

Appraisal Subcommittee

Federal Financial Institutions Examination Council

May 9, 2012

Mr. Jay Stewart, Director
Division of Professional Regulation
Illinois Department of Financial and Professional Regulation
James R. Thompson Center
100 West Randolph, 9th Floor
Chicago, IL 60601

RE: ASC Compliance Review of Illinois' appraiser regulatory program

Dear Mr. Stewart:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Illinois appraiser regulatory program (Program) on November 14-18, 2011. 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. Since 2006, the Illinois appraiser program has been on a one-year Review Cycle due to repeated specific areas of non-compliance with Title XI. During the current Review, the ASC found the Program has deteriorated further. Therefore, the ASC has determined the Program is not in compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended. The ASC identified the following areas of non-compliance:

- States must have sufficient funding and staffing consistent with the purpose of Title XI.¹
- Board members, and any persons in policy or decision-making positions, must perform their responsibilities consistent with Title XI.²
- States should resolve all complaints filed against appraisers within one year, except for special documented circumstances.³
- States must maintain an effective regulatory program.⁴
- Enforcement dispositions must be consistent, appropriate and equitable.⁵
- States must maintain sufficient documentation.⁶
- States must maintain relevant documentation to enable the ASC staff to understand the status of complaints filed.⁷

Illinois must bring the Program into substantial compliance within 180 days from the issuance of this Report. In addition, Illinois must implement the "Required State Actions" within the timeframes listed in the attached ASC Compliance Review Report. Illinois's failure to comply will result in more significant action being taken by the ASC.

ASC staff will schedule periodic conference calls and conduct in-person meetings with Illinois' Program, Division, and Department designees to answer questions and monitor Illinois' progress, and will issue periodic written assessments of Illinois' progress. ASC staff will be in contact within five

business days to schedule an in-person meeting with the Illinois Board. Illinois will also remain on a one-year Review Cycle.

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,



Peter Gillispie
Chairman

Attachment

cc: Mr. Brent Adams, Secretary, Department Financial and Professional Regulation
Mr. Adam Braun, Deputy Legislative Counsel, Illinois Office of the Governor
Ms. Karen Dunlap, Deputy Director Licensing and Testing
Ms. Perona, Enforcement Chief

¹ Title XI § 1118 (a), 12 U.S.C 3347.

² Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 1.

³ Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.

⁴ Title XI § 1118 (a)(4), 12 U.S.C. 3347.

⁵ Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.

⁶ Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.

⁷ Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.

ASC Compliance Review Report

ASC Finding: Not In Compliance

Final Report Issue Date: May 9, 2012

Illinois Appraiser Regulatory Program (Program)

Illinois Real Estate Appraiser Administration and Disciplinary Board (Board)/Advisory

PM: V. Metcalf

ASC Compliance Review Date: November 14-18, 2011

Review Period: October 2010 to November 2011

Umbrella Agency: IL Department of Financial and Professional Regulation (Department)
Division of Professional Regulation (Division)

