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Appraisal Subcommittee

Federal Financial Institutions Examination Council

October 14, 2014

Ms. Jodie Campbell, Administrator
Real Estate Appraiser Qualifications and Ethics Board
P O Box 1336
Bismarck, ND 58502-1336

RE: ASC Compliance Review of North Dakota's Appraiser Regulatory Program

Dear Ms. Campbell:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the North Dakota appraiser regulatory program (Program) on June 23-25, 2014, to determine the Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

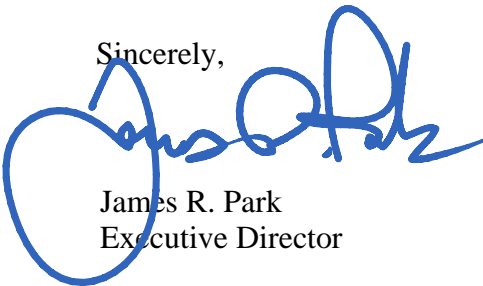
The ASC considered the preliminary results of the Review and the State's response to those results. The Program has been awarded an ASC Finding of "Good." The final ASC Compliance Review Report (Report) is attached.

The ASC identified the following area(s) of non-compliance:

- States must, at a minimum, adopt and/or implement all relevant AQB Criteria;¹ and
- States must have a policy for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI.²

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,



James R. Park
Executive Director

Attachment
cc: Mr. Joseph Ibach, Board Chair

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

² 12 U.S.C. § 3351; Policy Statement 5.

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 ³ | <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.

³ 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: October 14, 2014

North Dakota Appraiser Regulatory Program (State)

Real Estate Appraiser Qualifications and Ethics Board (Board) / Decision Making PM: K. Klamet ASC Compliance Review Date: June 23-25, 2014 Review Period: July 2012 to June 2014

Independent Number of State Credentialed Appraisers on National Registry: 290 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, 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.) | | | | North Dakota's Statutes and Regulations do not comply with AQB Criteria regarding Supervising Appraisers. AQB Criteria requires that the Appraiser Trainee be subject to direct supervision by a Supervising Appraiser in good standing who is State certified. North Dakota allows a Supervising Appraiser to be State Licensed. | On September 15, 2014, the State reported that a rule hearing is scheduled for October 20, 2014, to correct the regulation. | The State must continue the process to amend its statutes and regulations to bring them into compliance with AQB Criteria, and provide the ASC staff with a copy of the final rules once adopted. | None |
| Statutes, Regulations, Policies and Procedures continued: | | X | | | | | |
| States must have a policy for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI. (12 U.S.C. § 3351; Policy Statement 5.) | | | | North Dakota Statutes §43-23.3-03. 2. c., §43-23.3-04.1 and Regulation 101-02-02.1-01. 1. do not comply with Title XI which requires a reciprocal credential be issued when the applicant holds a valid credential from a State whose program is in compliance with Title XI and whose credentialing requirements meet or exceed the requirements of the State where the application is made. | On September 15, 2014, the State reported that the Board will pursue legislation during the 2015 Legislative Session to amend the non-compliant statute. The State also reported that a rule hearing is scheduled for October 20, 2014, to correct the regulation. | The State must continue the process to amend its statute and regulation to bring them into compliance with Title XI, and provide the ASC staff with a copy of the final statute and regulation once adopted. | None |
| Temporary Practice: | X | | | | | | |
| | | | | No compliance issues noted. | N/A | None | None |
| National Registry: | X | | | | | | |
| | | | | No compliance issues noted. | N/A | None | None |

ASC Compliance Review Report

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North Dakota Appraiser Regulatory Program (State)

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|---|---------------|---|---------------------------------------|
| Real Estate Appraiser Qualifications and Ethics Board (Board) / Decision Making | PM: K. Klamet | ASC Compliance Review Date: June 23-25, 2014 | Review Period: July 2012 to June 2014 |
| Independent | | Number of State Credentialed Appraisers on National Registry: 290 | 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: | X | | | | | | |
| | | | | No compliance issues noted. | N/A | None | None |
| Reciprocity: | | | X | | | | |
| States must have a policy for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI. (12 U.S.C. § 3351; Policy Statement 5.) | | | | The State's statutory/regulatory authority is not consistent with the State's practice or federal requirements. However, in practice, it appears North Dakota complies with Title XI concerning reciprocity. | N/A | None | During the next Compliance Review, 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 |
| 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.) | | | | The State had 9 outstanding complaints of which 2 were unresolved for more than 1 year. Of the complaints outstanding for more than 1 year, none appear to fall under the exception for special documented circumstances. | On September 15, 2014, the State provided ASC staff with a summary of the 2 unresolved complaints outstanding for more than 1 year and asked that they be considered exempt due to extenuating circumstances beyond their control. The State also reported that it revised its documentation procedures so that the staff documents the timeline and circumstances as the investigative process proceeds. | The State must fully document enforcement files with any special documented circumstances beyond the control of the State agency that delays normal processing of a complaint. | Based on a review of the documentation provided by the State, 1 case outstanding for more than 1 year falls under the exception for special documented circumstances. The file was not properly documented. During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7. |