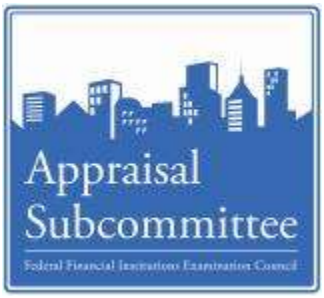
FYI

Cover Page

March 9, 2016



APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
SEPTEMBER 9, 2015

LOCATION: Federal Reserve Board – International Square location
1850 K Street NW, Washington, DC 20006

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
CFPB – Mira Marshall
FDIC – Rae-Ann Miller
FHFA – Robert Witt
HUD – Robert Frazier
NCUA – Tim Segerson
OCC – Richard Taft

ASC STAFF: Executive Director – Jim Park
Deputy Executive Director – Denise Graves
General Counsel – Alice Ritter
Attorney-Advisor – Dan Rhoads
Financial Manager – Girard Hull
Policy Manager – Claire Brooks
Policy Manager – Kristi Klamet
Policy Manager – Vicki Metcalf
Policy Manager – Jenny Tidwell
Management & Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly
Administrative Assistant – Maria Cahn

OBSERVERS: Appraisal Foundation – Dave Bunton
Appraisal Foundation – Cathy Johnson
Appraisal Institute – Brian Rodgers
CFPB – Alan Carmer
Clear Capital – Beth Buell
CoreLogic – Steve Fryrek
Don Kelly Group – Don Kelly
FDIC – Michael Briggs
FDIC – Suzy Gardner
FDIC – Tim Millette
FRB – Gillian Burgess
FRB – Peter Clifford
FRB – Carmen Holly
FRB – Matthew Suntag

OCC – Bob Parson
Pro-Teck Services – Jeff Dickstein
REVAA – Mark Schiffman
Stewart Valuation Services – Frank O'Neill

The Meeting was called to order at 10:30 a.m. by A. Lindo. T. Segerson, K. Klamet, V. Metcalf and J. Tidwell attended via telephone.

<OPEN SESSION>

REPORTS

- **Chairman**

  A. Lindo welcomed the observers to the Meeting. It was noted that the July 8th ASC Meeting was cancelled.

- **Executive Director**

  J. Park reported on ASC staff activities since the ASC's May 13th Meeting. ASC staff attended the Appraisal Foundation Board of Trustees Meeting as well meetings of the Appraisal Standards (ASB) and Appraisal Practices Boards. The Appraiser Qualifications Board (AQB) issued a concept paper on July 9th that described an alternative track to the experience requirements in the *Real Property Appraiser Qualification Criteria*. The AQB plans to hold a hearing and panel discussion on this issue at its October 16th public meeting in Washington, DC.

  ASC staff continues work on the Unique Identifier Number and hopes to have a demo of the system at the Association of Appraiser Regulatory Officials (AARO) Fall Conference on October 16-19 in Washington, DC. Maria Cahn was introduced as the new Administrative Assistant.

- **Delegated State Compliance Reviews**

  D. Graves reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's May 13th Meeting. Nine State Compliance Reviews were finalized and approved by the Executive Director under delegated authority. Iowa and New Hampshire were each awarded a Finding of "Excellent" and will remain on a two-year Review Cycle. The District of Columbia, Florida, Idaho, Maine, Nebraska, New Mexico and Utah were each awarded a Finding of "Good" and all will remain on a two-year Review Cycle. There were three State Compliance Reviews finalized and approved by the Chairman under delegated authority. Indiana, South Carolina and the Virgin Islands were each awarded a Finding of "Needs Improvement." All will remain on a two-year Review Cycle with a Follow-up Review scheduled for the Virgin Islands.

- **Financial Report**

  G. Hull reported that the Appraisal Foundation (Foundation) submitted six grant reimbursement requests which were paid to fund its February – July 2015 expenses for grant-eligible activities. Staff approved total payments of $135,416 for the Foundation Grant and $144,430 for the State Investigator Training activities for this time period. To date, payments totaling $226,368 have been made for the FY15 Foundation Grant and $160,022 for the FY15 State Grant.

ACTION ITEMS

- **May 13, 2015 Open Session Minutes**

  R. Taft made a motion to approve the May 13th open session meeting minutes as presented. R. Witt seconded and all members present voted to approve.

- **Notation vote to approve the Bulletin to States regarding the State Registration and Supervision of AMCs**

  The notation vote to approve the Bulletin to States regarding the State Registration and Supervision of AMCs passed by a 7-0 vote on June 17, 2015.

- **Appraisal Foundation FY16 Grant Proposal**

  D. Bunton and C. Johnson from the Appraisal Foundation were present to discuss the FY16 grant proposal. The Foundation is requesting $1,112,803: $803,171 for the Foundation Grant and $309,632 for the State Grant (State Investigator Training Program). The AQB is considering possible alternatives to the current experience requirements. They are looking at such alternatives as allowing experience in related professions, being able to take a comprehensive test in lieu of experience hours or taking more case study courses in lieu of experience hours. The AQB will also be updating the National Uniform Appraiser Licensing and Certification Examination.

  The ASB is in the initial stages of restructuring the Uniform Standards of Professional Appraisal Practice (USPAP) to make it clearer, easier to navigate, less redundant and yet remain enforceable. The ASB is also working with the International Valuations Standards Council to develop a "bridge document" which, when followed, will result in an appraiser producing an appraisal report that is compliant with both USPAP and the International Valuations Standards. R. Taft asked if there have been any comments from appraisers in regard to the new experience requirements. D. Bunton responded that some trainees are having difficulty finding supervisory appraisers. R. Miller asked about the Foundation's financial status. D. Bunton responded that revenue is lower in 2015 due to publication cycles and also because the Foundation did not issue any new products in 2015. They ended 2014 with a $500,000 deficit, and are estimating a $400,000 deficit for 2015.

- **FY16 ASC Staff Budget Recommendation**

  G. Hull presented the FY16 budget. The FY16 revenue is projected to be $3.5 million and includes an anticipated PAYGO deduction of $371,250. Operating expenses are estimated to be $4.2 million which includes $350,000 for the FY16 Foundation Grant and $309,632 for the State Grant (State Investigator Training Program). Based on the operating expenses, plus the grants, a deficit of $640,763 is projected for FY16. The reserve balance at the end of FY16 should be approximately $4.1 million.

  R. Taft questioned why the budget for rulemaking decreased and asked for an explanation of the contracted legal services. G. Hull responded that rulemaking for FY15 included costs for Advisory Committee Meetings which will not be necessary in FY16. However, the ASC may need to detail an attorney from a member agency to provide legal assistance with rulemaking. ASC members and staff discussed IT Services which concluded with ASC members requesting a briefing on IT services. R. Miller asked for the rationale to increase the Foundation Grant over the FY15 amount. A. Lindo responded that he would like the ASC to get to a sustained level of funding for the Foundation Grant and at the same time would like the ASC to have a balanced budget. M. Marshall noted she would also like to have a sustained level of funding for the Foundation, but was comfortable with the budget and grants as presented for FY16. M. Marshall moved to approve the budget in the amount of $4,229,513. This will include $350,000 for the FY16 Foundation Grant and $309,632 for the State Grant. R. Witt seconded and all members present approved.

- **Implementation of Appraisal Management Company (AMC) National Registry Fee**

  A. Ritter said various fee options have been explored and she thanked the member agencies legal staff for their assistance. A. Lindo added that three options had been discussed at the May 13th ASC Meeting. Option Two is the favored Option and would calculate the fee based only on those appraisers on an AMC appraiser panel that were actually engaged to perform one or more appraisals in a State during a 12-month period multiplied by $25. After further discussion between ASC staff, ASC members and ASC member agency legal staff, the ASC will engage in a legislative rulemaking. A. Ritter added that this will require regulatory analysis and notice and comment in the Federal Register. R. Taft asked how this would affect AMCs that have been in operation for less than 12 months. A. Ritter responded that the fee calculation could be the same for both new and established AMCs: $25 multipled by the number of appraisers who have done an appraisal assignment for that AMC in the last twelve months, or since the AMC formed if less than 12 months. She added that the rulemaking process could take up to one year. A. Lindo asked when a draft of the Notice would be available for ASC review. A. Ritter answered that she will begin drafting the Notice and Comment for ASC review. A notation vote could be used rather than voting at the November 4th ASC Meeting. The comment period in the Federal Register can be between 30-60 days. A. Lindo said he is supportive of this approach. A. Ritter added comments will be requested on the $25 fee and the definition of "working for or contracted with." Members were in agreement with $25 as the AMC fee and having a

60-day comment period. M. Marshall and R. Miller said agencies legal staffs have agreed that the full notice and comment through the legislative rulemaking process is the safest way to implement AMC registry fees. R. Witt noted that State legislative cycles could be impacted as the rulemaking process will give them less time to enact statutes and/or regulations. Recognizing that timing required for notice and comment rulemaking could impede participating States' ability to implement AMC registry fees within the 36-month statutory implementation period, ASC staff will clarify to those States that if they have implemented the provisions of the AMC Rule, they will not be adversely impacted by the 36-month statutory implementation period, which would restrict State-regulated AMCs in that State from providing services for federally related transactions, regardless of whether the State has been able to implement AMC registry fees. At such time the ASC's rule on AMC registry fees is in final form, the ASC will issue a Bulletin to States to address: (1) when the AMC Registry will be open for participating States; (2) reporting requirements (information required to be submitted by States in order to register AMCs on the AMC Registry); and (3) AMC registry fees as set by the ASC's final rule.

- **Selection of Vice Chair**

  A. Lindo noted that with D. Benhart's departure as the OCC representative, a new Vice-Chair needs to be chosen. After discussion, R. Taft was selected to serve out the remainder of D. Benhart's Vice-Chair term. R. Frazier moved for approval of this selection and M. Marshall seconded; all members present approved.

The Open Session adjourned at 11:55 a.m. The next ASC Meeting will be November 4, 2015.

Appraisal Subcommittee
Federal Financial Institutions Examination Council

December 7, 2015

Ms. Robin T. Hannigan, Chair
Kansas Real Estate Appraisal Board
Jayhawk Tower
700 SW Jackson, Suite 802
Topeka, KS 66603

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

Dear Ms. Hannigan:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Kansas appraiser regulatory program (Program) on October 7-9, 2015, 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 has been awarded an ASC Finding of "Excellent." Kansas will remain on a two-year Review Cycle. The final ASC Compliance Review Report (Report) is attached.

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. Sally Pritchett, Executive Director

1401 H Street, NW • Suite 760 • Washington, DC 20005 • (202) 289-2735 • Fax (202) 289-4101

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• 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	• 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	• 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	• 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[1]	• 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.

