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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

April 10, 2013

The Honorable Manuel Flores, Secretary  
Illinois Department of Financial and Professional Regulation  
James R. Thompson Center  
100 West Randolph, 9th Floor  
Chicago, IL 60601

Re: Non-recognition of the Illinois Real Estate Appraiser Regulatory Program

Dear Secretary Flores:

This letter is to advise you that the Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council will initiate non-recognition proceedings against the Illinois Real Estate Appraiser Regulatory Program (Program) due to its failure to maintain an effective appraiser regulatory program unless timely action is taken to fulfill the requirements set forth in this letter and enclosed Report. Non-recognition will make every appraiser credentialed in Illinois ineligible to perform appraisals for federally related transactions, including residential and commercial mortgage loans.

The ASC is taking this action due to the Program's inability and consistent failure over an extended period of time to comply with the requirements in Title XI<sup>1</sup>, which culminated in a November 2011 Compliance Review assigning an ASC Finding of "Not In Compliance." A State Program is "Not In Compliance" when the number, seriousness, or repetitiveness of Title XI violations warrant this Finding.

By letter dated January 10, 2012, ASC staff informed the Illinois Department of Financial and Professional Regulation (Department) of the Preliminary Findings detailing the Program's deficiencies identified during the Compliance Review in November 2011. The ASC issued a final Compliance Review Report and letter dated May 9, 2012. This letter notified your office and the Division of Professional Regulation that based on the Preliminary Findings and the Division's response to those Findings, the ASC determined the Program was "Not in Compliance" with Title XI. The letter and final Compliance Review Report specified certain actions to be taken (Required State Actions) within 180 days (by November 9, 2012) to remediate identified significant areas of non-compliance.

ASC staff conducted a Required State Action Assessment (Assessment) of the Program on November 26-29, 2012. This Assessment identified instances of non-compliance that are repetitive and long-standing. Therefore, the status of the Program remains "Not In Compliance." The Required State

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<sup>1</sup> The Financial Institution Reform, Recovery, and Enforcement Act of 1989, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Title XI).

Action Assessment Report (Report) is enclosed. Although the Assessment noted some actions taken to correct certain identified deficiencies, the ASC determined the response and actions are inadequate, and fail to address in the required timeframe all of the Required State Actions set forth in the Compliance Review Report and letter dated May 9, 2012.

The ASC is requiring detailed written plans, policies, and procedures with specific timeframes for measurable actions to address the Program's deficiencies and maintain an effective regulatory program. These written plans, policies and procedures must be provided to the ASC by May 1, 2013. Among other things, these plans, policies, and procedures need to address how the Department will accomplish the following:

#### Funding and staffing

- Provide sufficient funding and staffing to maintain an effective enforcement program. To that end:
  - By May 1, 2013, assess the number of qualified staff and level of expertise needed to fulfill the Program's responsibilities.
  - By September 30, 2013, provide the requisite number of qualified staff.
- By May 1, 2013, provide a policy to ensure Board members receive appropriate ongoing training, including governance and ethics courses.
- By September 30, 2013, implement Board member training policy.

#### Complaint resolution

- Reduce the complaints outstanding for 12 months or longer without special documented circumstances, as noted in the enclosed Report (276 over one year old) by 10 percent on July 1, 2013; by 30 percent on October 31, 2013; by 50 percent on December 31, 2013; by 75 percent on March 31, 2014; and by 90 percent on June 30, 2014.
- Manage the complaint investigation and resolution process to comply with all applicable requirements, including:
  - Maintaining centralized logs tracking all significant steps in enforcement and complaint resolution.
  - Adequately documenting all complaint resolutions and the reasons for action taken.
  - Resolving complaints in a consistent, appropriate, equitable, and well documented manner.
  - Resolving all complaints filed against appraisers within one year, except for special documented circumstances.

