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Appraisal Subcommittee

Federal Financial Institutions Examination Council

April 13, 2011

Mr. Alan J. Schefke, Director
Bureau of Commercial Services
Department of Energy, Labor and Economic Growth
PO Box 30018
Lansing, MI 48909

RE: ASC Compliance Review of Michigan's appraiser regulatory program

Dear Mr. Schefke:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of Michigan's appraiser regulatory program (Program) on September 27-29, 2010. This is the final ASC Compliance Review Report (Report) on that Review.

The ASC has considered the 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. The ASC identified the following area of non-compliance:

- States should resolve all complaints filed against appraisers within one year, except for special documented circumstances.¹

In its response, the State indicated 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: Ms. Ann Baker, Deputy Bureau Director, BCS
Mr. Barrington Carr, Enforcement Director
Ms. Carol Moulton, Board Administrator

¹ 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: April 13, 2011

Michigan Appraiser Regulatory Program (Program)

Michigan State Board or Real Estate Appraisers (Board) / Advisory	PM: N. Fenochietti	ASC Compliance Review (Review) Date: September 27-29, 2010	Review Period: September 2008 - September 2010
Umbrella Agency: Department of Energy, Labor and Economic Growth, Bureau of Commercial Services (Department)		Number of State Credentialed Appraisers on National Registry: 2,937	Issue: FINAL

Requirement/Guidance	ASC Finding Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
Michigan Statutes, Regulations, Policies and Procedures:	X			No compliance issues noted.	N/A	None	None	None
Temporary Practice:	X			No compliance issues noted.	N/A	None	None	None
National Registry:	X			No compliance issues noted.	N/A	None	None	None
Application Process:	X			No compliance issues noted.	N/A	None	None	None
Reciprocity:	X			No compliance issues noted.	N/A	None	None	None

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Requirement/Guidance	ASC Finding Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
Education:	X							
States must ensure that Distance Education meets AQB Real Property Appraiser Qualification Criteria. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria.)				<p>The Department approved Distance Education courses that did not meet Appraiser Qualifications Board Real Property Appraiser Qualification Criteria (AQB Criteria). Six home study continuing education courses, and one home study qualifying education course offered by the Michigan State Tax Commission were approved without requiring the course provider to obtain course delivery mechanism approvals. The courses were originally approved on August 12, 2009.</p> <p>During the Review, the Department identified four credential holders who reported completing one of these courses. Of the four credential holders, two completed one of these courses to satisfy continuing education (CE) hours for renewal on July 31, 2010, and two completed one of these courses to satisfy CE hours for their upcoming July 31, 2011 renewals.</p>	<p>On January 10, 2011, the Department informed ASC staff that this issue has been corrected.</p> <p>By email received January 20, 2011, the Department provided to ASC staff a detailed report of the status of the four identified credential holders: two of the identified credential holders who took one of these courses to satisfy the 2010 CE completed alternate courses. The two identified credential holders who took one of these courses to satisfy the upcoming July 31, 2011 CE hours were notified that they would not receive credit for these courses.</p>	None	To strengthen the Program, the Department should ensure that all courses approved for appraiser education conform to AQB Criteria.	<p>The Department's resolution addresses the concern.</p> <p>During the next Review, ASC staff will pay particular attention to this area for compliance with AQB Criteria.</p>

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Requirement/Guidance	ASC Finding Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
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.)				<p>Michigan had 263 outstanding complaints of which 81 (31%), were unresolved for more than one year. None of the complaints fall under the exception for special documented circumstances. Of the 81 cases unresolved for more than one year, 15 were awaiting a vote by the Board to adopt a final order or stipulation.</p> <p>During this Review Period, ASC staff found that complaints are being processed in a more timely manner than in previous Reviews, in large part due to improvements in processing that have been reported to the ASC in the past. The Department is consistently closing more complaints than are received each year. However, it can take up to 6 months for the Board to adopt final orders or stipulations. Even though the Board is advisory, they adopt, by vote, stipulations and final orders. Department staff reported they are researching whether it is necessary for final orders or stipulations to remain in a pending status while awaiting the Board vote.</p>	<p>On January 10, 2011, the Department reported to ASC staff that they agree with the ASC findings. An increase in complaints over the past few years strained the Program's resources. However, in this past year, complaints have declined. This decline will allow the Department to continue to realize positive gains toward timely resolution of real estate appraisal complaints. The Department is also currently pursuing efforts to add an additional employee with specialized skills to strike a good balance between the use of the agency's limited resources and the desire to resolve real estate appraisal complaints within one year.</p>	<p>The Department must 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.</p> <p>The ASC Policy Manager assigned to Michigan will work with the Department staff to determine the timing and content of the complaint log.</p>	<p>To strengthen the Program, the Department should employ ways to process complaints of appraiser misconduct or wrongdoing in a timely manner to ensure compliance with Policy Statement 10E.</p>	<p>Through off-site monitoring and during the next Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10E.</p>