[1] 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: Excellent
			Final Report Issue Date: December 7, 2015
Kansas Appraiser Regulatory Program (State)			
Kansas Real Estate Appraisal Board (Board) / Decision Making	PM: C. Brooks	ASC Compliance Review Date: October 7-9, 2015	Review Period: November 2013 to October 2015
Umbrella Agency: Independent		Number of State Credentialed Appraisers on National Registry: 993	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						
				No compliance issues noted.	N/A	None	None
National Registry:	X						
				No compliance issues noted.	N/A	None	None
Application Process:	X						
				No compliance issues noted.	N/A	None	None
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

Appraisal Subcommittee

Federal Financial Institutions Examination Council

January 29, 2016

Mr. Bryan A. Schneider, Secretary
Illinois Department of Financial and Professional Regulation
Division of Real Estate
Real Estate Appraisal Administration & Disciplinary Board
James R. Thompson Center
100 West Randolph, Suite 9-100
Chicago, IL 60601

RE: ASC Compliance Review of Illinois' Appraiser Regulatory Program

Dear Secretary Schneider:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Illinois appraiser regulatory program (Program) on September 14-18, 2015, 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 "Needs Improvement." 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;[1] and
- 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.[2]

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and during the next Review. Illinois 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,

Arthur Lindo
Chairman

Attachment

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[1] 12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D.
[2] 12 U.S.C. § 3347; Policy Statement 7 B.

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ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• 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	• 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	• 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	• 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[3]	• 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.

[3] 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: Needs Improvement Final Report Issue Date: January 29, 2016
Illinois Appraiser Regulatory Program (State)							
Illinois Real Estate Appraisal Administration & Disciplinary Board (Board) / Advisory				**PM: K. Klamet**	**ASC Compliance Review Date: September 14-18, 2015**		**Review Period: September 2013 - August 2015**
Umbrella Agency: Department of Financial & Professional Regulation, Division of Real Estate					**Number of State Credentialed Appraisers on National Registry: 4,046**		**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.)				Supervisory Appraisers must personally inspect each appraised property with the Trainee Appraiser until the Supervisory Appraiser determines the Trainee Appraiser is competent to inspect the property, in accordance with the COMPETENCY RULE of USPAP for the property type. Illinois regulation 1455.316 a) 2) requires a Supervisory Appraiser to provide direct supervision during a minimum of the first 500 hours of experience for no fewer than 25 assignments. The regulation does not require the Supervisory Appraiser to continue the direct supervision if he/she determines that the Trainee Appraiser is not competent after reaching the minimum 500 hours.	On December 11, 2015, the State reported that it will amend the Illinois Administrative Rules provision to incorporate Supervisory Appraiser oversight over Appraisal Trainees until such time as the Supervisory Appraiser determines that the Trainee Appraiser is competent.	The State must amend its regulation to bring it into compliance with AQB Criteria, and provide the ASC staff with a copy of the final rule once adopted.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
Temporary Practice:	**X**						
				No compliance issues noted.	N/A	None	None
National Registry:			**X**				
States must submit all disciplinary actions to the ASC for inclusion on the National Registry. (12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 A, D, E.)				The State did not report all disciplinary actions to the ASC National Registry.	On December 11, 2015, the State reported completing a full review of all disciplinary activity from September 2013 to September 2015 to ensure disciplinary matters were being appropriately reported to the ASC National Registry and that the State will continue to monitor its practices to ensure compliance.	The State should develop a procedure to ensure that it submits all disciplinary actions to the ASC National Registry 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 .

ASC Compliance Review Report							ASC Finding: Needs Improvement Final Report Issue Date: January 29, 2016
Illinois Appraiser Regulatory Program (State)							
Illinois Real Estate Appraisal Administration & Disciplinary Board (Board) / Advisory				**PM: K. Klamet**	**ASC Compliance Review Date: September 14-18, 2015**		**Review Period: September 2013 - August 2015**
Umbrella Agency: Department of Financial & Professional Regulation, Division of Real Estate					**Number of State Credentialed Appraisers on National Registry: 4,046**		**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**				
National Registry continued:			**X**				
States are required to report disciplinary action via the extranet application as soon as practicable. (12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 D.)				The State did not report all disciplinary actions to the ASC National Registry via the extranet application.	On December 11, 2015, the State reported disciplinary actions are now being reported to the ASC National Registry via the extranet application.	None	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**						
				No compliance issues noted.	N/A	None	None
Reciprocity:	**X**						
				No compliance issues noted.	N/A	None	None
Education:	**X**						
				No compliance issues noted.	N/A	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 119 outstanding complaints of which 24 were unresolved for more than 1 year and 5 were unresolved for more than 2 years. Of the aged complaints, 1 was removed under the exemption for special documented circumstances. Of those 29 aged cases, 25 were in various stages of the disciplinary process, and 4 were under investigation.	On December 11, 2015, the State advised the ASC of their ongoing efforts and affirmed its commitment to ensure timely and judicious resolution to licensee disciplinary matters.	The State must continue to submit quarterly complaint logs to ASC staff. Staff will analyze each log. If progress is not made, the ASC may place additional requirements upon the State.	Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7.

Appraisal Subcommittee
Federal Financial Institutions Examination Council

January 29, 2016

Mr. Macky McCleary, Director
Department of Business Regulation
John O. Pastore Center, Building 69-1
1511 Pontiac Avenue
Cranston, RI 02920-0942

RE: ASC Compliance Review of Rhode Island's Appraiser Regulatory Program

Dear Mr. McCleary:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Rhode Island appraiser regulatory program (Program) on October 6-7, 2015, 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 "Needs Improvement." The final ASC Compliance Review Report (Report) is attached.

The ASC identified the following area of non-compliance:

- States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement.[1]

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and during the next Review. Rhode Island 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,

Arthur Lindo
Chairman

Attachment
cc: Ms. Maria D'Alessandro, Deputy Director
Mr. William DeLuca, Real Estate Administrator
Ms. Ellen Balasco, Deputy Chief of Legal Services

[1] 12 U.S.C. § 3347; Policy Statement 4.

1401 H Street, NW • Suite 760 • Washington, DC 20005 • (202) 289-2735 • Fax (202) 289-4101

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• 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	• 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	• 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	• 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]	• 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 Compliance Review Report							ASC Finding: Needs Improvement Final Report Issue Date: January 29, 2016
Rhode Island Appraiser Regulatory Program (State)							
Rhode Island Real Estate Appraisers Board / Decision Making				**PM: V. Metcalf**	**ASC Compliance Review Date: October 6-7, 2015**		**Review Period: October 2013 - October 2015**
Umbrella Agency: Department of Business Regulation					**Number of State Credentialed Appraisers on National Registry: 456**		**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**						
				No compliance issues noted.	N/A	None	None
National Registry:	**X**						
				No compliance issues noted.	N/A	None	None
Application Process:		**X**					
States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement. (12 U.S.C. § 3347; Policy Statement 4.)				The State issued 1 appraiser credential after January 1, 2015, without verifying the applicant held the AQB Criteria required college-level education.	On December 2, 2015, the State acknowledged the appraiser was approved to sit for the certified residential examination in February 2015 although the appraiser had only 21 college credit hours. The State reported it would meet with the appraiser and intended to request an exception from the Appraiser Qualifications Board on the appraiser's behalf.	The State must, within 60 days of the date of this Report, provide written documentation to ASC staff that the improperly credentialed appraiser has the bachelor's degree needed to qualify for the certified residential appraiser credential. Alternatively, the State may provide documentation that the improperly credentialed appraiser was downgraded to the State Licensed credential with presentation of proof of having a minimum of 30 semester-hours of college-level education, or reinstated at the Trainee level. The State must cease issuing appraiser credentials that do not meet current AQB Criteria.	Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with 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

Appraisal Subcommittee
Federal Financial Institutions Examination Council

December 7, 2015

Ms. Christine McEntire, Director
Oklahoma Real Estate Appraiser Board
Five Corporate Plaza
3625 NW 56th Street, Suite 100
Oklahoma City, OK 73112

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

Dear Ms. McEntire:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Oklahoma appraiser regulatory program (Program) on October 22-23, 2015, 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 has been awarded an ASC Finding of "Good." The final ASC Compliance Review Report (Report) 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. Oklahoma 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: Mr. John D. Doak, Insurance Commissioner
Mr. Lee R. Caesar, Jr., Vice-Chair

[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	• 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	• 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	• 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	• 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]	• 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 Compliance Review Report						ASC Finding: Good Final Report Issue Date: December 7, 2015
Oklahoma Appraiser Regulatory Program (State)						
Oklahoma Real Estate Appraiser Board (Board) / Decision Making			**PM: N. Fenochietti**	**ASC Compliance Review Date: October 22-23, 2015**		**Review Period: October 2013 to October 2015**
Umbrella Agency: Independent				**Number of State Credentialed Appraisers on National Registry: 990**		**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.)				A review of the Program's Regulations revealed the following inconsistencies with the AQB Criteria regarding Supervisory Appraisers: AQB Criteria requires Supervisory Appraisers be State certified and in "good standing" in the jurisdiction in which the Trainee Appraiser practices for a period of at least 3 years. Oklahoma Regulation 600:10-1-16. provides that Supervisory appraisers be a State licensed or Certified Appraiser for a period of at least 3 years. AQB Criteria requires that Supervisory appraisers not have been subject to any disciplinary action within the last 3 years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. Oklahoma Regulation 600:10-1-16 provides that Supervisory Appraisers be in good standing with the Board and not have been revoked, suspended, or placed on supervised probation in the last 3 years.	The State reported on November 16, 2015, it began the rule making process to amend Oklahoma Regulation 600:10-1-16 to correct the area of non-compliance allowing the time an appraiser held a State License to be counted toward the time a Supervisory Appraiser must be in good standing. The State also provided the most current version of Oklahoma Regulation 600:10-1-16 which requires that Supervisory appraisers not have been subject to any disciplinary action within the last 3 years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. This version is compliant with AQB Criteria.	The State must continue the process to amend its Regulation to bring it into compliance with AQB Criteria and reflect what is done in practice. A copy of the final regulation should be provided to ASC staff once adopted.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with AQB Criteria and ASC Policy Statement 1.
Temporary Practice:	X						
				No compliance issues noted.	N/A	None	None
National Registry:	X						
				No compliance issues noted.	N/A	None	None
Application Process:	X						
				No compliance issues noted.	N/A	None	None

ASC Compliance Review Report						ASC Finding: Good Final Report Issue Date: December 7, 2015
Oklahoma Appraiser Regulatory Program (State)						
Oklahoma Real Estate Appraiser Board (Board) / Decision Making			**PM: N. Fenochietti**	**ASC Compliance Review Date: October 22-23, 2015**		**Review Period: October 2013 to October 2015**
Umbrella Agency: Independent				**Number of State Credentialed Appraisers on National Registry: 990**		**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**				
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

Appraisal Subcommittee

Federal Financial Institutions Examination Council

December 8, 2015

Mr. Anthony Giardina, First Deputy Secretary of State
New York Department of State
P O Box 22001
Albany, NY 12201-2001

RE: ASC Compliance Review of New York's Appraiser Regulatory Program

Dear Mr. Giardina:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of New York's appraiser regulatory program (Program) on August 3-7, 2015, 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 "Needs Improvement."

