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Appraisal Subcommittee

Federal Financial Institutions Examination Council

October 20, 2017

Mr. Tom Ryan, Executive Director
Real Estate Appraisers Board
Department of Safety and Professional Services
P O Box 8935
Madison, WI 53708-8935

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

Dear Mr. Ryan:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Wisconsin appraiser regulatory program (Program) on June 19-21, 2017, 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.

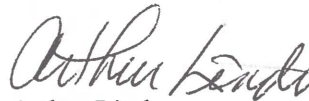
The ASC identified the following area(s) of non-compliance:

- States must verify that all claimed qualifying and continuing education courses are acceptable under AQB Criteria;¹ and
- 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.²

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and in a Follow-up Review in approximately twelve (12) months. Wisconsin 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. Dale Kleven, Administrative Rules Coordinator

¹ 12 U.S.C. § 3347; Policy Statement 4 B, C.

² 12 U.S.C. § 3347; Policy Statement 4.

ASC Finding Descriptions

	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 ⁶	<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

⁶ 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: October 20, 2017

Wisconsin Appraiser Regulatory Program (State)

Real Estate Appraisers Board (Board) PM: N. Fenochietti

ASC Compliance Review Date: June 19-21, 2017

Review Period: June 2015 to June 2017

Umbrella Agency: Department of Safety and Professional Services

Number of State Credentialed Appraisers on National Registry: 1,897

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				
Statutes, Regulations, Policies and Procedures:			X				
States must, at a minimum, adopt and/or implement all relevant AQB Criteria. (12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D.)				Prior to reactivation, a credential holder in an inactive status must complete the continuing education (CE) that would have been required if the credential holder had been in active status including the most recent edition of the 7-hour National USPAP Update Course. Wisconsin Regulation SPS 87.02, does not require the most recent edition of the 7-hour National USPAP Update Course.	On August 31, 2017, the State reported that the Department began the formal process of updating SPS 87.02 and conducting a comprehensive review of all Wisconsin Administrative Code relating to real estate appraisers to ensure all relevant AQB Criteria are incorporated.	The State should continue the process to amend its regulations to bring them into compliance with ASC Policy Statement 1, 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 Title XI and ASC Policy Statement 1.
Statutes, Regulations, Policies and Procedures (continued):			X				
States must, at a minimum, adopt and/or implement all relevant AQB Criteria. (12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D and 4 C.)				Prior to reactivation, a credential holder in an inactive status must complete the CE that would have been required if the credential holder had been in active status. State Policies and Procedures do not provide for maintaining adequate documentation to support verification of claimed education for the reactivation of a credential.	On August 31, 2017, the State reported that the Department has amended its policy to require retention of CE course completion certificates for credentials that have been expired 2 years or more.	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
Temporary Practice:	X						
				No compliance issues noted.	N/A	None	None

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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				
National Registry:			X				
States must submit all disciplinary actions to the ASC for inclusion on the National Registry. (12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 A, D, E.)				The State did not report all disciplinary actions to the ASC National Registry.	Once the State was notified, the missing disciplinary actions were submitted to the ASC National Registry. On August 31, 2017, the State reported that the Department's internal policy has been updated to require all disciplinary orders of the Real Estate Appraisers Board are reported to the ASC and discipline that impacts a licensee's ability to practice is reported to the ASC within 5 business days of the date of the order.	The State should monitor their process to ensure the revised policy is followed and all disciplinary actions are reported to the ASC National Registry in a timely manner.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 3.
Application Process:	X						
States may not accept an affidavit for experience credit claimed from applicants for any federally recognized credential. (12 U.S.C. § 3347; Policy Statement 4 D.)				The State accepted an affidavit for experience credit claimed for Assessor experience.	On August 31, 2017, the State reported that Department staff has reviewed the applications of all individuals who received a credential since the previous Compliance Review of June 15, 2015, and found no other applicants with assessor experience. On September 1, 2017, the State provided ASC staff with an experience log for the assessor applicant identified during the Compliance Review.	None	None

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Umbrella Agency: Department of Safety and Professional Services

Number of State Credentialed Appraisers on National Registry: 1,897

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				
Application Process (continued):		X					
States must verify that all claimed qualifying and continuing education courses are acceptable under AQB Criteria. (12 U.S.C. § 3347; Policy Statement 4 B, C.)				<p>The State issued 1 appraiser credential after January 1, 2015, without requiring the applicant to hold the AQB Criteria required college level education.</p> <p>In March 2015, the State's attorney directed staff to issue an examination approval letter to an applicant that had been initially denied by Department staff for not meeting the 2015 Criteria requirements.</p> <p>On September 7, 2017, the State reported that the applicant completed the education and experience, submitted the application and paid the fee before December 31, 2014. As such, the applicant was eligible for examination and per WI Admin. Code had 2 years to take the examination.</p>	<p>On August 31, 2017, the State reported that Department staff reviewed the applications of all individuals who received a credential since January 1, 2015, and verified that the applicants were AQB Compliant.</p> <p>The State must cease issuing appraiser credentials to applicants that do not meet all AQB Criteria.</p> <p>The State must within 60 days of this Report, provide ASC staff with a detailed account of the actions being taken to resolve this concern.</p>	<p>Program staff incorrectly applied the 2015 Criteria to 1 applicant that did not meet AQB Criteria.</p> <p>The State must cease issuing appraiser credentials to applicants that do not meet all AQB Criteria.</p> <p>The State must within 60 days of this Report, provide ASC staff with a detailed account of the actions being taken to resolve this concern.</p>	<p>This concern was noted by ASC staff previously in the June 2015 Review.</p> <p>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.</p>

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	YES	NO	AC				
Application Process (continued):		X					
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. (12 U.S.C. § 3347; Policy Statement 4.)				The State reinstated 3 appraiser credentials without verifying the applicants had successfully completed all CE consistent with AQB Criteria for reinstatement of the appraiser credential sought.	On August 31, 2017, the State reported that Department staff will verify applicants for reinstatement have successfully completed all CE consistent with AQB Criteria for reinstatement of the appraiser credential sought. On September 1, 2017, the State reported that the three applicants for reinstatement were contacted and provided ASC staff with a CE completion certificate for the missing CE for 1 applicant. 2 of the applicants did not respond.	The State must cease reinstating certified appraiser credentials to individuals failing to demonstrate CE hours consistent with AQB Criteria. Within 60 days of the date of this Report, the State must provide ASC staff a detailed account of the actions being taken to resolve this concern 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.
Reciprocity:	X			No compliance issues noted.	N/A	None	None
Education:	X			No compliance issues noted.	N/A	None	None
Enforcement:			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 28 outstanding complaints of which 1 was unresolved for more than 1 year and 3 were unresolved for more than 2 years. Of the aged complaints, 2 were removed under the exemption for special documented circumstances.	On August 31, 2017, the State reported that the 2 remaining aged cases qualify for SDC exemption due to complexity and circumstances beyond the control of the agency. Sufficient information was provided.	The State should continue to process complaints of appraiser misconduct or wrongdoing timely to ensure compliance with 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.