

December 28, 2023

Via Email

Jennifer Clawson, Assistant Director
Business and Professions Division
Real Estate Appraiser Section
Washington State Department of Licensing
PO Box 3917
Seattle, WA 98124-3917
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RE: ASC Compliance Review of Washington's Appraiser Regulatory Program

Dear Jennifer Clawson:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Washington appraiser regulatory program (Appraiser Program) on August 1-3, 2023, to determine the Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

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 Washington Appraiser Program is attached.

The ASC identified the following areas of non-compliance:

- 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 action¹;
- States must reconcile and pay registry invoices in a timely manner²;
- States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade or renewal of a credential so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations³;
- States must implement a reliable validation procedure for affidavits accepted for continuing education credit claimed for credential renewal⁴;

¹ 12 U.S.C. § 3351; Policy Statement 2 B.

² 12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 B.

³ 12 U.S.C. § 3347; Policy Statement 4 A.

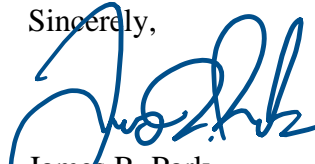
⁴ 12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 4 C 2.

- States must complete audits of affidavits for continuing education credit claimed within sixty (60) business days from the date the credential is scheduled for renewal (based on the credential's expiration date)⁵;
- States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date in the absence of special documented circumstances⁶; and
- States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.⁷

ASC staff will confirm that appropriate corrective actions have been taken during the next Review. Washington 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: Andrea Nygard, anygard@dol.wa.gov
Vanessa Simpson, vsimpson@dol.wa.gov
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⁵ 12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 4 C.

⁶ 12 U.S.C. § 3347; Policy Statement 7 B.

⁷ 12 U.S.C. § 3347; Policy Statement 7 B.

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 12, Interim Sanctions.



ASC State Appraiser Program Compliance Review Report

ASC Finding: Good
Final Report Issue Date: December 28, 2023

| | | | |
|--|----------------|--|---|
| Washington Appraiser Regulatory Program (State) | | | |
| Real Estate Appraiser Commission (Commission) | PM: J. Tidwell | ASC Compliance Review Date: August 1-3, 2023 | Review Period: June 30, 2021 to June 20, 2023 |

| | | |
|---|--|------------------------|
| Umbrella Agency: Washington State Department of Licensing | Number of State Credentialed Appraisers on Appraiser Registry: 2,652 | 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 | | | No compliance issues noted. | N/A | None | None | |
| Temporary Practice: | | 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 B.) | On November 20, 2023, the State reported the delay was due to a staffing shortage and the training of new employees. All staff are now properly trained, and temporary practice permits have been identified in their system and are currently processed within 5 days. | The State must monitor the process to ensure temporary practice permits are issued within 5 business days of receipt of completed application. | During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 2. | |
| National Registry: | | | X | States must reconcile and pay registry invoices in a timely manner. (12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 B.) | The State failed to pay 26 National Registry invoices from December 25, 2020 to April 25, 2023. In addition, the State reported they had established a new process for paying the invoices timely. | The State must monitor the new process to ensure they reconcile and pay registry invoices 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. | |
| National Registry: | | | X | States must designate a senior official as the State's Authorized Registry Official and inform the ASC, in writing, of their designee and any individual(s) authorized to act on their behalf. (12 U.S.C. § 3347; Policy Statement 3 A.) | The State failed to notify the ASC when a former Administrator of the Program named as the State's Authorized Registry Official (ARO) left the Program and failed to designate a new ARO. | On November 20, 2023, the State reported they requested to discontinue access for the former program manager on January 30, 2023, and the current ARO was added in December 2022. | The State must ensure that the authorization information provided to the ASC is updated and accurate. | During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 3. |
| National Registry: | | | X | States must ensure that the authorization information provided to the ASC is updated and accurate. (12 U.S.C. § 3347; Policy Statement 3 A, C.) | The State failed to notify the ASC to inactivate 2 individual's Registry access when they left the Program. | On November 20, 2023, the State reported the ASC access request was sent November 8, 2022, with an effective date of December 1, 2022. This request updated all current staff that needed access. | The State must ensure that the authorization information provided to the ASC is updated and accurate. | 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 must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade or renewal of a credential so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations. (12 U.S.C. § 3347; Policy Statement 4 A.) | The State failed to maintain adequate documentation to show that work product samples were analyzed for USPAP compliance. | On November 20, 2023, the State reported a USPAP checklist has been developed, staff training completed, and results are uploaded and saved in the license file with the appraisal reports. | The State must ensure relevant documentation is maintained. | During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4. |
| Application Process: | | X | | | | | | |



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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 | | | | |
| States must implement a reliable validation procedure for affidavits accepted for continuing education credit claimed for credential renewal. (12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 4 C 2.) | | | | The State did not conduct a prompt post-approval continuing education (CE) audit of an adequate number of CE affidavits to identify appraisers who failed to comply with Federal and State law from July 2021 - December 2021. | On November 20, 2023, the State acknowledged that due to staffing shortages, CE Audits were not performed during those time periods. In addition, the State reported that staff training is complete, there is a process in place to complete CE audits in a timely manner, and CE audits are current. | The State must ensure CE audits are performed timely. | During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4. |
| Application Process: | | X | | | | | |
| States must complete audits of affidavits for continuing education credit claimed within sixty (60) business days from the date the credential is scheduled for renewal (based on the credential's expiration date). (12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 4 C.) | | | | The State did not conduct a prompt post-approval CE audit within 60 business days of the credential renewal date on renewals for 2022. | On November 20, 2023, the State acknowledged that due to staffing shortages a CE Audit was not performed during that time period. In addition, the State reported that staff training is complete, there is a process in place to complete CE audits in a timely manner, and CE audits are current. | The State must ensure CE audits are performed timely. | During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4. |
| Reciprocity: | X | | | No compliance issues noted. | None | None | None |
| Education: | X | | | No compliance issues noted. | None | 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 12 aged complaints of which 9 were unresolved for more than 1 year and 3 were unresolved for more than 2 years without the exemption for special documented circumstances. | On November 20, 2023, the State reported they have developed procedures to prioritize processing appraiser complaints to ensure compliance with federal guidelines. Additional expectations have been implemented to ensure that all special documented circumstances are properly captured in the activity log. Of the 12 cases, as of November 16, 2023, 7 of the cases have closed, 3 are scheduled for administrative hearings, and the remaining 2 cases involving the same respondent are in active settlement discussions. | The State must monitor its revised procedures to ensure complaints filed against appraisers are resolved timely. | During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7. |
| States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations. (12 U.S.C. § 3347; Policy Statement 7 B.) | | | X | The State dismissed 2 complaints without sufficient documentation to support the rationale for dismissal. | On November 20, 2023, the State reported they have developed procedures to ensure sufficient documentation is maintained in case files in accordance with federal guidelines. In addition to the documentation, the information is also included in the database activity logs to memorialize the rationale for dismissal. | The State must monitor its revised procedures to ensure compliance with Title XI. | During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7. |