ASC staff will return to Illinois in mid-May 2013 to monitor and evaluate the Program's progress in implementing and following the required written plans, policies and procedures, as well as additional aspects of the Program. The ASC will make a determination, after our May visit, regarding the need to take further actions. ASC staff is available to assist Illinois .

This letter and the attached Report are public records and available on the ASC website in accordance with the Freedom of Information Act.

Sincerely,

A handwritten signature in black ink, appearing to read "Darrin Benhart". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Darrin Benhart  
Acting Chairman

Enclosure

**ASC Staff Report: Required State Action Assessment**

**Illinois Appraiser Regulatory Program (Program)**

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

**Required State Action Assessment Date: November 26-29, 2012**

**Report Issue Date: April 10, 2013**

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

**Based on Final Compliance Review Report: May 9, 2012**

**PM: K. Klamet**

Requirement/Guidance	May 9, 2012 Required State Actions	Current Status	Further Required Actions/Comments
<b>Illinois Statutes, Regulations, Policies and Procedures:</b>			
States must have sufficient funding and staffing consistent with the purpose of Title XI. (Title XI § 1118 (a), 12 U.S.C 3347.)	<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> <p>(1) backup support is provided for the processing of all appraiser applications (original, reciprocal, renewal, and temporary practice);</p> <p>(2) reviews of all work product for appraiser applicants are performed timely; and</p> <p>(3) complaint investigations and resolutions are completed in accordance with ASC Policy Statement 10.</p>	<p>Illinois failed to provide sufficient funding and staffing to maintain an effective enforcement program consistent with the purpose of Title XI.</p> <p>On July 6, 2012, Illinois provided a one page "preliminary plan" that was insufficient and unresponsive. No written plan addressing the Required State Actions has been received to date.</p> <p>On July 6, 2012, Illinois advised ASC staff that the Governor's Office of Management and Budget authorized the addition of a full-time investigator to the Program to help reduce the backlog of outstanding complaints. ASC staff received a copy of the position description and job posting. The position was posted August 30, 2012, with a closing date of September 13, 2012. ASC staff was advised on December 13, 2012, that the additional investigator position was filled with an anticipated start date of December 18, 2012. However, significant areas of non-compliance continued to be found in complaint investigations and resolutions.</p> <p>Illinois advised ASC staff on December 7, 2012, that although the majority of the appraisal application functions are handled by one employee, other staff members have been trained to fill in should the employee be absent or need additional help due to increased workload.</p>	<p><b>Further Required Actions:</b> Illinois must provide a written plan, acceptable to ASC staff, detailing how it will ensure that the Program has sufficient funding and staffing to maintain an effective enforcement program. The plan must clearly specify measurable goals and a timeline to achieve those goals including:</p> <ul style="list-style-type: none"> <li>• Assessing the number and level of expertise of staff needed to fulfill the Program's responsibilities by May 1, 2013.</li> <li>• Providing the requisite number of qualified staff by September 30, 2013.</li> </ul> <p>This plan must be provided to the ASC staff no later than May 1, 2013.</p> <p>Measurable progress in implementation of this plan must be evident when ASC staff returns in May 2013 to monitor and evaluate the Program.</p>

## ASC Staff Report: Required State Action Assessment

**Illinois Appraiser Regulatory Program (Program)**

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

**Required State Action Assessment Date: November 26-29, 2012**

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**Umbrella Agency: IL Department of Financial and Professional Regulation  
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**Based on Final Compliance Review Report: May 9, 2012**

