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Appraisal Subcommittee

Federal Financial Institutions Examination Council

December 4, 2018

Ms. Jessica Looman, Commissioner
Minnesota Department of Commerce
85 – 7th Place East, Suite 280
St. Paul, MN 55101

RE: ASC Compliance Review of Minnesota’s Appraisal Management Company (AMC)
Regulatory Program

Dear Ms. Looman:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Minnesota AMC regulatory program (AMC Program) on September 11-13, 2018, to determine the AMC 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 AMC Program has been awarded an ASC Finding of “Good.” The final ASC Compliance Review Report (Report) is attached.

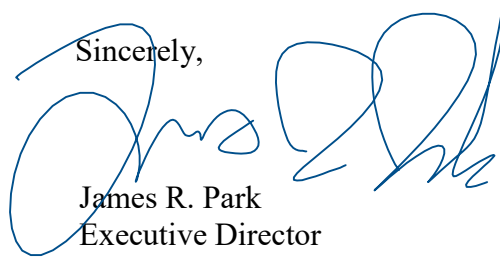
The ASC identified the following areas of non-compliance:

- Participating States must establish and maintain an AMC Program with the legal authority and mechanisms consistent with the AMC Rule;¹
- Participating States must impose requirements on AMCs consistent with the AMC Rule;² and
- Participating States must enforce and document ownership limitations for State-registered AMCs.³

ASC staff will confirm that appropriate corrective actions have been taken during the next Review. Minnesota 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,



James R. Park
Executive Director

Attachment

cc: Ms. Anne O'Connor, Deputy Commissioner/Chief of Staff
Mr. Peter Brickwedde, Assistant Commissioner
Mr. Martin Fleischhacker, Assistant Commissioner
Mr. Peter Bratsch, Licensing Director
Ms. Jacqueline Olson, Audit Director
Mr. Sheldon Klugman, Internal Controls Director

¹ 12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26; Policy Statement 8.

² 12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26; Policy Statement 8.

³ 12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26; Policy Statement 8.

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	<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.

ASC State AMC Program Compliance Review Report

ASC Finding: Good
Final Report Issue Date: December 4, 2018

Minnesota AMC Regulatory Program (State)

State Board Title (Board): N/A	PM: J. Tidwell	ASC Compliance Review Date: September 11-13, 2018	Review Period: September 2016 - September 2018
Umbrella Agency: Minnesota Department of Commerce		Number of AMCs on National Registry: 0	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				
Statutes, Regulations, Policies and Procedures:		X					
Participating States must establish and maintain an AMC Program with the legal authority and mechanisms consistent with the AMC Rule. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26; Policy Statement 8.)				An AMC that is a subsidiary owned and controlled by a financial institution regulated by a Federal financial institution regulatory agency shall not be required to register with a State. The State does not adequately include this exemption.	On November 8, 2018, the State reported that this requirement will be shared with the incoming Administration and Legislature to examine for potential changes to current Minnesota law.	The State must amend its Statute to bring it into compliance with Title XI and ASC Policy Statement 8 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 8.
Statutes, Regulations, Policies and Procedures continued:		X					
Participating States must impose requirements on AMCs consistent with the AMC Rule. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26; Policy Statement 8.)				An AMC must notify appraisers on its appraiser panel, before their removal from the panel. The State allows AMCs to remove an appraiser from the panel without notice within 30 days from the date the appraiser is initially added to the panel.	On November 8, 2018, the State reported that this requirement will be shared with the incoming Administration and Legislature to examine for potential changes to current Minnesota law.	The State must amend its Statute to bring it into compliance with Title XI and ASC Policy Statement 8 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 8.
Statutes, Regulations, Policies and Procedures continued:		X					
Participating States must enforce and document ownership limitations for State-registered AMCs. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26; Policy Statement 8.)				An AMC shall not be registered or included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause. The State limits the requirement to owners of 10% or more.	On November 8, 2018, the State reported that this requirement will be shared with the incoming Administration and Legislature to examine for potential changes to current Minnesota law.	The State must amend its Statute to bring it into compliance with Title XI and ASC Policy Statement 8 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 8.

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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			No compliance issues noted.	N/A	None	None
Enforcement:	X			No compliance issues noted.	N/A	None	None