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Appraisal Subcommittee

Federal Financial Institutions Examination Council

December 11, 2013

Ms. Keali'i S. Lopez, Director
Department of Commerce and Consumer Affairs
Professional & Vocational Licensing Division
Real Estate Appraiser Section
P O Box 3469
Honolulu, HI 96801

RE: ASC Compliance Review of Hawaii's Appraiser Regulatory Program

Dear Ms. Lopez:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Hawaii appraiser regulatory program (Program) on August 5-7, 2013 to determine the Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The ASC considered the preliminary results of the Review and the State's response to those results. The Program has been awarded an ASC Finding of "Good." The final ASC Compliance Review Report (Report) is attached.

The ASC identified the following area of non-compliance:

- States must, at a minimum, adopt and/or implement all relevant AQB Criteria.¹

ASC staff will confirm that appropriate corrective actions have been taken during the next Review. Hawaii will remain on a two-year Review Cycle.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,



Arthur Lindo
Chairman

Attachment

¹Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement 1

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	<ul style="list-style-type: none"> • State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure 	2-year
Good	<ul style="list-style-type: none"> • State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure 	2-year
Needs Improvement	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure 	2-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure 	1-year
Poor ²	<ul style="list-style-type: none"> • State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure 	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

² An ASC Finding of "Poor" may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 8, *Interim Sanctions*.

ASC Compliance Review Report

ASC Finding: Good

Final Report Issue Date: December 11, 2013

Hawaii Appraiser Regulatory Program (Program)

Real Estate Appraiser Advisory Committee (Committee) /Advisory

PM: K. Klamet

ASC Compliance Review Date: August 5-7, 2013

Review Period: August 2011 to August 2013

Umbrella Agency: Department of Commerce & Consumer Affairs, Professional & Vocational Licensing Division (Division)

Number of State Credentialed Appraisers on National Registry: 520

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					
Hawaii Statutes, Regulations, Policies and Procedures:		X						
States must, at a minimum, adopt and/or implement all relevant AQB Criteria. (Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement 1.)				Hawaii regulations include the minimum AQB Criteria for Supervisory Appraisers but do not include the minimum AQB Criteria for Trainee Appraisers.	On September 25, 2013, the Division reported to ASC staff that a memo was mailed out to all certified residential and general appraisers who could potentially be supervising trainee appraisers advising them that all trainees are required to register with the Division. The memo also explained that, as of July 1, 2013, 75 hours of basic education must be completed before any credit can be given for hours earned towards the appraiser experience requirement. The Division also advised that the Hawaii Real Estate Appraiser Administrative Rules will be amended to ensure compliance with AQB Criteria.	Hawaii must amend its Administrative Rules to establish requirements for Trainee Appraisers and Supervisory Appraisers that meet or exceed AQB minimum requirements, keep ASC staff updated on the progress and provide ASC staff with a copy of the final rules once adopted.	None	During the next Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 1.
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
Education:	X			No compliance issues noted.	N/A	None	None	None
Enforcement:	X			No compliance issues noted.	N/A	None	None	None