Number of State Credentialed Appraisers on National Registry: 3847

Review Cycle: One Year with accelerated periodic supervision

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					
Illinois Statutes, Regulations, Policies and Procedures:		X						
States must have sufficient funding and staffing consistent with the purpose of Title XI. (Title XI § 1118 (a), 12 U.S.C 3347.)				<p>The Illinois Program does not have sufficient staffing. ASC staff found that the Program's Licensing and Testing Coordinator is responsible for processing all applications (original, reciprocal, renewal, and temporary practice) without backup support. When that employee is absent, the Program is negatively impacted. There is an additional position funded by the Program with duties including processing appraiser applications. However, the employee works in an unrelated program.</p> <p>The Coordinator of Real Estate Appraisal (Appraisal Coordinator) carries out the following functions without additional staff or backup:</p> <ol style="list-style-type: none"> (1) reviews all work product for appraiser applicants; (2) participates as the liaison between the Department and the public by responding to Program-related questions and writing the monthly newsletter; (3) serves as a non-voting member of the Board; and (4) conducts all complaint investigations. <p>ASC staff found that as a result of the lack of sufficient staffing, the Program's complaint investigation and resolution is untimely, resulting in a backlog of cases. The Program has recently been given the additional responsibility of administering the new Appraisal Management Company (AMC) program without additional staff. Based on discussions with Department staff, a new position to help with AMC registration and complaint investigations and resolutions will not be pursued due to labor laws and budgetary restrictions.</p> <p>Illinois' lack of sufficient funding and staffing was cited as an area of concern in the 2010 Report.</p>	<p>In a letter dated March 13, 2012, to ASC staff, the Division of Professional Regulation Director outlined the State's fiscal challenges. The Director further noted that the Governor's 2013 budget plan proposes a number of substantial cost reductions. In addition to these challenges, the Director stated the Department continues to work on an increasing caseload partially brought about through mandatory reporting.</p>	<p>Within 180 days of issuance of this Report, the Program must find ways to achieve and maintain the necessary funding and staffing to perform its Title XI-related duties.</p> <p>Funding and staffing must be sufficient to ensure:</p> <ol style="list-style-type: none"> (1) backup support is provided for the processing of all appraiser applications (original, reciprocal, renewal, and temporary practice); (2) reviews of all work product for appraiser applicants are performed timely; and (3) complaint investigations and resolutions are completed in accordance with ASC Policy Statement 10. 	None	<p>ASC staff will schedule periodic conference calls and conduct in-person meetings with Illinois' Program, Division and Department designees to answer questions and monitor Illinois' progress.</p>

ASC Compliance Review Report

ASC Finding: Not In Compliance

Final Report Issue Date: May 9, 2012

Illinois Appraiser Regulatory Program (Program)

Illinois Real Estate Appraiser Administration and Disciplinary Board (Board)/Advisory

PM: V. Metcalf

ASC Compliance Review Date: November 14-18, 2011

Review Period: October 2010 to November 2011

Umbrella Agency: IL Department of Financial and Professional Regulation (Department)
Division of Professional Regulation (Division)

Number of State Credentialed Appraisers on National Registry: 3847

Review Cycle: One Year with accelerated periodic supervision

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					
Illinois Statutes, Regulations, Policies and Procedures continued:		X						
Board members, and any persons in policy or decision-making positions, must perform their responsibilities consistent with Title XI. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 1.)				<p>The Illinois Board's only authority is to make non-binding recommendations to the Secretary on the following matters: (1) qualifying education and experience of applicants; (2) administration and enforcement of all rules adopted; (3) approval of all courses submitted to the Department; and (4) disciplinary matters that require a formal evidentiary hearing.</p> <p>Based on ASC staff observations of Board meetings, review of meeting minutes, and conversations with Program staff, ASC staff found the Board does not devote sufficient time to the review and deliberation of issues requiring its recommendation. ASC staff observed that meeting business did not adhere to the agenda and members did not appear prepared.</p>	<p>In a letter to ASC staff dated March 13, 2012, the Director reported that by statute the Board is required to meet no less than four times a year, but this Board meets at least monthly. Additionally, the Board reviews 50-100 course submissions every year, including those previously approved by the Appraiser Qualifications Board's (AQB) course approval program (CAP Program) and approves most but not all courses. The letter also stated the ASC observed one meeting each year and those meetings were scheduled in deference to ASC participation.</p>	<p>Illinois must:</p> <p>(1) within 60 days of issuance of this Report, provide ASC staff with a written plan on how they will ensure Board members are trained and understand their responsibilities as Board members; and</p> <p>(2) beginning with the first Illinois Board meeting after issuance of this Report, Program staff must submit to ASC staff a copy of each meeting agenda and the open and executive session meeting minutes.</p>	<p>In accordance with Title XI § 1122(h) the ASC encourages Illinois to accept courses approved by the AQB's CAP Program.</p>	<p>Through off-site monitoring, as well as periodic conference calls and in-person meetings with Illinois' Program, Division and Department designees, ASC staff will monitor Illinois' progress for compliance with Title XI and ASC Policy Statement 1.</p>
Illinois Statutes, Regulations, Policies and Procedures continued:			X					
States must adopt and/or implement all relevant 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>AQB Criteria requires that prior to reactivation, a credential holder in inactive status must complete continuing education (CE) that would have been required if the credential holder had been in active status. Illinois statute §225 ILCS 458/25-15 requires the Appraisal Coordinator to surrender their real estate appraiser credential to the Department during his or her term. Upon reinstatement, the statute does not require CE for the period of time the credential was inactive.</p>	<p>In a letter to ASC staff dated March 13, 2012, the Director acknowledged the ASC's concern, but stated this assumes the Appraisal Coordinator will automatically return to the appraisal profession after his/her employment is complete. The current Appraisal Coordinator serves as a Department expert witness and attends CE offerings and is actively engaging in non-student participation.</p>	None	<p>To strengthen the Program, Illinois should amend its statute to ensure whoever holds the Appraiser Coordinator position must comply with AQB Criteria upon returning the credential to an active status.</p>	None

