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Appraisal Subcommittee
Federal Financial Institutions Examination Council

March 11, 2014

Ms. Damaris Alvarez Irizary, President
Puerto Rico Real Estate Appraisers Examination Board
Department of State
P O Box 3271
San Juan, PR 00902-3271

RE: ASC Compliance Review of Puerto Rico's Appraiser Regulatory Program

Dear Ms. Alvarez:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Puerto Rico appraiser regulatory program (Program) on December 4-6, 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. An area of concern was identified which will be monitored by ASC staff. Puerto Rico 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. Francisco Rodriguez Bernier, Assistant Secretary of State
Ms. Joselle Vazquez, Board Secretary

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 ¹	<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.

¹ 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: March 11, 2014

Puerto Rico Appraiser Regulatory Program (Program)

State Board Title: Puerto Rico Real Estate Appraisers Examination Board (Board) / Decision Making
PM: V. Metcalf
ASC Compliance Review Date: December 4-6, 2013
Review Period: January 2012 - December 2013

Umbrella Agency: Department of State (Department)
Number of State Credentialed Appraisers on National Registry: 372
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					
Puerto Rico Statutes, Regulations, Policies and Procedures:			X					
States must have funding and staffing sufficient to carry out their Title XI-related duties. (Title XI § 1118 (b), 12 U.S.C. § 3347; ASC Policy Statement 1.)				The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA) amended Title XI in ways that have significant implications for the States. The Program's administrative resources have diminished even though the duties have increased due to DFA mandates and will continue to increase as additional mandates are implemented. The Program's support staff person was assigned responsibility for additional professional boards during the Review Cycle, reducing by at least half, the time available for Appraiser Program functions.	On February 21, 2014, the Board reported that it continues to expect to have a limited budget because of the severe fiscal crisis impacting the Commonwealth's General Fund. However, they are confident the Department will support Board member attendance at meetings, conferences and training relative to Title XI and will make available the necessary funds to assure that the Board has the required administrative resources, despite the Commonwealth's fiscal situation.	None	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 1.
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.)				The Program did not report 2 disciplinary actions on the National Registry.	On February 26, 2014, the Board reported to the ASC staff that the missing disciplinary actions were not included because of a misunderstanding of the appropriate coding. Since receiving clarification, the missing disciplinary actions have been reported. In a February 21, 2014 response letter, the Board agreed to report disciplinary actions taken regarding the appraisers' non-Federal EPA credentials, as well as those regarding their certifications.	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

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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							
States must ensure the delivery mechanism for distance education courses offered by a non-academic provider has been approved by an AQB-approved organization providing approval of course design and delivery. (Title XI § 1118 (a), 12 U.S.C. § 3347; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 6.)				Education files did not contain sufficient documentation to support that primary or secondary providers of distance education courses received the required International Distance Education Course Certification (IDECC) approval. Courses offered by a recognized provider were not independently reviewed for course content and verified for course design and delivery.	On February 21, 2014, the Board reported that it examined a sample of their online course offerings and found no discrepancies with the AQB approval expiration dates. In addition, the Board reported that they have revised the process and notified all online education providers that to receive credit they should include documentation to support AQB or IDECC approvals.	None	None	The Board's resolution addresses the concern.
Enforcement:	X							
				No compliance issues noted.	N/A	None	None	None