, the State reported they amended the record retention policy so all complaints received, regardless of disposition, are maintained for 3 years from date of closure.	None	During a Follow-up Review and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 7.
<b>Enforcement continued:</b>			X				
States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date in the absence of special documented circumstances. (12 U.S.C. § 3347; Policy Statement 7 B.)				The State had 41 outstanding complaints of which 2 were unresolved for more than 1 year. Of the complaints outstanding for more than 1 year, none appear to fall under the exception for special documented circumstances. Both cases have been investigated and are in the disciplinary process.	On October 27, 2015, the State reported they made changes to their internal processes in order to meet this requirement going forward.	The State should monitor the revised processes to ensure compliance with Title XI and ASC Policy Statement 7.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7.