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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

January 14, 2015

Mr. David M. Derry, Board Chair  
Alaska Board of Certified Real Estate Appraisers  
Department of Commerce, Community and Economic Development  
Division of Corporations, Business & Professional Licensing  
P O Box 110806  
Juneau, AK 99811-0806

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

Dear Mr. Derry:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Alaska appraiser regulatory program (Program) on August 4-7, 2014, 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 "Not Satisfactory." The final ASC Compliance Review Report (Report) is attached.

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

- States must, at a minimum, adopt and/or implement all relevant AQB Criteria;<sup>1</sup>
- States must have policies, practices and procedures consistent with Title XI;<sup>2</sup>
- States must have a policy for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI;<sup>3</sup>
- States must issue temporary practice permits within five business days of receipt of a completed application, or notify the applicant and document the file as to the circumstances justifying delay or other action;<sup>4</sup>
- States must reconcile and pay National Registry invoices in a timely manner;<sup>5</sup>
- States must maintain adequate documentation to support verification of all claimed education;<sup>6</sup>
- States must ensure the delivery mechanism for distance education courses offered by a non-academic provider has been approved by an AQB-approved organization providing approval of course design and delivery;<sup>7</sup> and
- States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria.<sup>8</sup>

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and in a Follow-up Review in approximately three months. Alaska will remain on a one-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: Members, Board of Certified Real Estate Appraisers  
Ms. Sara Chambers, Division Director

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<sup>1</sup> 12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D.

<sup>2</sup> 12 U.S.C. § 3347; Policy Statement 1 A.

<sup>3</sup> 12 U.S.C. § 3351; Policy Statement 5.

<sup>4</sup> 12 U.S.C. § 3351; Policy Statement 2.

<sup>5</sup> 12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 B.

<sup>6</sup> 12 U.S.C. § 3347; Policy Statement 4 B, C.

<sup>7</sup> 12 U.S.C. § 3347; Policy Statement 6 B, C.

<sup>8</sup> 12 U.S.C. § 3347; Policy Statement 6 A.

## 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: Not Satisfactory		
					Final Report Issue Date: January 14, 2015		
Alaska Appraiser Regulatory Program (State)							
Board of Certified Real Estate Appraisers (Board)/Advisory		PM: K. Klamet		ASC Compliance Review Date: August 4-7, 2014		Review Period: May 2013 to July 2014	
Umbrella Agency: Department of Commerce, Community & Economic Development, Division of Corporations, Business & Professional Licensing (Division)				Number of State Credentialed Appraisers on National Registry: 228		Review Cycle: One 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>Statutes, Regulations, Policies and Procedures:</b>							
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.)		X		<p>A review of the State's Regulations revealed the following inconsistencies with the AQB Criteria regarding: (1) Qualifying Education (QE); (2) Distance Education (DE); (3) Continuing Education (CE); and (4) Uniform Standards of Professional Appraisal Practice (USPAP) Instructor Requirements.</p> <p>Effective January 1, 2008, the AQB Criteria no longer recognizes challenge examinations for meeting appraiser QE. 12 AAC 70.140.(e) allows credit for courses completed by challenge examination.</p> <p>AQB Criteria requires DE course delivery mechanism approval. 12 AAC 70.210.(e)(2) and 12 AAC 70.215.(c) do not require delivery mechanism approval for certain CE courses.</p> <p>AQB Criteria requires CE credit be granted for education offerings that are consistent with the purpose of CE and cover real property related appraisal topics. 12 AAC 70.215.(b)(1) includes "Business Courses Related to Real Estate Appraisal" as an acceptable CE topic. This topic was removed by the AQB and is no longer part of the AQB Criteria.</p> <p>Credit may only be awarded for USPAP education when the course is instructed by at least 1 AQB certified USPAP instructor who is also a State certified appraiser. 12 AAC 70.220.(e) does not require that at least 1 instructor be a State certified appraiser.</p> <p>These concerns were noted by ASC staff previously in the May 2013 Review.</p>	On October 26, 2014, the Board reported they would take action on proposed regulations to correct areas of non-compliance at their December 11, 2014, Board meeting.	The State must continue the process to amend its regulations to bring them into compliance with AQB Criteria, and provide the ASC staff with a copy of the final regulations once adopted.	During a Follow-up Review and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.

ASC Compliance Review Report

ASC Finding: Not Satisfactory

Final Report Issue Date: January 14, 2015

Alaska Appraiser Regulatory Program (State)

Board of Certified Real Estate Appraisers (Board)/Advisory

PM: K. Klamet

ASC Compliance Review Date: August 4-7, 2014

Review Period: May 2013 to July 2014

Umbrella Agency: Department of Commerce, Community & Economic Development, Division of Corporations, Business & Professional Licensing (Division)