The ASC identified the following area of non-compliance:

- States must take appropriate action to suspend an appraiser's eligibility to perform appraisals in federally related transactions when it determines that the appraiser's continuing education does not meet AQB Criteria and notify the ASC as soon as practicable after taking such action for the appraiser's record on the National Registry to be updated.[1]

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and during the next Review. New York will remain on a two-year Review Cycle. The final ASC Compliance Review Report (Report) is attached.

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: Mr. Charles Silva Fields, Deputy Secretary of State
Ms. Whitney A. Clark, Director, Division of Licensing Services

[1] 12 U.S.C. § 3347; Policy Statement 4 C

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• 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	• 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	• 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	• 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]	• 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 Compliance Review Report							ASC Finding: Needs Improvement Final Report Issue Date: December 8, 2015
New York Appraiser Regulatory Program (State)							
New York Board of Real Estate Appraisal (Board) / Decision Making				**PM: V. Metcalf**	**ASC Compliance Review Date: August 3-7, 2015**		**Review Period: October 2013 to August 2015**
Umbrella Agency: New York Department of State (Department)					**Number of State Credentialed Appraisers on National Registry: 3,993**		**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 have funding and staffing sufficient to carry out their Title XI-related duties. (12 U.S.C. § 3347; Policy Statement 1 B.)				The 9 member Board has 4 vacant positions and 3 members are serving on expired terms. The August 7, 2015, Board meeting did not have the required quorum of 5 members because only 3 members attended.	On November 5, 2015, the State explained that the Board's authority is limited to promulgating regulations and advising the Department as needed as a body or in subcommittees between official meetings. Since the Review, the entire Board met and received a new appointment. Department staff will work with appointing authorities to fill the 3 remaining vacancies and reappoint those with expired terms. Current members will continue to serve until reappointed or replaced.	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
Temporary Practice:	**X**						
				No compliance issues noted.	N/A	None	None
National Registry:	**X**						
				No compliance issues noted.	N/A	None	None
Application Process:			**X**				
States may not accept an affidavit for continuing education claimed from applicants for reinstatement. (12 U.S.C. § 3347; Policy Statement 4 C.)				New York does not require appraisers reinstating a credential after a lapse to provide evidence of completion of continuing education.	On November 5, 2015, the State reported that it has modified its otherwise random continuing education audit procedures to include an audit of the continuing education claims of any appraiser who obtained a renewed credential in an untimely manner.	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4.

ASC Compliance Review Report							ASC Finding: Needs Improvement Final Report Issue Date: December 8, 2015
New York Appraiser Regulatory Program (State)							
New York Board of Real Estate Appraisal (Board) / Decision Making				**PM: V. Metcalf**	**ASC Compliance Review Date: August 3-7, 2015**		**Review Period: October 2013 to August 2015**
Umbrella Agency: New York Department of State (Department)					**Number of State Credentialed Appraisers on National Registry: 3,993**		**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**				
Application Process continued:			**X**				
States must ensure appraiser credential applications submitted for processing do not contain expired examinations or examination approvals as established by AQB Criteria. (12 U.S.C. § 3347; Policy Statement 4.)				AQB Criteria permits a new applicant not currently licensed or certified and in good standing in another jurisdiction up to 24 months, after approval by the State, to take and pass an AQB approved qualifying examination for the credential. New York authorizations to sit for the National Examination are valid indefinitely.	On November 5, 2015, the State reported that its staff will deny applications with information that exceeds the appropriate timeframes and will work with the Information Technology Office to develop system upgrades that add expiration dates on the examination admittance slips.	None	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 continued:		**X**					
States must take appropriate action to suspend an appraiser's eligibility to perform appraisals in federally related transactions when it determines that the appraiser's continuing education does not meet AQB Criteria and notify the ASC as soon as practicable after taking such action for the appraiser's record on the National Registry to be updated. (12 U.S.C. § 3347; Policy Statement 4 C.)				The State does not track the status of the cases involving individuals who fail the continuing education audits, consequently some cases are not adjudicated timely.	On November 5, 2015, The State explained the delays in case dispositions were caused by staffing changes in the Office of Administrative Hearings. Its heavy case volume resulted in a backlog of cases waiting to be heard. The State made procedural changes to resolve cases more timely and will hire additional Administrative Law Judges.	Within 60 days of the date of the Report, the State must provide ASC staff a detailed account of the results of the CE audits conducted since October 2013, which includes: (a) a listing of all credentials audited, detailing any deficiencies; (b) the status of all credentials with identified deficiencies including the results of any hearings held; and (c) verification that all non-compliant individuals have been placed on inactive status on the National Registry.	Through off-site monitoring and 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.	N/A	None	None
Education:	**X**						
				No compliance issues noted.	N/A	None	None

ASC Compliance Review Report							ASC Finding: Needs Improvement Final Report Issue Date: December 8, 2015
New York Appraiser Regulatory Program (State)							
New York Board of Real Estate Appraisal (Board) / Decision Making				**PM: V. Metcalf**	**ASC Compliance Review Date: August 3-7, 2015**		**Review Period: October 2013 to August 2015**
Umbrella Agency: New York Department of State (Department)					**Number of State Credentialed Appraisers on National Registry: 3,993**		**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**				
Enforcement:	**X**						
States must track all complaints on a complaint log containing the required information. (12 U.S.C. § 3347; Policy Statement 7 B.)				The State was unable to provide a complete log tracking all enforcement activities performed during the Review period. A complaint log must include: (1) Case number; (2) Name of respondent; (3) Actual date received; (4) Source of complaint; (5) Current status of the complaint; (6) Date closed; and (7) Method of disposition.	On November 5, 2015, the State reported it was not aware that the ASC policy had changed to specify required fields on the complaint log. ASC staff provided Department staff with the appropriate format, which the Department implemented.	None	The State's resolution addresses the concern.

Appraisal Subcommittee

Federal Financial Institutions Examination Council

December 8, 2015

Ms. Christine Martine, Executive Director
Virginia Real Estate Appraiser Board
9960 Mayland Drive, #400
Richmond, VA 23233

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

Dear Ms. Martine:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Virginia appraiser regulatory program (Program) on August 11-13, and 18, 2015, 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 "Needs Improvement." The final ASC Compliance Review Report (Report) is attached.

The ASC identified the following areas of non-compliance:

- States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement;[1] and
- States must document and maintain files to enable understanding of facts, determinations, and rationale for those determinations.[2]

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and in a Follow-up Review in approximately six months. Virginia 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,

Arthur Lindo
Chairman

Attachment
cc: Mr. Nick Christner, Deputy Director
Mr. Kevin Hoeft, Board Administrator

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[1] 12 U.S.C. § 3347; Policy Statement 4.
[2] 12 U.S.C. § 3347; Policy Statement 7 B.

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ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• 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	• 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	• 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	• 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[3]	• 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.

[3] 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: Needs Improvement Final Report Issue Date: December 8, 2015
Virginia Appraiser Regulatory Program (State)						
Virginia Real Estate Appraiser Board (Board) / Decision Making			**PM: J. Tidwell**	**ASC Compliance Review Date: August 11-13 & 18, 2015**		**Review Period: May 2013 to August 2015**
Umbrella Agency: Department of Professional and Occupational Regulation				**Number of State Credentialed Appraisers on National Registry: 3,539**		**Review Cycle: Two 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**				
Statutes, Regulations, Policies and Procedures:	**X**						
				No compliance issues noted.	N/A	None	None
Temporary Practice:	**X**						
State agencies must not impose excessive fees or burdensome requirements for temporary practice permits. (12 U.S.C. § 3351; Policy Statement 2 B.)				ASC Policy Statement 2 requires that State agencies may not limit the valid time period of a temporary practice permit to less than 6 months, except in the case of an appraiser not holding a credential in active status for at least that period of time; and State agencies must allow at least one temporary practice permit extension through a streamlined process. ASC staff found temporary practice permits expired based on a "termination date" provided by the appraiser on the application; in most cases this period was less than 6 months. The application for a temporary practice permit states that a temporary license cannot be renewed although in practice the State allows one free extension if requested in writing before the expiration date.	On October 27, 2015, the State reported amending the Temporary Practice application, letter of approval, and license to indicate the temporary license is valid for 1-year from the date of issuance.	None	The State's resolution addresses the concern.
National Registry:	**X**						
				No compliance issues noted.	N/A	None	None
Application Process:		**X**					
States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement. (12 U.S.C. § 3347; Policy Statement 4.)				The State issued 13 appraiser credentials after January 1, 2015, without verifying the applicants held the AQB Criteria required college level education.	On October 27, 2015, the State reported they reviewed the application files and found 1 applicant had the required college education for the credential issued. In order to afford due process to the other 12 credential holders, they will be scheduling informal fact-finding conferences to ascertain whether or not they have the necessary college level education to retain their license.	The State must, within 60 days of the date of this Report, provide ASC staff a detailed account of the results of the informal fact-finding conferences. ASC staff will analyze the results to ensure the State does not allow appraisers who fail to meet AQB Criteria to appraise property for federally related transactions. The ASC may place additional requirements upon the State.	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 4. ASC staff has been made aware that the Board has now rescinded the examination approval for other applicants who lacked the AQB Criteria required college level education.

ASC Compliance Review Report							ASC Finding: Needs Improvement Final Report Issue Date: December 8, 2015
Virginia Appraiser Regulatory Program (State)							
Virginia Real Estate Appraiser Board (Board) / Decision Making				**PM: J. Tidwell**	**ASC Compliance Review Date: August 11-13 & 18, 2015**		**Review Period: May 2013 to August 2015**
Umbrella Agency: Department of Professional and Occupational Regulation					**Number of State Credentialed Appraisers on National Registry: 3,539**		**Review Cycle: Two 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**				
Application Process continued:			**X**				
Persons analyzing work product for USPAP compliance must have sufficient knowledge to make that determination. (Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement 4.)				Commercial property work product is reviewed by individuals who have USPAP training, however Virginia's staff analyzing residential property work product has not received formal USPAP training.	On October 27, 2015, the State reported they are scheduling both licensing and investigative staff to take the 15-hour USPAP course within the next 6 months.	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with 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**					
States must document and maintain files to enable understanding of facts, determinations, and rationale for those determinations. (12 U.S.C. § 3347; Policy Statement 7 B.)				ASC staff requested 32 complaint files for review. Of those 32 files, 7 had been destroyed.	On October 27, 2015, the State reported they amended the record retention policy so all complaints received, regardless of disposition, are maintained for 3 years from date of closure.	None	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 7.
Enforcement continued:			**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 41 outstanding complaints of which 2 were unresolved for more than 1 year. Of the complaints outstanding for more than 1 year, none appear to fall under the exception for special documented circumstances. Both cases have been investigated and are in the disciplinary process.	On October 27, 2015, the State reported they made changes to their internal processes in order to meet this requirement going forward.	The State should monitor the revised processes to ensure compliance with Title XI and ASC Policy Statement 7.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7.

