

June 21, 2023

Via Email

Shane Foster, Deputy Director
Arizona Department of Insurance and Financial Institutions
100 N. 15th Avenue, Suite 261
Phoenix, AZ 85007
Email: shane.foster@difi.az.gov

RE: ASC Compliance Review of Arizona's Appraisal Management Company (AMC)
Regulatory Program

Dear Shane Foster:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Arizona AMC regulatory program (AMC Program) on January 24-26, 2023, 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 area(s) of non-compliance:

- States must enforce and document ownership limitations for State-registered AMCs;¹
- States must establish and maintain an AMC Program with the legal authority and mechanisms to determine that an AMC oversees an appraiser panel consistent with the AMC Rule;² and

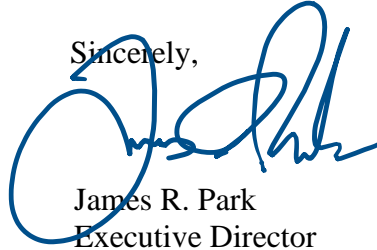
ASC staff will confirm that appropriate corrective actions have been taken during the next Review. Arizona will remain on a two-year Review Cycle.

¹ Legal citing. 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 Legal citing. 12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

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,

A handwritten signature in blue ink, appearing to read "James R. Park". The signature is stylized with large loops and a long horizontal stroke at the end.

James R. Park
Executive Director

Attachment

cc: Jon Savary, Deputy Director, jon.savary@difi.az.gov

Tammy Seto, Financial Services Division Manager, tammy.seto@difi.az.gov

Steven Fromholtz, Licensing Division Manager, steven.fromholtz@difi.az.gov

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.

**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 AMC Program Compliance Review Report

ASC Finding: Good

Final Report Issue Date: June 21, 2023

Arizona AMC Regulatory Program (State)

State Board Title (Board) N/A	PM: N. Fenochietti	ASC Compliance Review Date: January 24-26, 2023	Review Period: February 2021 to January 2023
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Umbrella Agency: Arizona Department of Insurance and Financial Institutions	Number of AMCs on AMC Registry: 150	Review Cycle: Two Year
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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				
Statutes, Regulations, Policies and Procedures:		X					
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.)				The State's regulations incorrectly limits the requirement that no owner has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause to owners of 10% or more.	On May 18, 2023, the State provided ASC staff a copy the proposed language for a regulatory amendment to correct this issue.	The State must continue the process to amend its regulations to bring them into compliance with AQB Criteria, and provide ASC staff with a copy once finalized.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with the Title XI.
Statutes, Regulations, Policies		X					
States must establish and maintain an AMC Program with the legal authority and mechanisms to determine that an AMC oversees an appraiser panel 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.)				The State's statutes and regulations do not require that the AMC Panel size threshold is calculated over a 12-month period identified by the State.	On May 18, 2023, the State provided ASC staff a copy of the proposed language for a regulatory amendment to correct this issue.	The State must continue the process to amend its regulations to bring them into compliance with the AMC Rule and provide ASC staff with a copy once finalized.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with the Title XI and the AMC Rule.
National Registry:			X				
States must ensure the accuracy of all data submitted to the AMC Registry. (Title XI § 1118, 12 U.S.C. § 3347; Policy Statement 9.)				The State failed to report 2 AMCs to the AMC Registry.	On May 18, 2023, the State reported that a monthly AMC Registry report will be run to ensure that all federally recognized AMCs have been reported to the AMC Registry.	The State should continue the process of ensuring all federally recognized AMCs are reported to the AMC Registry.	During the Compliance Review the State added the 2 AMCs to the AMC Registry. During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI.
Enforcement:	X						
				No Compliance Issues Noted	N/A	N/A	None