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Appraisal Subcommittee

Federal Financial Institutions Examination Council

April 9, 2014

Mr. John P. Camacho, Director
Department of Revenue and Taxation
1240 Route 16 Army Drive
Barrigada, GU 96921

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

Dear Mr. Camacho:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Guam appraiser regulatory program (Program) on November 18, 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 must have policies, practices and procedures consistent with Title XI;¹
- States must have a reciprocity policy in place for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title X²; and
- States must have funding and staffing sufficient to carry out their Title XI-related duties.³

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and during the next Review. Guam 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. John Q. Carlos, Regulatory Program Administrator
Ms. Teresa C. Santos, Regulatory Examiner III

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

² Title XI § 1122 (b), 12 U.S.C. § 3351; ASC Policy Statement 5.

³ Title XI § 1118 (b), 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 ⁴	<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.

⁴ 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: April 9, 2014

Guam Appraiser Regulatory Program (Program)

State Board Title - None	PM: N. Fenochietti	ASC Compliance Review Date: November 18, 2013	Review Period: August 2009 to November 2013
Umbrella Agency: Department of Revenue and Taxation (Department)		Number of State Credentialed Appraisers on National Registry: 23	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					
Guam Statutes, Regulations, Policies and Procedures:		X						
States must have policies, practices and procedures consistent with Title XI. (Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement 1.)				ASC Policy Statement 2 requires that a State may not limit the valid time period of a temporary practice permit to less than 6 months and must allow at least 1 temporary practice permit extension through a streamlined process. Guam Code Annotated, Title 22, Division 3, Chapter 30 §30122 does not provide for at least 1 extension.	On February 12, 2014, Department staff reported that the Real Estate Appraiser Law of Guam includes a provision that automatically adopts the Appraiser Qualifications Board Real Property Appraiser Qualification Criteria (AQB Criteria).	The Department must amend its Code to bring it into compliance with Title XI and ASC Policy Statement 2. Temporary practice permit requirements are not included in the AQB Criteria.	None	Through off-site monitoring and during the next Compliance Review in November 2015, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 2.
Guam Statutes, Regulations, Policies and Procedures continued:		X						
States must have a reciprocity policy in place for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI. (Title XI § 1122 (b), 12 U.S.C. § 3351; ASC Policy Statement 5.)				Guam's Statutes do not comply with the requirements of Title XI and ASC Policy Statement 5, although in policy and practice the State appears to operate in compliance with those requirements.	On February 12, 2014, Department staff reported that the Real Estate Appraiser Law of Guam includes a provision that automatically adopts the AQB Criteria.	The Department must amend its Code to bring it into compliance with Title XI and ASC Policy Statement 5. Reciprocity requirements are not included in the AQB Criteria.	None	Through off-site monitoring and during the next Compliance Review in November 2015, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 5.

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Umbrella Agency: Department of Revenue and Taxation (Department)		Number of State Credentialed Appraisers on National Registry: 23	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					
Guam Statutes, Regulations, Policies and Procedures continued:		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.)				<p>ASC Policy Statement 4 requires that persons analyzing work product for Uniform Standards of Professional Appraisal Practice (USPAP) compliance must have sufficient knowledge to make that determination. The Department does not have staff with sufficient knowledge of USPAP or a process in place to ensure an applicant's work product is USPAP compliant.</p> <p>ASC Policy Statement 7 requires that persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must document how such persons are so qualified. The Department does not have staff or a process in place to ensure effective enforcement.</p>	On February 12, 2014, Department staff reported that they are investigating the possibility of utilizing appraiser staff from the real property tax branch of the Department for assistance with reviewing work samples for initial credential applicants and appraisals that are the subject of a complaint, should one be filed.	The Department must continue its efforts to achieve and maintain the necessary resources and/or implement processes to ensure persons analyzing appraisals have sufficient knowledge of USPAP.	None	Through off-site monitoring and during the next Compliance Review in November 2015, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statements 4 and 7.
Temporary Practice:	X							
				No compliance issues noted.	N/A	None	None	None
National Registry:	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					
Application Process:			X					
Persons analyzing work product for USPAP compliance must have sufficient knowledge to make that determination. (Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement 4.)				The Department does not have staff with USPAP knowledge sufficient to review applicants' work samples or a process in place to timely determine work samples are in compliance with USPAP.	On February 12, 2014, Department staff reported that they are investigating the possibility of utilizing appraiser staff from the real property tax branch of the Department for assistance with reviewing work samples for initial credential applicants and appraisals that are the subject of a complaint, should one be filed.	None	To strengthen the Program, the Department should find ways to achieve and maintain the necessary resources to perform its Title XI-related duties.	During the next Compliance Review in November 2015, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4.
Reciprocity:			X					
States must have a reciprocity policy in place for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI. (Title XI § 1122 (b), 12 U.S.C. § 3351; ASC Policy Statement 5.)				Guam's Statutes do not comply with the requirements of Title XI and Policy Statement 5, although in policy and practice the State appears to operate in compliance with those requirements	On February 12, 2014, Department staff reported that the Real Estate Appraiser Law of Guam includes a provision that automatically adopts the AQB Criteria.	None	To strengthen the Program, the Department should continue the process to amend its Code to bring it into compliance with Title XI and ASC Policy Statement 5. Reciprocity requirements are not included in the AQB Criteria.	During the next Compliance Review in November 2015, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 5.
Education:	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					
Enforcement:			X					
Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must document how such persons are so qualified. (Title XI § 1118 (a), 12 U.S.C. § 3347; ASC Policy Statement 7.)				The Department does not have staff with sufficient knowledge of USPAP and appraiser practice or a process in place to ensure effective supervision.	On February 12, 2014, Department staff reported that they are investigating the possibility of utilizing appraiser staff from the real property tax branch of the Department for assistance with reviewing work samples for initial credential applicants and appraisals that are the subject of a complaint, should one be filed.	None	To strengthen the Program, the Department should find ways to achieve and maintain the necessary resources and/or processes to ensure persons analyzing appraisals in connection with a complaint are knowledgeable, should a complaint be filed.	During the next Compliance Review in November 2015, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7.