Appraisal Subcommittee
Federal Financial Institutions Examination Council

December 8, 2015

Ms. Nicole Novotny Smith, Executive Director
Wyoming Real Estate Commission
2617 E Lincolnway, Suite H
Cheyenne, WY 82002

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

Dear Ms. Smith:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Wyoming appraiser regulatory program (Program) on September 2-4, 2015, 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 has been awarded an ASC Finding of "Good." The final ASC Compliance Review Report (Report) is attached.

The ASC identified the following area of non-compliance:

- States must recognize on a temporary basis appraiser credentials issued by another State if the property to be appraised is part of a federally related transaction.[1]

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

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

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ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• 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	• 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	• 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	• 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]	• 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 Compliance Review Report						ASC Finding: Good Final Report Issue Date: December 8, 2015
Wyoming Appraiser Regulatory Program (State)						
Wyoming Certified Real Estate Appraiser Board (Board) / Decision Making				**PM: N. Fenochietti**	**ASC Compliance Review Date: September 2-4, 2015**	**Review Period: September 2013 to September 2015**
Umbrella Agency: Wyoming Real Estate Commission (Commission)					**Number of State Credentialed Appraisers on National Registry: 347**	**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.)				AQB Criteria requires that Certified General and Certified Residential applicants have a Bachelor's degree or higher from an accredited college or university. Wyoming statute 33-39-112 (a) and (b) do not include this requirement.	On November 16, 2015, the State reported the Board will work directly with the Attorney General's Office to investigate possible statutory amendments to emphasize that a Bachelor's degree or higher from an accredited college or university is a prerequisite for becoming a Certified Appraiser in Wyoming.	To strengthen the Program, the State should amend its statute consistent with AQB Criteria and reflect what is done in practice. A copy of the statute should be provided to ASC staff once adopted.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
Statutes, Regulations, Policies and Procedures: (continued)		**X**					
States must recognize on a temporary basis appraiser credentials issued by another State if the property to be appraised is part of a federally related transaction. (12 U.S.C. § 3351; Policy Statement 2.)				Title XI requires a State appraiser certifying or licensing agency to recognize on a temporary basis the certification or license of an appraiser issued by another State. Wyoming Rules Chapter 1 Section 15 does not provide for recognition of a State Licensed credential or that the applicant holds a credential in the other State.	On November 16, 2015, the State reported that it will amend its administrative rules to bring them into compliance with Title XI.	The State must amend its Rule to bring it into compliance with Title XI and reflect what is done in practice. A copy of the proposed Rule should be provided to ASC staff.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 2.
Temporary Practice:	**X**						
				No compliance issues noted.	N/A	None	None
National Registry:	**X**						
				No compliance issues noted.	N/A	None	None

ASC Compliance Review Report						ASC Finding: Good Final Report Issue Date: December 8, 2015
Wyoming Appraiser Regulatory Program (State)						
Wyoming Certified Real Estate Appraiser Board (Board) / Decision Making				**PM: N. Fenochietti**	**ASC Compliance Review Date: September 2-4, 2015**	**Review Period: September 2013 to September 2015**
Umbrella Agency: Wyoming Real Estate Commission (Commission)					**Number of State Credentialed Appraisers on National Registry: 347**	**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**				
Application Process:			**X**				
States must ensure that appraiser experience logs conform to AQB Criteria. (12 U.S.C. § 3347; Policy Statement 4 D.)				The State's experience log forms meet AQB Criteria, however, 3 applicants were credentialed based on experience logs that did not contain all the necessary data.	On November 16, 2015, the State reported that the Board added new trainee sections to the agency's website to provide trainees with AQB compliant experience logs.	The State should ensure experience logs accepted meet AQB Criteria.	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

Appraisal Subcommittee

Federal Financial Institutions Examination Council

December 21, 2015

Mr. Thomas Stevens, Chairperson
Montana Board of Real Estate Appraisers
P O Box 200513
Helena, MT 59620-0513

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

Dear Mr. Stevens:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Montana appraiser regulatory program (Program) on September 23-25, 2015, 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 has been awarded an ASC Finding of "Good." An area of concern that was identified is being addressed by the Program. Montana will remain on a two-year Review Cycle. The final ASC Compliance Review Report (Report) is attached.

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. Sharon Peterson, Executive Officer
Mr. Todd Younkin, Division Administrator

1401 H Street, NW • Suite 760 • Washington, DC 20005 • (202) 289-2735 • Fax (202) 289-4101

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• 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	• 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	• 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	• 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[1]	• 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.

[1] 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: Good
Final Report Issue Date: December 21, 2015

Montana Appraiser Regulatory Program (State)

Montana Board of Real Estate Appraisers (Board) / Decision Making	**PM: N. Fenochietti**	**ASC Compliance Review Date: September 23-25, 2015**	**Review Period: September 2013 to September 2015**
Umbrella Agency: Montana Department of Labor & Industry		**Number of State Credentialed Appraisers on National Registry: 397**	**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**						
				No compliance issues noted.	N/A	None	None
National Registry:	**X**						
				No compliance issues noted.	N/A	None	None
Application Process:	**X**						
				No compliance issues noted.	N/A	None	None
Reciprocity:	**X**						
				No compliance issues noted.	N/A	None	None
Education:	**X**						
				No compliance issues noted.	N/A	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 22 outstanding complaints of which 10 were unresolved for more than 1 year and none were unresolved for more than 2 years. Of the aged complaints, none were removed under the exemption for special documented circumstances. The 10 aged cases all were in various stages of the disciplinary process.	On December 1, 2015 the State reported work assignments were adjusted to allow the Board's investigator to dedicate time to appraisal reviews and investigations.	The State should monitor the revised work assignment to ensure compliance with Title XI and ASC Policy Statement 7.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 7.

Appraisal Subcommittee
Federal Financial Institutions Examination Council

January 25, 2016

Ms. Catherine Awakuni Colón, Director
Department of Commerce and Consumer Affairs
335 Merchant Street, Room 310
Honolulu, HI 96809

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

Dear Ms. Awakuni Colón:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Hawaii appraiser regulatory program (Program) on December 1-3, 2015, 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 has been awarded an ASC Finding of "Good." The final ASC Compliance Review Report (Report) 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. Hawaii will remain on a two-year Review Cycle. The final ASC Compliance Review Report (Report) is attached.

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: Mr. Alan Taniguchi, Executive Officer, Real Estate Appraiser Program

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

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ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• 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	• 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	• 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	• 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]	• 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 Compliance Review Report						ASC Finding: Good Final Report Issue Date: January 25, 2016
Hawaii Appraiser Regulatory Program (State)						
Real Estate Appraisers Advisory Committee (Committee) / Advisory			**PM: N. Fenochietti**	**ASC Compliance Review Date: December 1-3, 2015**		**Review Period: August 2013 to December 2015**
Umbrella Agency: Department of Commerce & Consumer Affairs, Professional & Vocational Licensing Division (Division)				**Number of State Credentialed Appraisers on National Registry: 600**		**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.)				As of July 1, 2013, Trainee and Supervisory Appraisers must comply with AQB Criteria requirements. The State's regulations to include the minimum AQB Criteria for Trainee Appraisers are in the rulemaking process and have not been adopted. In practice, the State is complying with AQB Criteria for Trainee Appraisers.	On January 6, 2016, the State reported that the Division drafted an amendment which is in the rulemaking process.	The State must continue the process to amend its Rules to bring them into compliance with AQB Criteria, and provide the ASC staff with a copy of the final rules once adopted.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
Statutes, Regulations, Policies and Procedures: (continued)		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.)				AQB Criteria requires that Supervisory Appraisers shall not have been subject to any disciplinary action within the last 3 years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. Hawaii Administrative Rules 114-69 (a) (1) requires that Supervisory Appraisers shall not have been subject to any disciplinary action within the last 2 years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice.	On January 6, 2016, the State reported that the Division drafted an amendment which is in the rulemaking process.	The State must continue the process to amend its Rules to bring them into compliance with AQB Criteria, and provide the ASC staff with a copy of the final rules once adopted.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
Temporary Practice:	X						
				No compliance issues noted.	N/A	None	None
National Registry:	X						
				No compliance issues noted.	N/A	None	None
Application Process:	X						
				No compliance issues noted.	N/A	None	None
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

Appraisal Subcommittee

Federal Financial Institutions Examination Council

January 25, 2016

Mr. Francisco Rodriguez Bernier, Auxiliary Secretary for Services
Puerto Rico Department of State
Board of Examiners Division
P O Box 3271
San Juan, PR 00902-3271
frodriguez@estado.gobierno.pr

RE: ASC Compliance Review of Puerto Rico's Appraiser Regulatory Program

Dear Mr. Rodriguez Bernier:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Puerto Rico appraiser regulatory program (Program) on November 2-4, 2015, 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 has been awarded an ASC Finding of "Good." Areas of concern that were identified are being addressed by the Program. Puerto Rico will remain on a two-year Review Cycle. The final ASC Compliance Review Report (Report) is attached.

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: Mr. Jose Eduardo Arrillaga Gaztambide, Presidente, junta.evaluadores@gmail.com
Ms. Joselle Vazquez, Board Officer, jvazquez@estado.gobierno.pr

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	• 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	• 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	• 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	• 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[1]	• 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.