**PM: K. Klamet**

Requirement/Guidance	May 9, 2012 Required State Actions	Current Status	Further Required Actions/Comments
<b>Illinois Statutes, Regulations, Policies and Procedures continued:</b>			
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>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>Illinois failed to provide a required written plan on how they will ensure Board members are trained and understand their responsibilities as Board members.</p> <p>On July 6, 2012, Illinois provided a one page "preliminary plan" that was insufficient and unresponsive. No written plan addressing the Required State Actions has been received to date.</p> <p>On July 6, 2012, Illinois reported to ASC staff, that Board members received training with regard to the Open Meetings Act and were provided with a detailed table of disciplinary and non-disciplinary options for their use during deliberations.</p> <p>Program staff has been submitting meeting agendas and minutes to ASC staff.</p> <p>As part of the Required State Action Assessment, ASC staff attended a Board meeting on November 27, 2012. ASC staff found the Board's performance, during this meeting, to be consistent with their Title XI responsibilities.</p>	<p><b>Further Required Actions:</b> Illinois must develop and implement a policy to ensure that Board members receive appropriate ongoing training. This training should include governance and ethics courses. This policy must be in writing and a copy of the policy must be provided to ASC staff no later than May 1, 2013.</p> <p>Measurable progress in implementation of this policy must be evident when ASC staff returns in May 2013 to monitor and evaluate the Program.</p>

**ASC Staff Report: Required State Action Assessment**

**Illinois Appraiser Regulatory Program (Program)**

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**Based on Final Compliance Review Report: May 9, 2012**

**PM: K. Klamet**

Requirement/Guidance	May 9, 2012 Required State Actions	Current Status	Further Required Actions/Comments
<b>Enforcement:</b>			
<p>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>	<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>	<p>Illinois failed to 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.</p> <p>On July 6, 2012, Illinois provided a one page "preliminary plan" that was insufficient and unresponsive. No written plan addressing the Required State Actions has been received to date.</p> <p>Illinois advised ASC staff on July 6, 2012, that they plan to hire a full-time investigator for the appraisal Program. However, the State failed to provide a sufficient written plan to support how the addition of 1 investigator will address the significant backlog of outstanding complaints and facilitate more timely dispositions in the future. ASC staff requested a more detailed plan during a conference call with Program staff on September 28, 2012, and again during the November 26-29, 2012 Required State Action Assessment. As of this date, a more detailed plan has not been received.</p> <p>During the November 26-29, 2012 Required State Action Assessment, Illinois had 485 outstanding complaints with 276 over 1 year old. Of those 276, none fall under the exception for special documented circumstances. Of the 485 open cases, 308 are in Investigations, 157 are in Prosecutions and 20 are not yet assigned. Of the cases over 1 year old, 181 are in Investigations, 91 are in Prosecutions and 4 are not yet assigned.</p> <p>The Appraisal Coordinator has been providing a monthly complaint log.</p>	<p><b>Further Required Actions:</b> Illinois must provide a written plan, acceptable to ASC staff, detailing how the Program will address the State's significant backlog of outstanding complaints and facilitate a more timely disposition of complaints in the future.</p> <p>The plan must clearly specify measurable goals and a timeline to achieve those goals. The plan must identify all steps that have been or will be taken to address this area of non-compliance (i.e. implementing a panel to review cases to determine probable cause, reallocating staff duties, using other investigators to assist with backlog, etc.). In addition, the plan must provide a projected timeline to reduce the complaints outstanding for 12 months or longer without special documented circumstances, as noted in this Report (276 over 1 year old), by 10 percent by July 1, 2013; 30 percent by October 31, 2013; 50 percent by December 31, 2013; 75 percent by March 31, 2014; and 90 percent by June 30, 2014.</p> <p>A copy of the plan must be provided to ASC staff no later than May 1, 2013.</p> <p>Measurable progress in implementation of this plan must be evident when ASC Staff returns in May 2013 to monitor and evaluate the Program.</p> <p>In addition, Illinois must continue to provide a monthly complaint log using the format provided to ASC staff on August 29, 2012.</p>

**ASC Staff Report: Required State Action Assessment**

**Illinois Appraiser Regulatory Program (Program)**

<b>Illinois Real Estate Appraiser Administration and Disciplinary Board (Board) / Advisory</b>	<b>Required State Action Assessment Date: November 26-29, 2012</b>	<b>Report Issue Date: April 10, 2013</b>
<b>Umbrella Agency: IL Department of Financial and Professional Regulation Division of Professional Regulation (Department)</b>	<b>Based on Final Compliance Review Report: May 9, 2012</b>	<b>PM: K. Klamet</b>

