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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 Appraiser Regulatory Program

Dear Ms. Looman:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Minnesota appraiser regulatory program (Appraiser Program) on September 11-13, 2018, to determine the Program’s compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

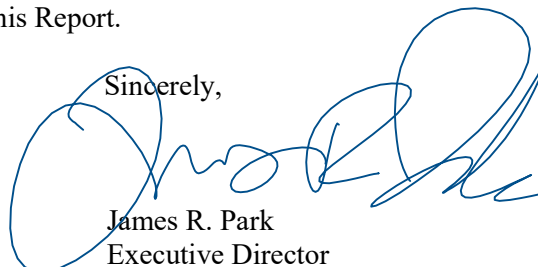
The ASC considered the preliminary results of the Review and the State’s response to those results. The Appraiser Program has been awarded an ASC Finding of “Good.” The final ASC Compliance Review Report (Report) of the Minnesota Appraiser Program is attached.

The ASC identified the following area of non-compliance:

- States must, at a minimum, adopt and/or implement all relevant AQB Criteria.¹

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 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D.

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 ²	<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.

² 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 State Appraiser Program Compliance Review Report

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

Minnesota Appraiser 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 State Credentialed Appraisers on National Registry: 1,946 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					
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.)				<p>A review of the Program's Statutes revealed the following inconsistencies with the AQB Criteria regarding: (1) reactivation of an appraiser credential; and (2) Supervisory Appraiser requirements.</p> <p>Prior to reactivation, AQB Criteria requires a credential holder in an inactive status to complete the continuing education (CE) that would have been required if the credential holder had been in active status. Minnesota Statute 82B.08 requires CE for "the period during which the license was canceled," but does not include the CE that would have been required during the period prior to cancelation.</p> <p>AQB Criteria requires that Supervisory Appraisers shall not have been subject to any disciplinary action within any jurisdiction within the last 3 years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. Minnesota Statute 82B.094 is inconsistent with this requirement.</p>	<p>On November 8, 2018, the State reported they are in compliance regarding reactivation of an appraiser credential because the application for reinstatement requires both the outstanding CE that was due at the original renewal as well as any due up to the date of application for reinstatement.</p> <p>In addition, the finding regarding Supervisory Appraiser requirements will be shared with the incoming Administration and Legislature to examine for potential changes to current Minnesota law.</p>	<p>The State must amend its Statutes with regard to both findings to bring them into compliance with AQB Criteria, and reflect what is done in practice. A copy of the Statute should be provided to ASC staff once finalized.</p>	<p>The concern regarding reactivation of an appraiser credential was noted by ASC staff previously in the September 2016 Review.</p> <p>During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with AQB Criteria and ASC Policy Statement 1.</p>
Temporary Practice:	X			No compliance issues noted.	N/A	None	None

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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
Application Process:			X	Education and experience must be completed prior to taking the National Uniform Licensing and Certification Examination. The State does not ensure that the applicant's experience log contains the required prerequisite experience before taking the AQB-approved examination.	On November 8, 2018, the State reported that immediately after the on-site Review concluded, the internal process was updated to ensure an applicant's experience log contains the required prerequisite experience before taking the AQB-approved examination.	The State should monitor the updated process to ensure compliance with AQB Criteria and ASC Policy Statement 4.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with AQB Criteria and 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			No compliance issues noted.	N/A	None	None