[1] 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: Good
Final Report Issue Date: January 25, 2016

Puerto Rico Appraiser Regulatory Program (State)

Board of Examiners of Professional Real Estate Appraisers (Board) / Decision Making	**PM: N. Fenochietti**	**ASC Compliance Review Date: November 2-4, 2015**	**Review Period: December 2013 to November 2015**
Umbrella Agency: Department of State		**Number of State Credentialed Appraisers on National Registry: 382**	**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 have funding and staffing sufficient to carry out their Title XI-related duties. (12 U.S.C. § 3347; Policy Statement 1 B.)				A staff position providing support to the Board became vacant during this Review Cycle and has not been filled, leaving 1 staff person responsible for all administrative functions of the Board and 4 other professional boards.	On December 22, 2015, the State reported an additional employee has been appointed to provide administrative assistance to the Board.	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
Temporary Practice:	**X**						
				No compliance issues noted.	N/A	None	None
National Registry:	**X**						
				No compliance issues noted.	N/A	None	None
Application Process:			**X**				
States must process applications in a consistent, equitable and well-documented manner. (12 U.S.C. § 3347 (a); Policy Statement 4 A.)				ASC staff requested 33 application files for review; of those 33 files, 5 were not provided.	On December 22, 2015, the State reported that the missing files were mistakenly stored with the files of the Real Estate Board. In an email on November 18, 2015, the State provided the missing files to ASC staff.	The State should implement an effective policy and procedure to ensure in the future, the files are not misplaced.	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.	N/A	None	None
Education:	**X**						
				No compliance issues noted.	N/A	None	None
Enforcement:	**X**						
				No compliance issues noted.	N/A	None	None

State Program Summary Report

State or Territory	ID		IL		IN		IA		KS		KY		LA		ME		CNMI		MD		MA		MI		MN	
Review Year	2015		2015		2015		2015		2015		2015		2014		2015		2013		2014		2014		2014		2014	
Review Month	Apr		Sep		Feb		Jul		Oct		Mar		Feb		Jun		Nov		Apr		Jun		Sep		Jul	
ASC Finding	Good		Needs Imp		Needs Imp		Excel		Excel		Excel		Good		Good		Needs Imp		Good		Needs Imp		Good		Good	
Review Cycle Assigned (in years)	2		2		2		2		2		2		2		2				2				2		2	
Required State Actions or Off Site Monitoring			Yes		Yes																Yes					
Follow-Up (in months)																										
Out of Compliance (OC) Area of Concern (AC)	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC
Statutes, Regulations, Policies and Procedures:			1										3				2		1			1	1			
Temporary Practice:					1																					
National Registry:				2		3																				
Application Process:		1			1											1		1			1			1		1
Reciprocity:														1						1						
Education:																								1		
Enforcement			1															1		1	1		1			
TOTAL OUT OF COMPLIANCE	-		2		2		-		-		-		3		-		2		1		2		2		-	
TOTAL AREA OF CONCERN	1		2		3		-		-		-		1		1		2		2		1		2		1	
Last Review Finding	NISC (2013)		Needs Imp (2013)		ISC (2013)		Excel (2013)		Excel (2013)		ISC (2013)		NISC (2012)		Excel (2013)		ISC (2007)		NISC (2012)		NISC (2012)		NISC (2012)		NISC (2012)	
Previous Review Finding	NISC (2011)		NIC (2011)		NISC (2011)		ISC (2011)		NISC (2011)		ISC (2011)		ISC (2010)		ISC (2011)		ISC (2005)		NISC (2010)		NISC (2010)		NISC (2010)		ISC (2010)	
FTE	0.1		2.8		1.8		0.85		2		3.45		3.5		1.5		0.3		3.5		5.45		4.37		2.6	
Independent or Under Umbrella (I/UU)	UU		UU		UU		UU		I		Indep.		UU		UU		UU		UU		UU		UU		UU	
Board Type	Decision		Advisory		Decision		Decision		Decision		Decision		Decision		Decision		Decision		Decision		Decision		Enf		None	
# Credentials on National Registry	699		4,046		2,155		1,095		993		1,397		1,269		563		7		2,364		2,084		2,671		2,093	
# Trainees	35		548		127		115		11		203		195		29		0		252		322		369		312	
Complaints Received in Review Cycle	46		429		127		57		31		105		43		70		0		168		309		396		442	
Complaints Outstanding	13		119		66		7		7		23		10		17		0		33		77		71		66	
Complaints Outstanding Over 1 Year	2		34		7		0		0		0		0		0		0		5		29		9		5	
Special Documented Circumstances	0		1		0		0		1		2		0		0		0		2		7		2		5	
AMC Laws and Regulations	No		Yes		Yes		No		Yes		Yes		Yes		No		No		Yes		No		Yes		Yes	

Legend: NISC = Not in Substanial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory

State Program Summary Report

State or Territory	MS		MO		MT		NE		NV		NH		NJ		NM		NY		NC		ND		OH	
Review Year	2015		2014		2015		2015		2014		2015		2014		2015		2015		2014		2014		2015	
Review Month	Jun		Jun		Sep		Mar		May		May		Sep		Apr		Aug		Nov		Jun		Aug	
ASC Finding	Needs Imp		Good		Good		Good		Good		Excel		Needs Imp		Good		Needs Imp		Excel		Good		Excel	
Review Cycle Assigned (in years)	2		2		2		2		2		2		2		2		2		2		2		2	
Required State Actions or Off Site Monitoring	Yes												Yes				Yes							
Follow-Up (in months)																								
Out of Compliance (OC) Area of Concern (AC)	OC	AC	OC		OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC
Statutes, Regulations, Policies and Procedures:		4		1				3	1	1				1	1			1			2			
Temporary Practice:										1														
National Registry:														1										
Application Process:	1												2				1	2						
Reciprocity:								1		1												1		
Education:													1											
Enforcement						1				1			1									1		
TOTAL OUT OF COMPLIANCE	1		-		-		-		1		-		4		1		1		-		2		-	
TOTAL AREA OF CONCERN	4		1		1		4		4		-		2		-		3		-		2		-	
Last Review Finding	ISC (2013)		NISC (2012)		Needs Imp (2013)		Good (2013)		NISC (2012)		Good (2013)		NISC (2012)		Good (2013)		Needs Imp (2013)		ISC (2012)		ISC (2012)		Good (2013)	
Previous Review Finding	ISC (2011)		NISC (2010)		NISC (2012)		ISC (2011)		NISC (2010)		ISC (2011)		NISC (2010)		NISC (2009)		NISC (2011)		ISC (2010)		ISC (2010)		ISC (2011)	
FTE	3.33		2.2		2.7		1.6		2.9		2.4		6.5		3.95		5.5		10		2		8.85	
Independent or Under Umbrella (I/UU)	UU		UU		UU		I		UU		UU		UU		UU		UU		I		I		UU	
Board Type	Decision		Decision		Decision		Decision		Decision		Decision		Decision		Decision		Reg. Decision		Decision		Decision		Decision	
# Credentials on National Registry	1,111		2,375		371		657		1,043		782		2,772		618		4,063		3,127		290		3,061	
# Trainees	53		281		24		54		55		17		128		84		451		404		48		318	
Complaints Received in Review Cycle	73		124		119		31		81		22		146		41		127		272		17		253	
Complaints Outstanding	8		30		22		9		37		1		41		15		50		55		9		69	
Complaints Outstanding Over 1 Year	0		2		3		0		2		0		7		0		1		3		2		1	
Special Documented Circumstances	2		9		7		5		2		0		6		3		2		0		0		8	
AMC Laws and Regulations	Yes		Yes		Yes		Yes		Yes		Yes		No		Yes		No		Yes		Yes		No	

Legend: NISC = Not in Substanial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory

State Program Summary Report

State or Territory	OK		OR		PA		PR		RI		SC		SD		TN		TX		UT		VT		VI	
Review Year	2015		2014		2014		2015		2015		2015		2014		2015		2014		2015		2014		2014	
Review Month	Oct		Jul		May		Dec		Oct		May		Aug		Jan		Feb		May		Aug		Nov	
ASC Finding	Good		Good		Needs Imp		Good		Needs Imp		Needs Imp		Good		Excel		Good		Good		Good		Needs Imp	
Review Cycle Assigned (in years)	2		2		2		2		2		2		2		2		2		2		2		2	
Required State Actions or Off Site Monitoring					Yes				Yes		Yes												Yes	
Follow-Up (in months)																							12	
Out of Compliance (OC) Area of Concern (AC)	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC
Statutes, Regulations, Policies and Procedures:	1					1		1			1		1					1					3	1
Temporary Practice:																							1	
National Registry:																						1		2
Application Process:				1				1	1		3													
Reciprocity:						1								1										1
Education:																								
Enforcement			1		1							1								1			1	
TOTAL OUT OF COMPLIANCE	1		1		1		-		1		4		1		-		-		-		-		5	
TOTAL AREA OF CONCERN	-		1		2		2		-		1		1		-		1		1		1		4	

Last Review Finding	Excel (2013)	ISC (2012)	NISC (2012)	Good(2013)	Good (2013)	ISC (2013)	ISC (2012)	ISC (2013)	NISC (2012)	NISC (2013)	NISC (2012)	NISC (2012)
Previous Review Finding	ISC (2011)	ISC (2010)	NISC (2010)	ISC (2012)	ISC (2011)	ISC (2011)	ISC (2010)	ISC (2011)	NISC (2010)	NISC (2011)	NISC (2010)	NISC (2010)
FTE	3.75	4.1	2	0.2	1.05	2.8	2.2	4.75	14.19	4.95	0.26	1
Independent or Under Umbrella (I/UU)	of Ins Dept	I	UU	UU	UU	UU	UU	UU	UU	UU	UU	UU
Board Type	Decision	Decision	Decision	Decision	Decision	Decision	Advisory	Decision	Decision	Decision	Decision	Decision
# Credentials on National Registry	990	1,494	3,311	382	462	2,129	346	1,886	5,220	1,246	292	23
# Trainees	83	80	432	n/a	29	132	67	225	792	85	20	n/a
Complaints Received in Review Cycle	108	137	410	9	6	99	26	109	386	134	20	2
Complaints Outstanding	39	45	102	3	0	21	9	22	119	52	10	3
Complaints Outstanding Over 1 Year	0	10	35	0	0	7	1	1	0	6	1	1
Special Documented Circumstances	0	1	9	0	0	0	2	1	4	16	1	1
AMC Laws and Regulations	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	No

Legend: NISC = Not in Substanial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory

State Program Summary Report

State or Territory	VA		WA		WV		WI		WY			
Review Year	2015		2014		2014		2015		2015		# Excel	10
Review Month	Aug		Aug		Dec		Jun		Sep		# Good	30
ASC Finding	Needs Imp		Excel		Needs Imp		Good		Good		# Needs Imp	15
Review Cycle Assigned (in years)	2		2		2		2		2		# Not Sat	0
Required State Actions or Off Site Monitoring	Yes				Yes						# Poor	0
Follow-Up (in months)	6											
Out of Compliance (OC) Area of Concern (AC)	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC TOTAL	AC TOTAL
Statutes, Regulations, Policies and Procedures:						2			1	1	28	30
Temporary Practice:											2	2
National Registry:											0	11
Application Process:	1	1						1		1	15	16
Reciprocity:											0	12
Education:											2	4
Enforcement	1	1			2		1				12	14
TOTAL OUT OF COMPLIANCE	2		-		2		1		1		59	
TOTAL AREA OF CONCERN	2		-		2		1		2			89