<b>Requirement/Guidance</b>	<b>May 9, 2012 Required State Actions</b>	<b>Current Status</b>	<b>Further Required Actions/Comments</b>
<b>Enforcement continued:</b>			
States must maintain an effective regulatory program. (Title XI § 1118 (a)(4), 12 U.S.C. 3347.)	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.	<p>Illinois failed to provide and implement an adequate plan or process necessary to address the lack of investigative resources.</p> <p>On July 6, 2012, Illinois provided a one page "preliminary plan" that was insufficient and unresponsive. No written plan addressing the Required State Actions has been received to date.</p> <p>The Appraisal Coordinator is responsible for handling appraiser investigations but is not dedicated solely to this task as other administrative functions (i.e. Board meetings, revising Statutes and regulations, etc.) and non-related Title XI duties (i.e. monthly newsletters, etc.) are being performed.</p> <p>ASC staff was advised on December 13, 2012, that the additional investigator position was filled with an anticipated start date of December 18, 2012.</p>	<p><b>Further Required Actions:</b> Illinois must provide a plan detailing how the appraisal coordinator and investigator positions will reduce the backlog of outstanding complaints, and facilitate timely resolution in the future. The plan must outline and prioritize the duties of the appraisal coordinator and investigator positions. In addition, the plan must provide a projected timeline with measurable goals to reach and maintain an effective regulatory program.</p> <p>This plan must be in writing and a copy of the plan must be provided to ASC staff no later than May 1, 2013.</p> <p>Measurable progress in implementation of this plan must be evident when ASC staff returns in May 2013 to monitor and evaluate the Program.</p> <p><b>Comments:</b> During the ASC Required State Action Assessment on November 26-29, 2012, ASC staff identified 20 respondents on the State's list of "Cases Closed with Discipline Issued" dated November 1, 2011 to November 1, 2012, that had no disciplinary action reported to the National Registry. During the May 2013 Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI.</p>

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Requirement/Guidance	May 9, 2012 Required State Actions	Current Status	Further Required Actions/Comments
<b>Enforcement continued:</b>			
<p>Enforcement dispositions must be consistent, appropriate and equitable. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)</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>Illinois failed to provide a required written plan on how they will implement an effective process to ensure disposition of case resolution is consistent, appropriate and equitable and that the complaint process is well documented.</p> <p>On July 6, 2012, Illinois provided a one page "preliminary plan" that was insufficient and unresponsive. No written plan addressing the Required State Actions has been received to date.</p> <p>On July 6, 2012, Illinois advised ASC staff that administrative warning letters are now being issued to the respondents identifying deficiencies. In addition, the Board is using a disciplinary and non-disciplinary matrix during deliberations.</p> <p>During the ASC staff visit on August 29, 2012, and the Required State Action Assessment on November 26-29, 2012, ASC Staff reviewed enforcement files and verified, when applicable, that the file(s) contained a letter to the respondent(s) detailing the identified deficiencies.</p>	<p><b>Further Required Actions:</b> Illinois must develop and implement a policy detailing processes to ensure disposition of case resolution is consistent, appropriate and equitable and the complaint process is well documented. This policy must include tools such as a disciplinary and non-disciplinary matrix to use during deliberations to ensure similar violations receive equitable treatment. This policy must be in writing and a copy must be provided to ASC staff no later than May 1, 2013.</p> <p>Measurable progress in implementation of this policy must be evident when ASC staff returns in May 2013 to monitor and evaluate the Program.</p> <p><b>Comments:</b> During the ASC Required State Action Assessment on November 26-29, 2012, ASC staff reviewed 3 enforcement cases involving the same respondent that were handled in a manner not consistent with how similar matters were addressed. Documentation in the files failed to support the final disposition. The complaints were dismissed without providing any analysis or reasoning. ASC staff will pay particular attention to this area during the May Compliance Review.</p>



