

Appraisal Subcommittee

Federal Financial Institutions Examination Council

December 17, 2013

Mr. Tom Ryan, Executive Director
Wisconsin Department of Safety and Professional Services
Real Estate Appraisers Board
P O Box 8935
Madison, WI 53708-8935

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

Dear Mr. Ryan:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Wisconsin appraiser regulatory program (Program) on August 19-21, 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 is given an ASC Finding of "Needs Improvement." The final ASC Compliance Review Report (Report) is attached.

The ASC identified the following areas of non-compliance:

- States are required to take remedial action when it is determined that more than ten percent of audited appraiser's affidavits for continuing education credit claimed fail to meet the minimum AQB Criteria;¹ and
- States must ensure that the system for processing and investigating complaints and sanctioning appraisers is administered in an effective, consistent, equitable, and well-documented manner.²

ASC staff will confirm appropriate corrective actions have been taken during a Follow-up review in approximately 4-6 months and during the next Review. Wisconsin 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,

A handwritten signature in cursive script, appearing to read "Arthur Lindo".

Arthur Lindo
Chairman

Attachment

cc: Mr. Dave Ross, Secretary, Department of Safety and Professional Services

¹ Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement 4.

² Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement 7.

ASC Findings

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*	<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

* 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*.

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

ASC Compliance Review Report

ASC Finding: Needs Improvement
Final Report Issue Date: December 17, 2013

Wisconsin Appraiser Regulatory Program (Program)

**Real Estate Appraisers Board (Board) /
 Advisory/Decision Making**

PM: J. Tidwell

ASC Compliance Review Date: August 19-21, 2013

Review Period: August 2011 to August 2013

Umbrella Agency: Department of Safety and Professional Services (Department)

Number of State Credentialed Appraisers on National Registry: 1970

Review Cycle: Two Year with Follow-up

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					
Wisconsin 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					
States must submit all disciplinary actions to the ASC for inclusion on the National Registry. (Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338; ASC Policy Statement 3.)				ASC staff determined the Department had not reported all disciplinary actions on the ASC National Registry.	On November 5, 2013, the Department reported to ASC staff that all missing disciplinary actions were identified and reported to the ASC National Registry. The Department also created a written internal policy to report all disciplinary actions to the ASC National Registry in compliance with ASC Policy Statement 3.	None	None	ASC staff will return for a Follow-up Review in approximately 4-6 months and will review this area for compliance with ASC Policy Statement 3.
Application Process:		X						
States are required to take remedial action when it is determined that more than ten percent of audited appraiser's affidavits for continuing education (CE) credit claimed fail to meet the minimum AQB Criteria. (Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement 4.)				ASC staff determined that 12% of the 2009-2011 audited appraisers' continuing education (CE) failed to meet AQB Criteria.	On November 5, 2013, the Department reported that notice of the CE compliance audit for 2011-2013 was posted to the Department's CE website and added to all license renewal forms. The Department also reported that they are working with the State appraiser associations to publish information regarding ongoing CE audits in their newsletters.	By April 30, 2014, the Department must submit to the ASC staff a sortable list of credentials audited for the 2011-2013 CE audit and the results for each. During the Follow-up Review files of all individuals audited must be available for review.	None	ASC staff will return for a Follow-up Review in approximately 4-6 months and will review the CE compliance audit files.
Reciprocity:	X			No compliance issues noted.	N/A	None	None	None

ASC Compliance Review Report

ASC Finding: Needs Improvement
Final Report Issue Date: December 17, 2013

Wisconsin Appraiser Regulatory Program (Program)

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 Advisory/Decision Making**

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Number of State Credentialed Appraisers on National Registry: 1970

Review Cycle: Two Year with Follow-up

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					
States must ensure that appraiser education courses are consistent with AQB Criteria. (Title XI § 1118 (a), 12 U.S.C. § 3347; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 6.)				Department staff approved education courses with content inconsistent with AQB Criteria for CE.	On November 5, 2013, the Department reported that: <ul style="list-style-type: none"> • every CE course previously approved was reviewed for compliance with AQB criteria; • approvals for 7 CE courses were revoked as of October 1, 2013; • approval was revoked for any course in which content in real property related appraisal topics could not be substantiated with a timed outline; • providers of all revoked courses were notified; • revoked courses were removed from the Department's website; • a CE review protocol was established; and • Department's staff training manual was updated to include an emphasis on the importance of adhering to AQB criteria when reviewing courses. 	None	None	ASC staff will return for a Follow-up Review in approximately 4-6 months and will review this area for compliance with ASC Policy Statement 6.
Enforcement:		X						
States must ensure that the system for processing and investigating complaints and sanctioning appraisers is administered in an effective, consistent, equitable, and well-documented manner. (Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement 7.)				Complaints were filed against appraisers for failure to provide proof of CE, but were not processed effectively. All complaints were addressed by either dismissal or dismissal with a non-disciplinary advisory letter once the appraiser provided proof of having completed the delinquent CE.	On November 5, 2013, the Department reported to ASC staff mitigating circumstances that caused the dismissal with a non-disciplinary advisory letter of complaints filed against appraisers for failure to provide proof of CE.	The Department must provide, within 60 days of issuance of this Report, a plan on how they will: <ol style="list-style-type: none"> (1) handle cases involving a potential false statement regarding CE completed on a renewal application; and (2) ensure that statements made by respondents are investigated for support or contradiction and that documentation will be maintained in the case file for the aggravating or mitigating circumstances. 	To strengthen the Program, the Department should find ways to ensure that actions against CE violators are sufficient and equitable.	The Department reported that mitigating circumstances were present but the CE files reviewed contained no documentation that the Department corroborated statements made by the respondents. Case files contained evidence that CE was taken outside of the renewal cycle. ASC staff will return for a Follow-up Review in approximately 4-6 months to review the audit files from the CE compliance audit for the 2011-2013 biennium.