Last Review Finding	ISC (2013)	NISC (2012)	NISC (2012)	Needs Imp (2013)	Good (2013)	
Previous Review Finding	ISC (2011)	NISC (2010)	ISC (2010)	NISC (2011)	NISC (2011)	
FTE	1.75	6.33	2.55	3.35	1.42	
Independent or Under Umbrella (I/UU)	UU	UU	I	UU	UU	
Board Type	Decision	Advisory	Decision	Decision	Decision	
# Credentials on National Registry	3,387	2,723	571	2,162	337	
# Trainees	71	243	36	n/a	23	
Complaints Received in Review Cycle	190	226	36	134	8	
Complaints Outstanding	41	58	11	91	4	
Complaints Outstanding Over 1 Year	2	8	2	51	0	
Special Documented Circumstances	0	5	2	0	0	
AMC Laws and Regulations	Yes	Yes	Yes	No	Yes	

Legend: NISC = Not in Substanial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory

January 15, 2016

Honorable Richard Cordray, Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Request for Formal CFPB Review of Banking Agencies' Decision to Consider an Increase in the Dollar Threshold Requiring a Professional Appraisal for Residential Mortgage Loans

Dear Director Cordray:

The undersigned professional appraisal organizations – the American Society of Appraisers, the National Association of Independent Fee Appraisers and the American Society of Farm Managers and Rural Appraisers[1] – are writing for two related purposes:

First, we respectfully request that the Bureau take official notice of the decision of the federal bank regulatory agencies ("the Agencies") to consider an increase in the dollar threshold level which triggers a requirement that mortgage lenders use a state Certified or state Licensed appraiser to value property collateralizing residential loans in federally-related transactions;[2] and,

Second, we urge the Bureau to exercise its authority under section 1473 of the Dodd-Frank law to formally review the effects of an appraisal threshold increase on the important consumer protections borrowers receive when professional appraisers value property collateralizing residential mortgage loans. An increase in the appraisal threshold could deprive hundreds of thousands of borrowers of these protections. Section 1473 mandates that before any threshold increase can take effect, the Bureau must independently (a) determine whether it "provides reasonable protection for consumers who purchase 1-4 unit single-family residences" and (b) concur with any decision to increase the appraisal threshold.[3] Bureau non-concurrence would prevent an appraisal threshold increase decision by the Agencies from taking effect.

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[1] ASA, NAIFA and the ASFMRA, representing thousands of our nation's leading valuation practitioners, are professional appraisal organizations which teach, test and credential qualified individuals in residential and commercial real estate appraisal practice and appraisal review. Additionally, ASA, which is a multi-disciplinary appraisal organization, teaches, tests and credentials its members for professional appraisal practice and appraisal review in business valuation and in tangible and intangible personal property valuation (e.g., machinery and equipment, fine art, antiques, gems and jewelry and the contents of offices and homes).

[2] The Agencies' decision to consider an appraisal threshold increase was taken in connection with their regulation-review responsibilities under the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA).

[3] Section 1473 of the Dodd-Frank Act amends section 1112(b) of Title XI of FIRREA by adding important consumer protection language (in bold type), as follows: "(b) *Threshold level.* Each federal financial institutions

Executive Summary

The Agencies have made clear in a number of EGRPRA-related public statements that they are actively considering an increase in the professional appraisal threshold for residential loans well above its current regulatory level of $250,000.[4] It appears that they are engaged in an expedited process to reach a decision on this issue. Accordingly, if the Bureau has not already initiated a section 1473 review, we believe it is imperative for it to do so immediately rather than wait until the Agencies announce a threshold increase decision or are even in the final stages of considering one.

We believe that the Agencies' consideration of this issue, pursuant to EGRPRA, cannot and should not be divorced from the Bureau's responsibility under Dodd-Frank to determine the effects of such a decision on the rights of hundreds of thousands of consumers whose home financings would be deprived of professional appraisal services because their loans fall below a higher dollar threshold. While the government is comprised of many departments and agencies (often with overlapping responsibilities), on the issue of whether an appraisal threshold increase represents prudent public policy for the American people, existing law makes clear that the federal government speaks with only one voice. Section 1473 of Dodd-Frank stipulates that the final voice is that of the CFPB.

To be clear, we are not recommending that the Agencies and the Bureau act jointly to carry out their separate and distinct responsibilities on this issue. We believe such a joint effort would be inappropriate. At the same time, we also believe it makes no sense as a practical matter for the Agencies to engage in an interagency deliberative process to reach a threshold increase decision which then would have to be followed by a Bureau process that could moot a decision by the Agencies to raise the threshold.

Our organizations believe that Bureau action now is essential for the following reasons: First, because the Agencies appear to have unilateral authority under existing law to adjust the appraisal threshold[5] and because their decision-making process seems to be on a fast track, a

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regulatory agency and the Resolution Trust Corporation may establish a threshold level at or below which a certified or licensed appraiser is not required to perform appraisals in connection with federally related transactions, if such agency determines in writing that such threshold level does not represent a threat to the safety and soundness of… [cont.] financial institutions **and receives concurrence from the Bureau of Consumer Financial Protection that such threshold level provides reasonable protection for consumers who purchase 1-4 unit single family residences.**"

[4] In addition to the several statements cited in this letter of bank regulatory officials expressing interest in increasing the appraisal threshold, the most recent issue of the "ABA Banking Journal" reported the following: "**Gruenberg: Agencies Revisiting Thresholds for Appraisal Rules.** The banking agencies are revisiting the dollar thresholds for their appraisal requirements, FDIC Chairman Martin Gruenberg said in Arlington, Va., today [December 2, 2015] at the final outreach meeting for the decennial Economic Growth and Regulatory Paperwork Reduction Act review. 'Based largely on comments we have received during these outreach sessions, we have formed an interagency working group to review the appropriateness of dollar thresholds for transactions requiring appraisals and other requirements of the interagency appraisal regulations,' he said."

[5] Section 1113 of Title XI of FIRREA, the controlling statute on real estate appraisal policies for federally-related transactions, appears to give the banking agencies a degree of discretion to modify the appraisal dollar threshold.

decision could come quickly;[6] Second, because the Agencies have not provided any assurance that a decision to increase the threshold will be preceded by a rulemaking proposal, our organizations and other stakeholders could be denied a formal and meaningful opportunity to comment; and, Third, because during the many public discussions by the Agencies of their interest in an appraisal threshold increase, we believe there has been no acknowledgment or even mention by them of the CFPB's legal responsibility under section 1473 of Dodd-Frank to review an increase decision and its legal authority to prevent one by declining to concur with such a decision.

While the Agencies must know of the Bureau's consumer protection responsibility towards home buyers and its specific authority to block an appraisal threshold increase, we are troubled by their silence on the role your agency must play before any such decision can become effective and are concerned that they may choose to by-pass the Bureau. Accordingly, formal notice to the Agencies now of the Bureau's active interest and involvement in the issue would add a key factor to their deliberations about the public policy wisdom of increasing the threshold. For these reasons, we urge the Bureau to notify the Agencies at this time, rather than at an indeterminate later date, that it is exercising its section 1473 Dodd-Frank mandate to review the effects on consumers of an appraisal threshold increase.

We would greatly appreciate your advising us how the Bureau intends to proceed with respect to the Agencies' announced consideration of a threshold increase. In this regard, we would hope that representatives of consumer groups, our organizations and other stakeholder will be provided an opportunity to share with CFPB officials their views on how an appraisal threshold increase would impact the consumer protections that professional appraisal services can and do provide mortgage borrowers. A discussion of our views and concerns appears below.

Discussion

The Agencies have concluded their EGRPRA public meetings and appear to be in the final stages of reviewing their regulations, pursuant to EGRPRA, to identify those found to be outdated, unnecessary or unduly burdensome.[7] At a December 2, 2015, public meeting, the FDIC chairman read an opening statement which included the following: "Thus far, several themes are emerging through the EGRPRA process. We have heard frequent comment from participants that regulators should consider whether laws and regulations based on longstanding thresholds should be changed – for example, dollar thresholds for transactions requiring an appraisal and asset thresholds on the size of the institutions eligible for longer examination cycles." (Emphasis added).[8] A similar comment spotlighting an increase in the appraisal threshold was

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[6] In the most recent meeting of the EGRPRA group on December 2, 2015, the chairman of the FDIC stated that "as the EGRPRA process is unfolding, it's fair to say that the banking agencies are not waiting to take action." He also announced that an interagency working group has already been established to consider an appraisal threshold increase.

[7] It is our understanding that in a process separate from EGRPRA, the Bureau is required to review its significant regulations and publish a report of its findings five years after the regulations take effect. We have no reason to believe that the Bureau's review of its own regulations relates in any way to the appraisal threshold issue.

[8] Remarks by Martin J. Gruenberg, Chairman, FDIC to the EGRPRA Outreach Event, December 2, 2015, at the L. William Seidman Center, Arlington, Va. At that meeting, several participants representing community banks called for an increase in the appraisal threshold to as much as $500,000.

made by the FDIC's Director of the Division of Risk Management Supervision on February 10, 2015, at a hearing of the Senate Committee on Banking, Housing and Urban Affairs. Although we have been able to identify only one financial institutions trade association (out of hundreds of commenters) that has recommended to the EGRPRA review group an appraisal threshold increase, the suggestion appears to have captured the interest of the Agencies.

In situations where the Agencies determine under EGRPRA that a rule is outdated, unnecessary or unduly burdensome, they may modify it either by exercising existing authority; or, if the statute under which the rule was issued does not permit changes to it by unilateral Executive Branch action, by asking Congress to amend or repeal the relevant law. Because the Agencies may have the authority to eliminate or modify the appraisal threshold rule under existing statutory law (i.e., Title XI of FIRREA)[9] without legislation, we believe that any action by them to increase the threshold would trigger the Dodd-Frank provision requiring the Bureau to consider whether it should or should not concur with the Agencies' decision. As noted above, before a threshold increase could become effective, the Bureau would be required under Dodd-Frank to make an affirmative determination that the increase would provide "reasonable protection for consumers who purchase 1-4 unit single-family residences."

Congress designed the CFPB to be the government's principal consumer protection agency. Recognizing the Agencies' penchant over the years to increase the threshold to higher and higher levels, Congress, in section 1473 of Dodd-Frank, vested the Bureau with ultimate decision-making authority over whether any further increase in the appraisal threshold would reasonably protect the consumer interests of mortgagors. Given the following factors, it is obvious to us that an increase in the current threshold would severely undermine the consumer protections that professional appraisal services provide mortgage borrowers:

First, for the vast majority of consumers, a mortgage is by far the largest financial obligation they will ever undertake and should only be made after thoughtful consideration;

Second, a reliable and independent valuation of a residential property being financed is central to a consumer's decision whether to apply for a loan in a particular dollar amount and whether to accept the lender's offered terms and conditions of such a loan. Only a professional appraiser has the demonstrated valuation skill-sets, the mandated ethical independence from all parties to a financial transaction and the accountability to his or her state licensing authority necessary to ensure that the collateral property valuation is reliable;

Third, the current $250,000 threshold already excludes more than 70% of all home purchases made nationally from Title XI's appraisal requirements (according to GAO). In thousands of communities across the country, even the current threshold excludes virtually all collateralized mortgage loan transactions from Title XI's protections. Any further increase in the threshold would allow mortgage lenders to deny the vast majority of borrowers the substantial consumer protection benefits that result from professional appraisal services;

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[9] Section 1112 of Title XI of FIRREA states, in pertinent part, that the Agencies "may establish a threshold level at or below which a certified or licensed appraiser is not required to perform appraisals in connection with federally related transactions, if such agency determines in writing that such threshold level does not represent a threat to the safety and soundness of financial institutions…".