ASC Compliance Review Report

ASC Finding: Not In Compliance
Final Report Issue Date: May 9, 2012

Illinois Appraiser Regulatory Program (Program)

Illinois Real Estate Appraiser Administration and Disciplinary Board (Board)/Advisory	PM: V. Metcalf	ASC Compliance Review Date: November 14-18, 2011	Review Period: October 2010 to November 2011
Umbrella Agency: IL Department of Financial and Professional Regulation (Department) Division of Professional Regulation (Division)		Number of State Credentialed Appraisers on National Registry: 3847	Review Cycle: One Year with accelerated periodic supervision

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					
Temporary Practice:			X					
States must issue temporary practice permits on an assignment basis. For temporary practice purposes, the ASC regards the term "assignment" as meaning one or more real estate appraisals and written appraisal reports which are covered by a contract to provide an appraisal. (Title XI § 1122 (a), 12 U.S.C. 3351; ASC Policy Statement 5.)				<p>Contrary to ASC Policy Statement 5, §1455.130(c) of the Illinois Administrative Rules defines assignment as a real estate appraisal and appraisal report.</p> <p>During the previous Compliance Review, ASC staff found temporary practice permit applicants applying to appraise multiple properties under a single contract were required to obtain multiple permits. The August 10, 2011 Final Compliance Review Report found Illinois out of compliance with ASC Policy Statement 5, and required Illinois to provide an explanation of how its process would be revised to ensure compliance with ASC Policy Statement 5 and to amend its regulation. Though Illinois did not respond to the required actions, during this Review, ASC staff found that Illinois had revised its process to conform with ASC Policy Statement 5. The regulation has not been amended.</p>	In a letter to ASC staff dated March 13, 2012, the Director indicated that the Administrative Rules regarding temporary practice are currently being redrafted.	None	To strengthen the Program, Illinois should continue to amend its Administrative Rules to ensure compliance with ASC Policy Statement 5.	ASC staff will pay particular attention to this during the next Review for compliance with Title XI and ASC Policy Statement 5.
National Registry:			X					
States must submit all disciplinary actions to the ASC for inclusion on the National Registry. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 9A.)				The Program did not report all disciplinary actions taken for inclusion on the National Registry. During the Review, ASC staff found that the Department signed consent agreements with appraisers that included disciplinary action, such as the completion of additional education under the condition that the discipline would not be published on the State's website or in their Newsletter. These disciplinary actions were not reported to the National Registry.	In a letter to ASC staff dated March 13, 2012, the Director stated consent orders containing education sanctions are not considered to be discipline, under §1455.280 of the Administrative Rules.	None	To strengthen the Program, Illinois should document each file as to whether the consent agreement or order is considered discipline or non-discipline.	During the next Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 9A.
Application Process:	X							
				No compliance issues noted.	N/A	None	None	None

ASC Compliance Review Report

ASC Finding: Not In Compliance

Final Report Issue Date: May 9, 2012

Illinois Appraiser Regulatory Program (Program)

Illinois Real Estate Appraiser Administration and Disciplinary Board (Board)/Advisory

PM: V. Metcalf

ASC Compliance Review Date: November 14-18, 2011

Review Period: October 2010 to November 2011

Umbrella Agency: IL Department of Financial and Professional Regulation (Department)
Division of Professional Regulation (Division)

