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Appraisal Subcommittee

Federal Financial Institutions Examination Council

November 3, 2014

Mr. Mike Rothman, Commissioner
Minnesota Department of Commerce
85 – 7th Place East, Suite 500
St. Paul, MN 55101

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

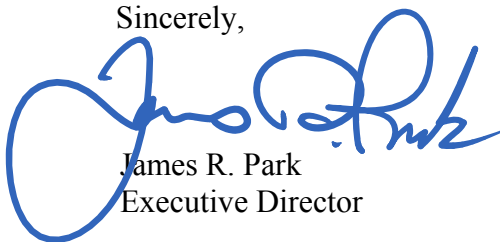
Dear Mr. Rothman:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Minnesota appraiser regulatory program (Program) on July 23-24, 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 has been awarded an ASC Finding of "Good." An area of concern that was identified is being addressed by the Program. Minnesota will remain on a two-year Review Cycle. The final ASC Compliance Review Report (Report) is attached.

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: Ms. Emily Johnson Piper, Deputy Commissioner/Chief of Staff
Mr. Robert Commodore, Senior Director, Consumer & Industry Services
Mr. Marty Fleischhacker, Acting Assistant Commissioner of Enforcement
Mr. Peter Bratsch, Licensing Director
Mr. Mark Hastie, MIT Director

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: November 3, 2014

Minnesota Appraiser Regulatory Program (State)

State Board Title (Board) / N/A	PM: N. Fenochietti	ASC Compliance Review Date: July 23-24, 2014	Review Period: August 2012 to July 2014
Umbrella Agency: Minnesota Department of Commerce (Department)		Number of State Credentialed Appraisers on National Registry: 2,093	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			No compliance issues noted.	N/A	None	None
Temporary Practice:	X			No compliance issues noted.	N/A	None	None
National Registry:	X			No compliance issues noted.	N/A	None	None
Application Process:			X	The Department issued a Certified Residential credential without completing a work sample review for USPAP compliance. The application process appeared to contain a weakness in the communication between investigative staff and licensing staff that resulted in the improper issuance of that credential.	On July 31, 2014, the Department reported that the individual credentialed in error was removed from the National Registry. On October 10, 2014 the Department reported that its processes were revised to enhance communication between the investigative and licensing staff to ensure credentials are properly issued and documented.	The Department must monitor its revised process to ensure credentials are not issued to applicants whose appraisal experience has not been reviewed for USPAP compliance.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4 D.
Reciprocity:	X			No compliance issues noted.	N/A	None	None
Education:	X			No compliance issues noted.	N/A	None	None
Enforcement:	X			No compliance issues noted.	N/A	None	None