Fourth, any increase in the appraisal threshold would be tantamount to a unilateral Executive Branch repeal of Title XI of FIRREA's consumer protections for borrowers in federally-related residential transactions – an outcome that Congress could not have contemplated when it gave the Agencies discretion to adjust the threshold from its original dollar amount of $15,000. While the legality of such an action by the Agencies is not a factor within the scope of the Bureau's section 1473 authority, it does serve to illustrate how extreme any such increase would be;

Fifth, we assume that when the Bureau undertakes its section 1473 review to determine whether an appraisal threshold increase would nevertheless leave mortgage borrowers with reasonable consumer protections, it will consider the fact that when an appraisal is not required, the Agencies still require lenders to value collateral properties utilizing "evaluations", which some might characterize as an appraisal lite. But, it is important for the Bureau to understand that an evaluation is neither an appraisal nor anything even remotely close to an appraisal lite. Evaluations are a flawed and unreliable indicator of the market value of property collateralizing mortgage loans. A careful examination of the real-world differences between the consumer protection (and safety and soundness) features of appraisals versus evaluations demonstrates how stark those differences are. Following are some of the major differences:

- Individuals who perform appraisals must be state certified and licensed. We do not know – we doubt anyone does – who performs evaluations. What exactly are their specific valuation qualifications and credentials, if any?

- State certified and licensed appraisers must pass a uniform national exam to demonstrate fundamental valuation competency and meet rigorous and specific qualifications requirements established by The Appraisal Foundation; By contrast, individuals eligible to perform evaluations are not required to pass any exam to demonstrate basic valuation competency and are not required to meet specific valuation qualifications requirements established by any independent body of experts. While they are required under the Interagency Guidelines to be capable of performing valuations, there are no standards or tests in place to demonstrate that they have such capability;

- State certified and licensed appraisers must adhere to the Uniform Standards of Professional Appraisal Practice (USPAP), which set forth uniform requirements established by experts in the appraisal profession, for how appraisals must be performed. Uniformity in appraisal methods and approaches are indispensable in order to assure equivalent or comparable valuation outcomes. By contrast, those performing evaluations are not required to adhere to any uniform standards of valuation. As a consequence, evaluation outcomes are unlikely to be equivalent or comparable;

- State certified or licensed appraisers are accountable for the quality of their work. They are held to a strict accountability regimen which functions principally through the state appraiser licensing boards. These boards oversee their work and investigate complaints that an appraiser has violated USPAP, including its independence and competence provisions. A state agency's finding of a substantive USPAP violation usually leads to the imposition of a sanction, including mandatory additional valuation education or

training, a fine and, for a pattern of malpractice, a loss of license or certification. Additionally, most appraisers carry Errors and Omissions Insurance in order to make whole those who suffer losses resulting from negligent appraisals or unethical behavior. When a state certified or licensed appraiser is credentialed by a professional appraisal organization, such as ours, they are subject to a rigorous code of ethics and the possibility of additional profession-imposed sanctions. There are no accountability mechanisms for non-appraisers who perform evaluations that are even remotely comparable to those described above. No systematic accountability mechanism relating to evaluations exists.

Given the vast and significant differences between appraisals and evaluations, we do not think it is possible for the Bureau or anyone else to conclude that the hundreds of thousands of mortgage borrowers who would be denied the consumer protections described above if the appraisal threshold is increased, would nevertheless be reasonably protected; and,

Sixth, some might argue that consumers can be protected from the effects of a decision by the Agencies to increase the appraisal threshold without the Bureau withholding its concurrence because Fannie Mae, Freddie Mac, FHA and VA generally require appraisals for mortgages they purchase or guarantee even if the loan amount is below the threshold. We believe this line of reasoning is highly inappropriate because it fails to recognize that the future of the GSEs is uncertain and that they are likely to undergo significant structural changes over the next several years or even disappear entirely, thereby jeopardizing the moderating effects of their current appraisal requirements on a decision by the Agencies to increase the threshold. Moreover, effective consumer protection policies involving the largest purchase that most consumers will ever make, should not be dependent on the corrective effects of third party federal entities.

The appraisal regulatory system we now have under Title XI of FIRREA provides consumers, government agencies and mortgage market participants with confidence that state certified and licensed real estate appraisers meet impressive educational and experience requirements; that appraisals must be performed in accordance with a set of generally-accepted uniform standards (i.e., USPAP); and that appraisers who fail to meet a high level of competency and ethical requirements will be held accountable by their state appraisal board, as well as by any professional organization which has accredited them. These consumer protection (and safety and soundness) benchmarks do not apply to evaluations and those performing them.

We believe that many of the leading consumer and housing organizations share our opposition to a threshold increase. Moreover, other key mortgage market stakeholders share our conviction that reliance on state certified and licensed appraisers to value property collateralizing mortgage loans has been greatly beneficial in ensuring the integrity of the mortgage lending process. For example, in testimony before the House Financial Services Committee in July of 2012, the Mortgage Bankers Association said the following: "The changes [brought about by Title XI and Dodd-Frank] that have already occurred have, in MBA's view, been extremely beneficial to consumers and the mortgage industry that serves them. Homebuyers can be more confident that the value of their homes have been objectively assessed before closing and lenders can also be more confident that the appraisal was arrived without undue pressure through an independent appraiser, an appraisal management company (AMC), or through a separate in-house appraiser panel.

Thank you for considering our views and our requests for Bureau intervention in the Agencies' appraisal threshold process. We look forward to hearing back from you on how the Bureau intends to proceed on its section 1473 responsibilities. If you have any questions or need further information, please contact the government relations representative for ASA, NAIFA and the ASFMRA, Peter Barash (202-466-2221 or peter@barashassociates.com) or ASA's Director of Government Relations, John Russell (703-733-2103 or jrussell@appraisers.org).

Sincerely,
ASA, NAIFA and ASFMRA

THE APPRAISAL FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

APPRAISAL STANDARDS BOARD

TO: All Interested Parties

FROM: Margaret Hambleton, Chair
Appraisal Standards Board

RE: **Discussion Draft – Potential Areas of Change for the 2018-19 edition of the *Uniform Standards of Professional Appraisal Practice***

DATE: January 15, 2016

The goal of the *Uniform Standards of Professional Appraisal Practice* (USPAP) is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. With this goal in mind, the Appraisal Standards Board (ASB) regularly solicits and receives comments and suggestions for improving USPAP. Proposed changes are intended to improve USPAP understanding and enforcement, and thereby achieve the goal of promoting and maintaining public trust in appraisal practice.

Based on feedback from prior exposure drafts and other sources, the ASB is currently examining potential areas of change for the 2018-19 edition of USPAP. The ASB recognizes that changes to USPAP can have far reaching impacts on appraisers, users of appraisal services, and others. To better enable us to consider the potential impact of changes on all stakeholders, we are asking for your help. Please review the attached Discussion Draft. It briefly discusses issues being considered for the 2018-19 edition of USPAP. **All interested parties are encouraged to comment in writing to the ASB before the deadline of February 17, 2016.** Respondents should be assured that each member of the ASB will thoroughly read and consider all comments. Comments are also invited at the ASB public meeting on February 19, 2016, in Tampa, Florida.

Please note that no specific changes to USPAP are being proposed at this time. Based on feedback received, in the months ahead the ASB will issue exposure drafts that will solicit comments on specific proposed changes.

Written comments on this Discussion Draft can be submitted by mail, email and facsimile.

Mail: Appraisal Standards Board
The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

Email: asbcomments@appraisalfoundation.org

Facsimile: (202) 347-7727

IMPORTANT NOTE: All written comments will be posted for public viewing, exactly as submitted, on the website of The Appraisal Foundation. Names may be redacted upon request.

The Appraisal Foundation reserves the right not to post written comments that contain offensive or inappropriate statements.

If you have any questions regarding the attached discussion paper, please contact Aida Dedajic, Standards Administrator at The Appraisal Foundation, via e-mail at aida@appraisalfoundation.org or by calling (202) 624-3058.

Background

The ASB's current plan for the 2018-19 edition of USPAP includes reviewing and revising, as needed, the following areas of USPAP:

- Communication of Assignment Results
- STANDARD 6, *Mass Appraisal, Development and Reporting*
- Definition of *assignment*
- Review of terms, assumption and extraordinary assumption
- STANDARD 3, *Appraisal Review, Development and Reporting*
- Review of Standards Rules 7-2(c), SR 7-5, and 8-2(v)
- Review of Standards Rule 8-3
- Review of Advisory Opinions 1, 18, 21 and 31
- Other edits to improve clarity and enforceability of USPAP

The ASB believes it is fulfilling its work plan and addressing the needs of appraisers and users of appraisal services by introducing potential areas of change contained in this Discussion Draft for the 2018-19 edition of USPAP.

Of paramount importance to the Board when considering any potential revisions to USPAP is the issue of public trust. This umbrella of public trust, therefore, remains the primary consideration of the ASB in putting forth the concepts contained in this document.

The Board currently intends to adopt any revisions for the 2018-19 edition of USPAP at its public meeting in early 2017. Any such revisions to USPAP would become effective on January 1, 2018.

Discussion Draft:
Potential Areas of Change
2018-19 edition of the *Uniform Standards of Professional Appraisal Practice*

Issued: January 15, 2016
Comment Deadline: February 17, 2016

Each section of this document identifies the area(s) of USPAP being considered for potential changes.

When commenting on various aspects of the discussion paper, it is very helpful to fully explain the reasons for concern or support, provide examples or illustrations, and suggest any alternatives or additional issues that the ASB should consider.

For ease in identifying the various issues being addressed, this Discussion Draft is presented in sections.

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Section 1: Communication of Assignment Results

ISSUES

The Appraisal Standards Board (ASB) has for several years been weighing various options addressing the communication of assignment results and related issues. The current requirements have been interpreted inconsistently by various stakeholders. The Board has attempted to find a solution that appropriately balances the concerns of these different stakeholder groups.

In order to accomplish this, the ASB has formed a Working Group on Communication of Assignment Results made up of ASB members, participants in the state appraiser regulatory arena, appraisers whose practice involves a significant amount of litigation-related assignments, and attorneys to assist in the review of relevant topics. The purpose of the Working Group is to perform an in-depth review of, and provide recommended proposed edits for, the definition of report, the workfile retention requirements of the RECORD KEEPING RULE, and any other related areas of USPAP.

