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Appraisal Subcommittee

Federal Financial Institutions Examination Council

January 14, 2015

Mr. Charles Kirk, Acting Executive Director
Real Estate Appraiser Board
Division of Consumer Affairs
Department of Law & Public Safety
124 Halsey Street, 3rd Floor
Newark, NJ 07102

RE: ASC Compliance Review of New Jersey's Appraiser Regulatory Program

Dear Mr. Kirk:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the New Jersey appraiser regulatory program (Program) on September 22-24, 2014, 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 must, at a minimum, adopt and/or implement all relevant AQB Criteria;¹
- States must complete audits of affidavits for continuing education credit claimed within sixty days from the date the renewed credential is issued;²
- States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria;³ and
- States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date in the absence of special documented circumstances.⁴

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and during the next Review. New Jersey 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

cc: Mr. Joseph Palumbo, President, Board of Real Estate Appraisers

¹ 12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D.

² 12 U.S.C. § 3347; Policy Statement 4 F.

³ 12 U.S.C. § 3347; Policy Statement 6 A.

⁴ 12 U.S.C. § 3347; Policy Statement 7 B.

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 ⁵	<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.

⁵ 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: Needs Improvement
Final Report Issue Date: January 14, 2015

New Jersey Appraiser Regulatory Program (State)

New Jersey Real Estate Appraiser Board (Board) / Decision Making PM: C. Brooks ASC Compliance Review Date: September 22-24, 2014 Review Period: March 2012 to September 2014

Umbrella Agency: Division of Consumer Affairs Number of State Credentialed Appraisers on National Registry: 2,772 Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Statutes, Regulations, Policies and Procedures:			X				
States must have funding and staffing sufficient to carry out their Title XI-related duties. (12 U.S.C. § 3347; Policy Statement 1 B.)				The 9-member Board has 4 vacant positions and 1 member is retiring in December 2014. This leaves the Board vulnerable to a lack of a quorum.	The State did not provide a comment regarding the vacant Board member positions.	The State should monitor the appointment process and encourage the appointment of members to the vacant positions.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
Temporary Practice:	X						
				No compliance issues noted.	N/A	None	None
National Registry:			X				
States must submit appraiser data to the ASC at least monthly. If a State's data does not change during the month, the State agency must notify the ASC of that fact in writing. (12 U.S.C. § 3347; Policy Statement 3 D.)				The State failed to submit appraiser data to the ASC in June, August and November of 2013 and April of 2014.	On December 10, 2014, the State reported that future data submissions will be reported to the ASC at least monthly.	The State should develop a procedure to ensure appraiser data is submitted to the ASC in a timely manner.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 3.
Application Process:		X					
States must, at a minimum, adopt and/or implement all relevant AQB Criteria. (12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D.)				Prior to reactivation, credential holders in inactive status must complete all required continuing education (CE) hours that would have been required if the credential holder was in active status. The required hours must also include the most recent edition of a 7-hour USPAP update course. Applicants applying for reinstatement were not required to submit CE for the entire inactive period.	On December 10, 2014, the State reported that applicants for reinstatement who were not required to submit CE for the entire inactive period have been notified of their CE deficiencies.	Within 90 days of the date of this Report, the State must provide ASC staff a detailed account of the reinstated applicants who, at the time of reactivation, were not required to submit CE for the entire inactive period which includes: (a) all credentials deficient in CE, detailing those deficiencies; (b) verification that all deficiencies have been corrected; (c) verification that all non-compliant individuals have been placed on inactive status on the National Registry.	Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.

ASC Compliance Review Report

ASC Finding: Needs Improvement

Final Report Issue Date: January 14, 2015

New Jersey Appraiser Regulatory Program (State)

New Jersey Real Estate Appraiser Board (Board) /
Decision Making

PM: C. Brooks

ASC Compliance Review Date: September 22-24, 2014

Review Period: March 2012 to September 2014

Umbrella Agency: Division of Consumer Affairs

Number of State Credentialed Appraisers on National Registry: 2,772

Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Application Process continued:		X					
States must complete audits of affidavits for continuing education credit claimed within sixty days from the date the renewed credential is issued. (12 U.S.C. § 3347; Policy Statement 4 F.)				The CE audits were not completed within 60 business days.	On December 10, 2014, the State reported that audits of affidavits for CE for the 2012-2013 cycle are complete.	The State must implement an effective policy and procedure to ensure that in the future, the continuing education audit is completed within 60 days of the date the credential is issued.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4.
Reciprocity:	X			No compliance issues noted.	N/A	None	None
Education:		X		Several course files did not contain a timed outline to support that the course conformed to AQB Criteria.	On December 10, 2014, the State reported that in the future, the Board will ensure that course files include timed outlines to support that the education courses conform to AQB Criteria.	The State must implement an effective process to ensure that in the future, all approved CE course files contain sufficient documentation to support conformance to AQB Criteria.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 6.

ASC Compliance Review Report

ASC Finding: Needs Improvement

Final Report Issue Date: January 14, 2015

New Jersey Appraiser Regulatory Program (State)

New Jersey Real Estate Appraiser Board (Board) / Decision Making

PM: C. Brooks

ASC Compliance Review Date: September 22-24, 2014

Review Period: March 2012 to September 2014

Umbrella Agency: Division of Consumer Affairs

Number of State Credentialed Appraisers on National Registry: 2,772

Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Enforcement:		X					
States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date in the absence of special documented circumstances. (12 U.S.C. § 3347; Policy Statement 7 B.)				<p>The State had 41 outstanding complaints of which 13 were unresolved for more than 1 year. Of the complaints outstanding for more than 1 year, 6 appear to fall under the exception for special documented circumstances.</p> <p>Complaint investigation and resolution has been cited in every Compliance Review conducted for the Program since 2010.</p> <p>During the 2012 Compliance Review, the State had 66 outstanding complaints of which 30 were unresolved for more than 1 year. During the 2010 Review the State had 65 outstanding complaints of which 20 were unresolved for more than 1 year.</p>	<p>On December 10, 2014, the State reported that 2 of the aged cases were closed since the ASC on-site Compliance Review.</p> <p>The State also reported that it would continue to convene a committee of Board members on scheduled dates to conduct investigative inquiries.</p>	<p>The State must continue to submit quarterly complaint logs to ASC staff.</p>	<p>Although New Jersey has made improvements in its enforcement program, it is still out of compliance in timely enforcement.</p> <p>Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7.</p>