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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

July 28, 2010

Mr. Charles Kirk, Acting Executive Director  
New Jersey State Board of Real Estate Appraisers  
Division of Consumer Affairs  
124 Halsey Street  
Newark, NJ 07102

RE: ASC Compliance Review of New Jersey's appraiser regulatory program

Dear Mr. Kirk:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of New Jersey's appraiser regulatory program (Program) on March 9-11, 2010. This is the final ASC Compliance Review Report (Report) on that Review.

The ASC has considered the staff's preliminary findings regarding the Review and the State's response. The ASC has determined the Program is not in substantial compliance with Title XI of the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989, as amended (Title XI). The ASC identified the following concerns:

- New Jersey must use a reliable means of validating appraiser experience claims on all initial applications for appraiser credentials;<sup>1</sup> and
- New Jersey should resolve all complaints filed against appraisers within one year, except for special documented circumstances.<sup>2</sup>

The State's response indicated that corrective actions were taken as detailed in the attached Report. During the next Review, ASC staff will confirm these corrective actions have taken place and are appropriate. Please also be advised this letter and the attached Report are public record and available on the ASC website in accordance with the Freedom of Information Act.

Please contact us if you have any questions.

Sincerely,



Deborah S. Merkle  
Chairman

Attachment

cc: Mr. Barry J. Krauser, President  
Mr. Steven N. Flanzman, Sr., Deputy Attorney General

<sup>1</sup> Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 10G.

<sup>2</sup> Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.

ASC Compliance Review Report						Finding: Not In Substantial Compliance		
						Report Issue Date: July 28, 2010		
New Jersey Appraiser Regulatory Program (Program)								
New Jersey State Real Estate Appraisers Board (Board)			ASC Compliance Review Date: March 9-11, 2010			Review Period: 01/2008 to 03/2010		
Umbrella Agency: Division of Consumer Affairs (Division)			PM: J. Tidwell			Number of State credentialed appraisers on National Registry: 3480		
Issue: FINAL								
Requirement/Guidance	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
<b>New Jersey Statutes, Regulations, Policies and Procedures:</b>	X							
				No compliance issues noted.	N/A	None	None	None
<b>Temporary Practice:</b>	X							
States should rely on the National Registry to verify license history on applicants for temporary practice. (Title XI § 1118, 12 U.S.C. 3347; ASC Policy Statement 5.)				Division staff did not always use the National Registry to verify an applicant's license history.	On May 4, 2010, the Board informed ASC staff that it will henceforth consult the National Registry to verify the license history for all temporary practice applicants.	No further action required.	None	During the next Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 5.
<b>National Registry:</b>	X							
States must submit all disciplinary actions for inclusion on the National Registry. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 9A.)				The majority of disciplinary actions are submitted to the ASC for inclusion on the National Registry; however, the submissions are often delayed by several months.	On May 4, 2010, the Board informed ASC staff that it reported three missing disciplinary actions on March 18, 2010, and no other actions were identified as missing from the National Registry. The Board further agreed to report to the ASC for inclusion on the National Registry all future revocations, voluntary surrenders and suspensions immediately, and to report other disciplinary actions within one month of occurrence.	No further action required.	None	During the next Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 9A.

**ASC Compliance Review Report**

Finding: Not In Substantial Compliance

Report Issue Date: July 28, 2010

**New Jersey Appraiser Regulatory Program (Program)**

New Jersey State Real Estate Appraisers Board (Board)