Number of State Credentialed Appraisers on National Registry: 228

Review Cycle: One 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>Statutes, Regulations, Policies and Procedures continued:</b>		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.)				State regulation 12 AAC 70.125.(c) does not include CE requirements for Trainee Appraisers.	On October 26, 2014, the Board reported they would take action on proposed regulations to correct this area of non-compliance at their December 11, 2014, Board meeting.	The State must continue the process to amend its regulations to bring them into compliance with AQB Criteria, and provide the ASC staff with a copy of the final regulations once adopted.	During a Follow-up Review and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
<b>Statutes, Regulations, Policies and Procedures continued:</b>		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.)				The State's regulations do not include the minimum AQB Criteria for supervising appraisers.	On October 26, 2014, the Board reported they will take action on proposed regulations to correct this area of non-compliance at their December 11, 2014, Board meeting.	The State must continue the process to amend its regulations to bring them into compliance with AQB Criteria, and provide the ASC staff with a copy of the final regulations once adopted.	During a Follow-up Review and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
<b>Statutes, Regulations, Policies and Procedures continued:</b>		X					
States must have policies, practices and procedures consistent with Title XI. (12 U.S.C. § 3347; Policy Statement 1 A.)				Due to a lack of policies, practices and procedures, the State was not able to: (1) pay National Registry invoices in a timely manner; (2) process temporary practice permits within 5 business days upon receipt of a completed application; and (3) provide ASC staff with all requested files for their review.	On October 24, 2014, the Division reported they are updating non-compliant policies and procedures. The Division also reported that a desk manual to reflect current best practices, checklists, screen shots and other tools to assist in daily activities is being developed.	Within 60 days of the date of this Report, the State must provide a copy of its updated policies and procedures and desk manual to ASC staff.	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 1.

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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				
<b>Statutes, Regulations, Policies and Procedures continued:</b>		X					
States must have a policy for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI. (12 U.S.C. § 3351; Policy Statement 5.)				Alaska's regulations do not comply with Title XI which requires a reciprocal credential be issued when the applicant holds a valid credential from a State whose program is in compliance with Title XI and whose credentialing requirements meet or exceed the requirements of the State where the application is made.	On October 26, 2014, the Board reported they will take action on proposed regulations to correct this area of non-compliance at their December 11, 2014, Board meeting.	The State must continue the process to amend its regulations to bring them into compliance with Title XI, and provide the ASC staff with a copy of the final regulations once adopted.	During a Follow-up Review and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 5.
<b>Temporary Practice:</b>		X					
States must issue temporary practice permits within five business days of receipt of a completed application, or notify the applicant and document the file as to the circumstances justifying delay or other action. (12 U.S.C. § 3351; Policy Statement 2.)				The State failed to process requests for temporary practice permits within 5 business days of receipt of a completed application. This concern was noted by ASC staff previously in the May 2013 Review.	On October 24, 2014, the Division reported that until they are able to recruit and retain licensing examiners at a more professional level, they will cross-train within their available resources to comply with their Title XI duties.	Within 60 days of the date of this Report, the State must provide ASC staff with written policies and procedures to ensure temporary practice applications are processed timely.	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 2.
<b>National Registry:</b>		X					
States must reconcile and pay National Registry invoices in a timely manner. (12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 B.)				The State did not pay National Registry invoices in a timely manner.	On October 24, 2014, the Division reported they are incorporating additional training and oversight to ensure payment is properly rendered.	Within 60 days of the date of this Report, the State must provide ASC staff with written policy and procedures to ensure National Registry invoices are paid timely.	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 3.

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Umbrella Agency: Department of Commerce, Community & Economic Development, Division of Corporations, Business & Professional Licensing (Division)				Number of State Credentialed Appraisers on National Registry: 228		Review Cycle: One 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:</b>		X					
States must maintain adequate documentation to support verification of all claimed education. (12 U.S.C. § 3347; Policy Statement 4 B, C.)				ASC staff requested 16 application files for review; of those 16 files, 4 were not provided. In addition, ASC staff requested 24 renewal audit files for review; of those 24 files, 2 were not provided.	On October 24, 2014, the Division reported it is providing training and oversight protocols to ensure best practices are being followed.	Within 60 days of the date of this Report, the State must provide ASC staff with written policies and procedures to ensure application files maintain adequate documentation to support verification of all claimed education.	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.
<b>Reciprocity:</b>		X					
States must have a policy for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI. (12 U.S.C. § 3351; Policy Statement 5.)				The State has a statutory provision concerning reciprocity which complies with the requirements of Title XI and ASC Policy Statement 5. However, the State does not have any regulation or policy implementing the statutory provision and the State is not complying with Title XI reciprocity requirements in practice.	On October 26, 2014, the Board reported they will take action on proposed regulations to correct this area of non-compliance at their December 11, 2014, Board meeting.	Within 60 days of the date of this Report, the State must provide ASC staff with a compliant reciprocal policy.	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 6.
<b>Education:</b>		X					
States must ensure the delivery mechanism for distance education courses offered by a non-academic provider has been approved by an AQB approved organization providing approval of course design and delivery. (12 U.S.C. § 3347; Policy Statement 6 B, C.)				State files did not always contain appropriate documentation showing International Distance Education Certification Center (IDECC) approval of course delivery mechanism. Two distance education courses were approved that had IDECC expirations preceding the date of application with the State.	On October 24, 2014, the Division advised ASC staff that the licensing checklist will be edited to include the requirement to identify proper IDECC approval dates and ensure that the threshold is being met before presenting applications to the Board for their review.	Within 60 days of the date of this Report, the State must provide ASC staff with a copy of the updated checklist.	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 6.
<b>Education continued:</b>		X					
States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria. (12 U.S.C. § 3347; Policy Statement 6 A.)				ASC staff requested 10 education files for review; of those 10 files, 2 were not provided. This concern was noted by ASC staff previously in the May 2013 Review.	On October 24, 2014, the Division reported that it is installing greater training and oversight protocols to ensure best practices are being followed.	Within 60 days of the date of this Report, the State must provide ASC staff with written policies and procedures to ensure education files contain sufficient documentation to support that approved appraiser courses conform to AQB Criteria.	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 6.
<b>Enforcement:</b>	X						
				No compliance issues noted.	N/A	None	None