

Appraisal Subcommittee

Federal Financial Institutions Examination Council

October 10, 2012

Mr. Alan J. Schefke, Director
Bureau of Commercial Services
Department of Licensing and Regulatory Affairs
P O Box 30004
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 the Michigan appraiser regulatory program (Program) on June 11-13, 2012. 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

ASC staff will confirm corrective actions have taken place and are appropriate through off-site monitoring and during the next Review. Michigan will remain on a two-year Review Cycle.

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: Ms. Ann Baker, Deputy Director
Mr. Barrington Carr, Enforcement Director
Mr. Marty Gibbs, Licensing Director
Mr. Allen Williams, Internal Audit Director

¹ Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.

ASC Compliance Review Report

ASC Finding: Not In Substantial Compliance
Final Report Issue Date: October 10, 2012

Michigan Appraiser Regulatory Program (Program)

Michigan Board of Real Estate Appraisers (Board) / Advisory in all areas except enforcement	PM: J. Tidwell	ASC Compliance Review Date: June 11-13, 2012	Review Period: September 2010 to June 2012
Umbrella Agency: Michigan Department of Licensing & Regulatory Affairs, Bureau of Commercial Services (Bureau)		Number of State Credentialed Appraisers on National Registry: 3018	Review Cycle: Two Year

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					
Michigan Statutes, Regulations, Policies and Procedures:			X					
States must require that appraisals be performed in accordance with the latest version of the Uniform Standards of Professional Appraisal Practice (USPAP). (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 3; AQB Real Property Appraiser Qualification Criteria.)				A review of Michigan's Administrative Rules revealed that R 339.23102. (2) had not been amended to adopt the 2012-2013 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).	In a letter dated July 30, 2012, the Bureau reported to ASC staff that it has requested the rules be revised to include reference to the 2012-2013 USPAP. The proposed rules are at the public hearing stage of the rulemaking process.	None	To strengthen the Program, Michigan should continue the process of amending their regulations to adopt the 2012-2013 edition of USPAP in a timely manner. Failure to adopt the 2012-2013 edition of USPAP timely may lead to confusion among appraisers, consumers, regulators, and users of appraisal services.	Upon adoption, please provide ASC staff with a copy of the final rules.
National Registry:	X							
				No compliance issues noted.	N/A	None	None	None
Application Process:			X					
States must ensure that appraiser experience logs conform to AQB Real Property Appraiser Qualification Criteria. (Title XI § 1116 (a), 12 U.S.C. 3345; AQB Real Property Appraiser Qualification Criteria.)				The experience logs submitted by applicants for certification did not contain the information required regarding scope of review and supervision of the supervising appraiser on each appraisal assignment as required in the Appraiser Qualifications Board Real Property Appraiser Qualification Criteria (AQB Criteria).	In a letter dated July 30, 2012, the Bureau reported to ASC staff that it has implemented changes to the experience logs to require applicants to report the scope of review and supervision of the supervising appraiser on each appraisal assignment.	None	To strengthen the Program, the Bureau should ensure it does not accept experience earned after January 1, 2008, on experience logs that do not contain the scope of review and supervision of the supervising appraiser on each appraisal assignment.	During the next Review, ASC staff will pay particular attention to this area for compliance with AQB Criteria.
Reciprocity:	X							
				No compliance issues noted.	N/A	None	None	None

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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					
Education:	X			No compliance issues noted.	N/A	None	None	None
Enforcement:		X		Michigan had 139 outstanding complaints of which 43 were unresolved for more than 1 year. Of the complaints outstanding for more than 1 year, none fall under the exception for special documented circumstances. Of the 43 complaints, 17 were received more than 1 year ago; 14 were received more than 2 years ago; 11 were received more than 3 years ago; and 1 was received more than 4 years ago.	In a letter dated July 30, 2012, the Bureau reported to ASC staff that it agrees with the findings regarding complaint resolution timeliness and has sought various ways to comply. It has streamlined its initial complaint screening process, limited the scope of the investigation where appropriate, dedicated more staff for complaint investigation and adjusted various processes to improve efficiency. The Bureau has received approval to hire a fulltime credentialed appraiser to support the Program. With this addition to staffing, the Bureau hopes to comply with Title XI and ASC Policy Statement 10E.	The Bureau must monitor its revised processes to ensure timely processing of complaints to reduce the backlog of aged complaints, and to ensure that the complaints of appraiser misconduct or wrongdoing are resolved on a timely basis as required by ASC Policy Statement 10E. The Bureau must continue to submit complaint logs to ASC staff quarterly. Staff will analyze each log. If progress is not made, the ASC may place additional requirements upon the State.	None	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.