The work product of the Working Group will be a report to the ASB of recommendations. The Working Group should finalize its work by the end of January. Once the report is delivered, the ASB will review the recommendations and determine how to proceed. If the ASB believes the suggested edits are appropriate, they will be exposed for public comment in subsequent exposure drafts.

Section 2: Review of STANDARD 6

ISSUES

The Appraisal Standards Board (ASB) conducts a periodic review of all Standards in the *Uniform Standards of Appraisal Practice* (USPAP). It has been several years since the ASB performed a comprehensive review of STANDARD 6: *Mass Appraisal, Development and Reporting*. The ASB plans to review STANDARD 6 to be sure that it reflects current practice, is consistent with the other Standards, and uses language that is commonly accepted among mass appraisal practitioners.

In order to accomplish its review of STANDARD 6, the ASB has formed a Working Group on Mass Appraisal Standards (Working Group), made up of ASB members and appraisers who are conversant in USPAP and mass appraisal, as well as other portions of USPAP and the Advisory Opinions that impact mass appraisal.

The purpose of the Working Group is to perform an in-depth review of, and provide recommended proposed edits for, STANDARD 6, as well as other related edits throughout the document. As part of this review, the ASB is asking the Working Group to examine STANDARD 6 to determine whether it should be split into separate development and reporting standards like the Standards for real property appraisal (STANDARDS 1 & 2), personal property appraisal (STANDARDS 7 & 8), and business appraisal (STANDARDS 9 & 10). The Working

Group will not make any decisions for the ASB, but its review, comments, and recommendations will be key to proposing what changes, if any, will be offered by the ASB.

The work product of the Working Group will be a report to the ASB of recommendations. The Working Group should finalize its work by the end of January. Once the report is delivered, the ASB will review the recommendations and determine how to proceed. If the ASB believes the suggested edits are appropriate, they will be exposed for public comment in subsequent exposure drafts.

Section 3: Review of the Definition of Assignment

ISSUES

Questions have arisen regarding the definition and use of the term *assignment*. The intended use and intended user are, as stated in their respective definitions, identified *at the time of the assignment*. Does that mean the time at which the appraiser enters into the agreement, or is it the time during which the appraiser provides the service?

In order to eliminate this confusion, the ASB is proposing to clearly distinguish between the two meanings currently associated with assignment by using different terms for each. The term engagement has long been used by appraisers and clients to refer to the appraiser's agreement to provide services. Given that this language is already part of the vocabulary, the Board is considering revision to the definition of assignment and a creating a new definition for engagement.

As a result of these potential revisions, the Board has conducted a review of the use of the word "assignment" throughout USPAP. A simple search reflects the word assignment shows up over 300 times in USPAP (not including the Advisory Opinions or Frequently Asked Questions). Given that, the ASB is asking for feedback, including answering questions such as:

- Does the current use of "assignment" in USPAP create problems?
- Does it make sense for the Board to consider making changes as addressed above, given the potentially far-reaching impact it may have?
- If changes are warranted, is "engagement" an appropriate term to define and embed in USPAP?

Section 4: Review of the term Extraordinary Assumption

ISSUES

The ASB is considering ways to clarify the term *Extraordinary Assumption*. For a number of years appraisers have commented that the term is confusing not only to appraisers but also to users of appraisal services. Some believe *all* assumptions are extraordinary since, if found to be false, they may very well affect the assignment results. As a result, the ASB is seeking input on identifying terms to help clarify the difference between typical assumptions and those that are truly specific to an assignment.

- Do you have any suggestions for terms that might help distinguish "ordinary" assumptions from "extraordinary" assumptions? (e.g., general assumption versus specific assumption; typical assumption versus critical assumption, etc.)
- How do you incorporate disclosure of extraordinary assumptions into your reports?
- Do you believe there should be a distinction drawn between assumptions that apply to virtually every assignment, versus those that only apply to certain assignments?

Section 5: Review of STANDARD 3

ISSUES

The ASB is examining STANDARD 3 to determine whether it should be split into separate development and reporting standards like the Standards for real property appraisal (STANDARDS 1 & 2), personal property appraisal (STANDARDS 7 & 8), and business appraisal (STANDARDS 9 & 10).

This restructuring is not likely to materially change the current development or reporting requirements. However, separating the USPAP requirements for developing an appraisal review opinion from the requirements for communicating that opinion should result in a more clear expression of those requirements. This would also be more consistent with the remainder of USPAP.

The ASB is seeking input on the concept of dividing STANDARD 3 into separate development and reporting standards. As with the other areas addressed in this document, any proposed changes to STANDARD 3 would be fully vetted during the exposure process.

The ASB is also discussing the applicability of STANDARD 3 in cases where members of a professional organization's membership or ethics committees, members of state appraisal boards, or state investigators are asked to review an appraisal. This discussion is directly related to STANDARD 3 but is separate from the concept of dividing the Standard into separate development and reporting standards. The ASB is seeking input on this topic as well.

If the ASB moves forward with proposed changes to STANDARD 3, Advisory Opinion 20, *An Appraisal Review Assignment That Includes the Reviewer's Own Opinion of Value,* will be revised to reflect these changes.

Section 6: Review of Standard Rules 7-2(c), SR 7-5, and 8-2(v)

ISSUES

The ASB is reviewing Standard Rules 7-2(c), 7-5 and 8-2(v). As currently written, these Standards Rules include some instructions that are limited to developing and reporting opinions of market value.

Since the type of value in personal property appraisals is rarely market value, these references to market value may be confusing and may lead to limitations in the scope of personal property appraisal development and reporting.

The ASB is discussing whether or not to remove the market value references in the Standard Rules noted above and is seeking input on this issue.

Section 7: Review of Standard Rule 8-3

ISSUES

The ASB is reviewing Standard Rule 8-3. As currently written, when appraisers of multiple personal property specialties collaborate in an assignment, each appraiser signing the certification is responsible for all aspects of the appraisal.

This is contrary to current practice and could be misleading or confusing to the clients and users of personal property appraisals.

The ASB is seeking input on this topic, including suggestions as to how each appraiser's role might be best disclosed and whether multiple certifications might be required.

Section 8: Review of Advisory Opinion 1, *Sales History*

ISSUES

The ASB is reviewing AO-1 with a focus on the proper interpretation of the requirement to analyze and report sales history and related information in the appraisal of real property.

Various stakeholders have expressed concern that "analyze" is being construed as merely reciting facts and data points, as opposed to critically examining them in respect to the particular assignment at hand. Therefore, the ASB is considering whether or not further clarification of this term is indicated.

Potential clarification of the term analyze may require edits to USPAP which could include:

- Addition of the term *analyze* to the Definitions section of USPAP
- Additional illustrations/examples of what it means to properly *analyze* various factors in an appraisal assignment
- Amending AO-1 and possibly FAQ 230 to better clarify what the term *analyze* both means and requires

The ASB is:

- Seeking input on whether or not *analyze* should be a defined term in USPAP;
- Looking for examples of the appropriate application of *analyze* in the development and reporting of appraisal assignments.

Section 9: Review of Advisory Opinion 18, *Use of an Automated Valuation Model (AVM)*

ISSUES

When Advisory Opinion 18, *Use of an Automated Valuation Model (AVM)*, was issued in the 1990's, it addressed what was then an emerging technology. Today, the tools AO-18 addresses are rarely used by appraisers. AVM's have now evolved into a variety of new tools that allow appraisers to process large volumes of data with relative ease. Much of the prior guidance is no longer relevant and new USPAP-related questions brought about by modern technologies are largely unaddressed.

The ASB is planning to rewrite AO-18 to address an appraiser's development and reporting obligations when relying upon calculations, prices, adjustments, trends, or other information generated by stand-alone software or various online services. At this time the Board is seeking input on:

- What technologies are now used by appraisers?
- Suggestions for issues that an updated AO-18 should address.

Section 10: Review of illustrations in Advisory Opinion 21, *USPAP Compliance*

ISSUES

The ASB is reviewing the Advisory Opinion 21 illustration on page 143 in response to comments suggesting that the current illustration does not adequately explain the difference between Valuation Services and Appraisal Practice.

Following is a possible alternative illustration. In your opinion:

- Does this better illustrate the differences between Valuation Services and Appraisal Practice?
- If not, do you have an alternate suggestion?

<table>
<tr><th colspan="3">Valuation Services</th></tr>
<tr><td colspan="2">Appraisal Practice
Valuation services performed by an individual acting as an appraiser</td><td rowspan="3">Valuation services when not acting as an appraiser</td></tr>
<tr><td>Appraisal and Appraisal Review (Development and Reporting)</td><td>Other valuation services when acting as an appraiser</td></tr>
<tr><td rowspan="2">All Rules apply

Applicable Standards vary by assignment</td><td></td></tr>
<tr><td>Some Rules apply:
- ETHICS RULE
- COMPETENCY RULE
- JURISDICTIONAL EXCEPTION RULE

No Standards apply in these assignments

Compliance with the RECORD KEEPING RULE and SCOPE OF WORK RULE is not required in these assignments.</td><td>When performing these services, do not misrepresent your role (i.e., clearly communicate that you are not acting as an appraiser).</td></tr>
</table>

Examples

Appraisal and Appraisal Review (Development and Reporting)	Other valuation services when acting as an appraiser	Valuation services when **not** acting as an appraiser
Appraisal	Researching market data (when acting as appraiser)	Brokering
Restricted Appraisal Report	Consultant (when acting as an appraiser)	Auctioning
Oral Appraisal Report	Analyzing specific elements of value (e.g., reproduction cost or functional utility)	Property management Leasing (agent)
Appraisal Review	Teaching appraisal courses	Litigation support (when acting as advocate)
Providing comparable data	Providing sales data	Mortgage underwriting
Purchase price allocation	Developing educational texts	Ad valorem tax consulting

Section 11: Review of Advisory Opinion 31, *Assignments Involving More Than One Appraiser*

ISSUES

The ASB is reviewing AO-31 with a focus on the concept of "significant appraisal assistance." Potential edits include:

- A definition of significant appraisal assistance (pros and cons will be considered).
- Additional illustrations of significant appraisal assistance in the context of the disclosure of a trainee's assistance.
- A list of what is considered "significant" appraisal assistance and what is not (this may already be sufficiently covered in the FAQs).
- Incorporating into AO-31 the response to FAQ 250 regarding what USPAP does and does not address regarding significant professional assistance in the certification.

Potential changes to the certification requirements in Standards Rule 8-3 regarding appraisals involving appraisers from multiple personal property specialties may also require edits or additional examples to AO-31.

The ASB is:

- Seeking input on whether or not significant appraisal assistance should be a defined term; and
- Looking for examples of appraisal assistance in order to provide guidance on when that assistance would or would not be deemed significant.