Number of State Credentialed Appraisers on National Registry: 3847

Review Cycle: One Year with accelerated periodic supervision

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.)				<p>ASC staff was unable to verify the number of outstanding complaints. The complaint log provided by the Program to ASC staff did not accurately reflect the status of cases. The Program's legal staff did not confirm the status of all cases on the log, but did verify that 309 complaints have been in process for more than one year. Based on a review of Illinois enforcement files, ASC staff noted long periods of time where there was no activity reported on the cases. ASC staff also noted months (and in one case a year) between the date the respondent signed a Consent Agreement or Final Order and the date it was fully executed by the Department Secretary. In addition, ASC staff found that Illinois does not have any investigators working for the Program.</p> <p>Illinois was cited for untimely complaint resolution in 2000; 2006; 2007; 2008; 2009; and 2010. In 2001, ASC staff was unable to verify the number of outstanding complaints because the logs did not contain complete information.</p>	In a letter to ASC staff dated March 13, 2012, the Director reported that the discrepancies in the complaint log were caused by an incomplete transfer of data between internal reports. The Department will synchronize the necessary reports.	<p>Illinois must:</p> <p>(1) within 60 days of receipt of this Report provide a written plan on how the Program will address the State's significant backlog of outstanding complaints and facilitate more timely complaint dispositions in the future; and</p> <p>(2) send by the 15th of each month complaint logs to ASC staff to allow monitoring of the Board's progress towards addressing this situation.</p>	None	Through off-site monitoring, as well as periodic conference calls and in-person meetings with Illinois' Program, Division and Department designees, ASC staff will monitor Illinois' progress for compliance with Title XI and ASC Policy Statement 10E.

ASC Compliance Review Report

ASC Finding: Not In Compliance

Final Report Issue Date: May 9, 2012

Illinois Appraiser Regulatory Program (Program)

Illinois Real Estate Appraiser Administration and Disciplinary Board (Board)/Advisory

PM: V. Metcalf

ASC Compliance Review Date: November 14-18, 2011

Review Period: October 2010 to November 2011

Umbrella Agency: IL Department of Financial and Professional Regulation (Department)
Division of Professional Regulation (Division)

Number of State Credentialed Appraisers on National Registry: 3847

Review Cycle: One Year with accelerated periodic supervision

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					
Enforcement continued:		X						
States must maintain an effective regulatory program. (Title XI § 1118 (a)(4), 12 U.S.C. 3347.)				Illinois does not maintain an effective regulatory program. Illinois has been on a one-year Review Cycle since 2006. Every Review since 2006 has found Illinois out of compliance in this area. Each year, Illinois responded that additional staffing would be added and/or organizational changes would be made to correct deficiencies. During this Review, ASC staff found that deficiencies have not been adequately addressed. In addition, ASC staff found that the Illinois Program does not have any investigators. As a result, the Appraisal Coordinator conducts investigation of all complaints in addition to regular duties. This has contributed to additional deficiencies being identified as enumerated in this Report.	In a letter to ASC staff dated March 13, 2012, the Director stated the Illinois Program's effectiveness relates directly to whatever resources are made available. The Program is limited by the realities of its economic and fiscal situation.	The Program must, within 60 days of receipt of this Report, provide a written plan on how the Program will address the lack of investigative resources. This plan must be implemented within 180 days of issuance of this Report.	None	Through off-site monitoring, as well as periodic conference calls and in-person meetings with Illinois' Program, Division and Department designees, ASC staff will monitor Illinois' progress for compliance with Title XI and ASC Policy Statement 10E.

ASC Compliance Review Report

ASC Finding: Not In Compliance

Final Report Issue Date: May 9, 2012

Illinois Appraiser Regulatory Program (Program)

Illinois Real Estate Appraiser Administration and Disciplinary Board (Board)/Advisory

PM: V. Metcalf

ASC Compliance Review Date: November 14-18, 2011

Review Period: October 2010 to November 2011

Umbrella Agency: IL Department of Financial and Professional Regulation (Department)
Division of Professional Regulation (Division)