ASC Compliance Review Date: March 9-11, 2010

Review Period: 01/2008 to 03/2010

Umbrella Agency: Division of Consumer Affairs (Division) PM: J. Tidwell

Number of State credentialed appraisers on National Registry: 3480

Issue: FINAL

Requirement/Guidance	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
<b>Application Process:</b>		X					None	
States must use a reliable means of validating experience claims on all initial applications for appraiser credentials. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 10G.)				<p>Three applications for appraiser credentials did not contain documentation to support that the applicants' experience was acquired over the time period required by the Appraiser Qualifications Board Real Property Appraiser Qualification Criteria (AQB Criteria).</p> <p>The Board reported it will:                      (1) review files of all upgraded applicants during the Review Period;                      (2) identify all applicants whose files not contain proof that experience was acquired over the time period required by AQB Criteria;                      (3) contact those applicants identified; and                      (4) obtain the needed documentation for the file.</p> <p>The Board further reported it will ensure documentation is maintained to support that applicants' experience is acquired over the time period required by AQB Criteria.</p>	<p>On May 4, 2010, the Board reported to ASC staff it is contacting the three individuals identified during the Review and asking them to provide appropriate documentation.</p> <p>The Board reported it will:                      (1) review files of all upgraded applicants during the Review Period;                      (2) identify all applicants whose files not contain proof that experience was acquired over the time period required by AQB Criteria;                      (3) contact those applicants identified; and                      (4) obtain the needed documentation for the file.</p> <p>The Board further reported it will ensure documentation is maintained to support that applicants' experience is acquired over the time period required by AQB Criteria.</p>	<p>New Jersey must:                      (1) review files of all applicants for certification during the Review Period and identify all individuals that did not provide proof of experience consistent with AQB Criteria;                      (2) contact those identified and obtain the needed documentation for the file; and                      (3) provide ASC staff with a tabulation of the results of the audit within 60 days of the date of this letter. The tabulation must include:                      (a) names of all individuals audited;                      (b) names of all individuals that did not provide proof of compliance;                      (c) details of the deficiencies;                      (d) proof that all non-complaint individuals have been placed on inactive status on the National Registry; and                      (e) proof that the Board notified these individuals, as well as over stamped their credentials, that they are ineligible to appraise in federally related transactions.</p>		The ASC Policy Manager assigned to New Jersey will review the audit files of individuals audited for experience in the spring of 2011.

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Umbrella Agency: Division of Consumer Affairs (Division)		PM: J. Tidwell		Number of State credentialed appraisers on National Registry: 3480		Issue: FINAL		
Requirement/Guidance	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
<b>Application Process:</b>	X							
States must ensure credential applications submitted for processing do not contain expired examinations (24-month examination validity period). Valid applications should be timely processed. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 2.)				The Board issued an appraiser credential to one applicant whose examination was one month over the 24-month validity period.  Board staff explained that after an appraiser applicant for certification is approved, there is approximately a one-month period of time needed to collect fees and run a criminal background check before the credential is actually issued. During that time, this applicant's examination exceeded the 24-month validity period.	On May 4, 2010, the Board reported to ASC staff that it had misinterpreted the AQB Criteria. The Board will ensure it only honors examination results during the 24-month validity period.	No further action required.	None	During the next Review, ASC staff will pay particular attention to this area for compliance with Title XI, AQB Criteria and ASC Policy Statement 2.

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Umbrella Agency: Division of Consumer Affairs (Division)		PM: J. Tidwell		Number of State credentialed appraisers on National Registry: 3480		Issue: FINAL		
Requirement/Guidance	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
Reciprocity:	X			No compliance issues noted.	N/A	None	None	None
Education:	X			No compliance issues noted.	N/A	None	None	None
Enforcement:		X						
States should resolve all complaints filed against appraisers within one year, except for special documented circumstances. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)				New Jersey had 65 outstanding complaints; of those 65 complaints, 20 were unresolved for over one year. None of these cases involved special documented circumstances. Due to an increase in the number of complaints received and a tightening of resources available to the Board, the number of aged cases (over 1 year old) has increased from 5 to 20. Of the 20 complaints outstanding, 1 was received in 2006, 2 were received in 2007, 14 were received in 2008, and 3 were received in 2009.	On May 4, 2010, the Board informed ASC staff that it is seeking to move aged cases to resolution as swiftly as possible. The Board also reported that some complaint cases often cannot be resolved within one year due to the limited resources, and the need to provide licensees with due process.	New Jersey must reduce the backlog of aged complaints as required by ASC Policy Statement 10E. The Board must send quarterly complaint logs to ASC staff for monitoring of the Board's progress.  The ASC Policy Manager assigned to New Jersey will work with Board staff to determine the timing and content of the complaint log.	None	In the State's response, the Board reported that some complaint cases cannot be resolved within one year due to the limited resources.  The Board is reminded that pursuant to Title XI, States must have sufficient legal and administrative resources to perform its Title XI- related duties. (Title XI § 1118 (b), 12 U.S.C 3347.)  During the next Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 10E.