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Requirement/Guidance	May 9, 2012 Required State Actions	Current Status	Further Required Actions/Comments
<b>Enforcement continued:</b>			
States must maintain sufficient documentation. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)	<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>Illinois failed to provide a required written plan on how they will ensure complaint files are well documented.</p> <p>On July 6, 2012, Illinois provided a one page "preliminary plan" that was insufficient and unresponsive. No written plan addressing the Required State Actions has been received to date.</p> <p>On July 6, 2012, Illinois advised ASC staff that numerous exhibits are uploaded into the State's database (ILES) in an effort to better document deficiencies and evidence.</p> <p>During the ASC staff visit on August 29, 2012, and the Required State Action Assessment on November 26-29, 2012, numerous enforcement files were reviewed. ASC staff determined that, although not maintained in one location, documentation was retrieved and made available to ASC staff during the on-site Reviews.</p>	<p><b>Further Required Actions:</b> Illinois must provide a written policy on how the Program will ensure the complaint investigation and resolution process is managed to ensure compliance with Title XI. This policy must outline the responsibilities for each area of the complaint investigation and resolution process, including documentation for each area. This policy must be in writing and a copy must be provided to ASC staff no later than May 1, 2013.</p> <p>Measurable progress in implementation of this policy must be evident when ASC staff returns in May 2013 to monitor and evaluate the Program.</p> <p><b>Comments:</b> Because files are not maintained in one location, Program staff must ensure all documentation is maintained and made available from the Investigations and Prosecutions sections for ASC staff on-site Reviews.</p>

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Requirement/Guidance	May 9, 2012 Required State Actions	Current Status	Further Required Actions/Comments
<b>Enforcement continued:</b>			
<p>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>	<p>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.</p>	<p>Illinois failed to provide a required written plan on how the Program will ensure accurate tracking of complaints from receipt to final disposition and identify who will be responsible for maintaining the log.</p> <p>On July 6, 2012, Illinois provided a one page "preliminary plan" that was insufficient and unresponsive. No written plan addressing the Required State Actions has been received to date.</p> <p>On July 6, 2012 Illinois advised ASC staff that a reformatted log of complaint cases will be created through the IT Department. The Appraiser Coordinator has been providing ASC staff with a monthly complaint log identifying those cases pending in Investigations. The log does not contain the files pending in Prosecutions</p> <p>During the August 29, 2012 ASC staff visit, it was discovered that the State has a database system that tracks complaints from receipt to final disposition. However, it appears that the Program is fractured and that no one is managing the process from one area to the next (Investigations to Prosecutions).</p> <p>During the Required State Action Assessment, a complete log of open and closed complaints was provided.</p>	<p><b>Further Required Actions:</b> Illinois must develop a policy to ensure that all areas of the complaint investigation and resolution process is managed as a whole. This policy must identify the position responsible for the overall management of the complaint investigation and resolution program and outline that position's responsibilities. The policy must also outline how the Program will ensure the complaint investigation and resolution process will be managed to ensure compliance with all applicable requirements including:</p> <ul style="list-style-type: none"> <li>• Maintaining centralized logs tracking all significant steps in enforcement and complaint resolution.</li> <li>• Adequately documenting all complaint resolutions and the reasons for action taken.</li> <li>• Resolving complaints in a consistent, appropriate, equitable, and well documented manner.</li> </ul> <p>This policy must be in writing and a copy must be provided to ASC staff no later than May 1, 2013.</p> <p>Measurable progress in implementation of this policy must be evident when ASC staff returns in May 2013 to monitor and evaluate the Program.</p> <p>Illinois must continue to provide ASC staff with a comprehensive monthly complaint log.</p>