Number of State Credentialed Appraisers on National Registry: 3847

Review Cycle: One Year with accelerated periodic supervision

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					
Enforcement continued:		X						
Enforcement dispositions must be consistent, appropriate and equitable. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)				<p>Within the last six months of the Review Period, the Program began offering appraisers who were the subject of a complaint a consent order as a warning. The consent orders required the payment of a fee in an amount between \$250 and \$2000. These are administrative warning letters pursuant to §1455.280, and are not considered by the State to be discipline. The fee is charged in accordance with §1455.320(g)(9).</p> <p>Letters sent to appraisers state he/she may have violated USPAP. The files contained no documentation or notes to support the non-disciplinary resolution. IL staff stated that investigations are not performed at this stage. ASC staff was unable to determine if the resolutions were consistent, appropriate or equitable.</p>	<p>In a letter to ASC staff dated March 13, 2012, the Director stated that the Illinois Program continues to explore ways to streamline approaches to case resolution in answer to the increased volume of complaints. Since the ASC's on-site Review, Board members met to review and discharge complaints on a dozen complex commercial reports. Other cases are being reviewed by Board members for relevance and may result in teleconferencing with respondents for less serious cases.</p>	<p>Illinois must provide, within 60 days of issuance of this Report, a plan on:</p> <p>(1) how they will implement an effective process to ensure disposition of case resolution is consistent, appropriate and equitable; and</p> <p>(2) how they will ensure that the complaint process is well documented and available to ASC staff during the on-site portion of the Review.</p>	<p>To strengthen the Program, Illinois should establish a written policy or guideline for determining when cases are eligible for non-disciplinary settlements.</p>	<p>Through off-site monitoring, as well as periodic conference calls and in-person meetings with Illinois' Program, Division and Department designees, ASC staff will monitor Illinois' progress for compliance with Title XI and ASC Policy Statement 10E.</p>
Enforcement continued:		X						
States must maintain sufficient documentation. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)				<p>The Program does not process, investigate, and resolve complaints against appraisers in a well-documented manner. Files lacked the documentation needed to understand the facts and considerations in disciplinary cases and the reasons for determinations.</p> <p>Illinois was cited for not maintaining sufficient documentation in the 2010 Report.</p>	<p>In a letter to ASC staff dated March 13, 2012, the Director reported that the Department will endeavor to provide more documentation regarding case dispositions.</p>	<p>Illinois must ensure that all complaint files are well documented and provide a plan as discussed above.</p> <p>"Well-documented" means that relevant documentation pertaining to a matter exists, and will enable readers to understand the facts and determinations in the matter and the reasons for those determinations. Absent documented facts or considerations, substantially similar cases should result in similar dispositions.</p>	<p>To strengthen the Program, Illinois should establish a written policy or guideline to ensure disciplinary resolutions are appropriate, fair and equitable.</p>	<p>Through off-site monitoring, as well as periodic conference calls and in-person meetings with Illinois' Program, Division and Department designees, ASC staff will monitor Illinois' progress for compliance with ASC Policy Statement 10E.</p>

ASC Compliance Review Report

ASC Finding: Not In Compliance

Final Report Issue Date: May 9, 2012

Illinois Appraiser Regulatory Program (Program)

Illinois Real Estate Appraiser Administration and Disciplinary Board (Board)/Advisory

PM: V. Metcalf

ASC Compliance Review Date: November 14-18, 2011

Review Period: October 2010 to November 2011

Umbrella Agency: IL Department of Financial and Professional Regulation (Department)
Division of Professional Regulation (Division)

Number of State Credentialed Appraisers on National Registry: 3847

Review Cycle: One Year with accelerated periodic supervision

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					
Enforcement continued:		X						
States must maintain relevant documentation to enable the ASC staff to understand the status of complaints filed. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)				<p>Illinois does not have a reliable means of tracking complaints from their initial receipt to final disposition. The Program was unable to ensure all complaints were identified and monitored. For example, ASC staff reviewed 50 complaint files that were reported as closed during the Review Cycle. ASC staff found that 43 of those 50 files were actually closed prior to the Review Cycle.</p> <p>In 2010 Report, ASC noted that the Division provided inaccurate and understated complaint data in the complaint log provided to ASC staff.</p>	In a letter to ASC staff dated March 13, 2012, the Director reported that the Department will strive to ensure the internal tracking system accounts for all phases of complaint status for a clearer picture of complaint resolution activity.	Illinois must, within 60 days of receipt of this Report, provide a written plan to ASC staff on how the Program will ensure accurate tracking of complaints from receipt to final disposition. This plan must also identify who would be responsible for maintaining the log.	None	Through off-site monitoring, as well as periodic conference calls and in-person meetings with Illinois Program, Division and Department designees, ASC staff will monitor Illinois' progress for compliance with ASC Policy Statement 10E.