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## Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

March 9, 2016

Mr. Roman S. Demapan, Chair  
CNMI 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 16-17, 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 area of non-compliance:

- States must have funding and staffing sufficient to carry out their Title XI-related duties.<sup>1</sup>

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and during the next Review. The 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. Victoria Guerrero, Special Assistant, Programs and Legislative Review Office  
Ms. Esther S. Fleming, Special Assistant, Office of Administration  
Mr. Matthew Courtney Baisley, Attorney General  
Mr. Michael Witry, Legal Counsel  
Mr. Juan V. Diaz, Investigator  
Ms. Geralene L. Yarofalpiy, Clerk Typist III

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<sup>1</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement I.

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>2</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>2</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: March 9, 2016

Commonwealth of the Northern Mariana Islands Appraiser Regulatory Program (Program)

Board of Professional Licensing (Board) / Decision Making

PM: J. Tidwell

ASC Compliance Review Date: November 16-17, 2015

Review Period: November 2013 to November 2015

Umbrella Agency: Independent

Number of State Credentialed Appraisers on National Registry: 9

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				
<b>Statutes, Regulations, Policies and Procedures:</b>		X					
States must have funding and staffing sufficient to carry out their Title XI-related duties. (12 U.S.C. § 3347; Policy Statement 1 B.)				The Executive Director's contract expired August 31, 2015, and was not renewed by the Governor. No successive Executive Director of the Program has been named and the position remains vacant. In addition, the 5-member Board has 1 vacant position and an additional Board member's term expired November 25, 2015.	On January 21, 2016, the Board reported that due to the lack of funding provided by the CNMI Government and the Non-Renewal of the Executive Director's contract by the CNMI Governor, all actions are on hold until the appointment of a new Executive Director is fulfilled.	The Board must provide, within 60 days of issuance of this Report, a plan on how they will achieve and maintain the necessary resources to perform its Title XI-related duties.	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.
<b>Statutes, Regulations, Policies and Procedures continued:</b>		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.)				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 or that complaints are properly reviewed for USPAP compliance.	On January 21, 2016, the State reported that due to the lack of funding provided by the CNMI Government and the Non-Renewal of the Executive Director's contract by the CNMI Governor, all actions are on hold until the appointment of a new Executive Director is fulfilled.	The Board must provide, within 60 days of issuance of this Report, a plan on how they will achieve and maintain the necessary resources to perform its Title XI-related duties.	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.
<b>Temporary Practice:</b>	X			No compliance issues noted.	N/A	None	None
<b>National Registry:</b>	X			No compliance issues noted.	N/A	None	None
<b>Application Process:</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.)				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 21, 2016, the State reported that due to the lack of funding provided by the CNMI Government and the Non-Renewal of the Executive Director's contract by the CNMI Governor, all actions are on hold until the appointment of a new Executive Director is fulfilled.	In the event that the Board receives an appraiser application for credentialing, the Board must ensure the work samples are reviewed for USPAP compliance by a person knowledgeable about appraisal practice and USPAP.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statements.

ASC Compliance Review Report

ASC Finding: Needs Improvement

Final Report Issue Date: March 9, 2016

**Commonwealth of the Northern Mariana Islands Appraiser Regulatory Program (Program)**

Board of Professional Licensing (Board) / Decision Making

PM: J. Tidwell

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Review Period: November 2013 to November 2015

Umbrella Agency: Independent

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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				
<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				
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 21, 2016, the State reported that due to the lack of funding provided by the CNMI Government and the Non-Renewal of the Executive Director's contract by the CNMI Governor, all actions are on hold until the appointment of a new Executive Director is fulfilled.	In the event that the Board receives an appraiser complaint, the Board must ensure the work samples are reviewed for USPAP compliance by a person knowledgeable about appraisal practice and USPAP.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statements.