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Appraisal Subcommittee

Federal Financial Institutions Examination Council

November 12, 2014

Mr. Richard Maloney, Director, Trade Practices
Department of Consumer Protection
165 Capitol Avenue, Room 110
Hartford, CT 06106

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

Dear Mr. Maloney:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Connecticut appraiser regulatory program (Program) on June 29 - July 1, 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.

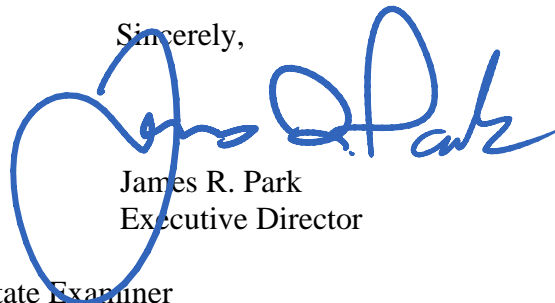
The ASC identified the following areas of non-compliance:

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

ASC staff will confirm that appropriate corrective actions have been taken during the next Review. Connecticut 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,



James R. Park
Executive Director

Attachment

cc: Ms. Linda Kieft-Robitaille, Real Estate Examiner
Ms. Vicky Bullock, Staff Attorney
Ms. Michelle Seagull, Deputy Commissioner

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

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

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: November 12, 2014

Connecticut Appraiser Regulatory Program (Connecticut)			
Connecticut Real Estate Appraisal Commission (Commission)/ Decision Making	PM: V. Metcalf	ASC Compliance Review Date: June 29- July 1, 2014	Review Period: April 2012 - June 2014
Umbrella Agency: Department of Consumer Protection (Department)		Number of State Credentialed Appraisers on National Registry: 1,294	Review Cycle: Two Years

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Statutes, Regulations, Policies and Procedures:		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.)				Connecticut's statute and regulations 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 26, 2014, the Department provided a copy of draft legislation to remove the requirement of reciprocal recognition between Connecticut and another State. The Department also reported that the regulations will be amended to meet Title XI.	Connecticut must continue the process to amend its statute and rules to bring them into compliance with Title XI and Policy Statement 5, and provide ASC staff with a copy of the final statute and rules once adopted.	During the next Compliance Review, the ASC will pay particular attention to this area for compliance with Title XI and Policy Statement 5.
Statutes, Regulations, Policies and Procedures continued:		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.)				<p>A review of the Connecticut regulations revealed the following inconsistencies with AQB Criteria regarding (1) Supervisory credential status; (2) Supervisory appraiser trainee limits; and (3) Trainee appraisers:</p> <p>Supervisory appraisers shall be in good standing and not the subject of disciplinary action within the last 2 years that affects the supervisor's legal ability to engage in appraisal practice. Section 20-515(a) and Section 20-504-4(b) only require the supervisory appraiser to be in good standing;</p> <p>Supervisors are limited to 3 trainees, unless a State program in the credentialing jurisdiction provides for progress monitoring, supervisory certified appraiser qualification, and supervision and oversight requirements for Supervisory Appraisers. Connecticut regulation Sec.20-504-4(j) permits the Commission to waive the 3 trainee license limitation, but does not require progress monitoring or other oversight requirements; and</p> <p>As of July 1, 2013, trainee appraisers must comply with AQB Criteria requirements including those set forth for continuing education (CE). Connecticut regulations Sec.20-504-7(b)(1) states that trainee appraisers shall have no CE requirement at the first renewal of their license.</p>	On September 26, 2014, the Department reported that the regulatory amendments to correct the non-compliant sections were approved by the Governor and will be considered at a public hearing on October 31, 2014.	Connecticut must continue the process to amend the rules to bring them into compliance with AQB Criteria, and provide ASC staff with a copy of the final rules once adopted.	During the next Compliance Review, the ASC will pay particular attention to this area for compliance with AQB Criteria.

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Connecticut Appraiser Regulatory Program (Connecticut)

Connecticut Real Estate Appraisal Commission
(Commission)/ Decision Making

PM: V. Metcalf

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	YES	NO	AC				
Statutes, Regulations, Policies and Procedures continued:		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.)				<p>A review of the Connecticut regulations revealed the following inconsistencies with AQB Criteria regarding: (1) Qualifying Education (QE); and (2) Distance Education (DE):</p> <p>Applicants may not use "teaching experience claims" to meet the requisite hours of QE. Connecticut regulations, Sec. 20-504-5(d) (3), allow applicants to use "teaching experience claims" toward QE; and</p> <p>AQB Criteria requires specific delivery mechanism approval for DE. Connecticut regulations, Sec. 20-512-6 (f) does not address the delivery mechanism approval.</p>	On September 26, 2014, the Department reported that the regulatory amendments to correct the non-compliant sections were approved by the Governor and will be considered at a public hearing on October 31, 2014.	Connecticut must continue the process to amend the rules to bring them into compliance with AQB Criteria, and provide ASC staff with a copy of the final rules once adopted.	During the next Compliance Review, the ASC will pay particular attention to this area for compliance with AQB Criteria.
Temporary Practice:	X			No compliance issues noted.	None	None	None
National Registry:			X				
States must submit all disciplinary actions to the ASC for inclusion on the National Registry. (12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 A, D, E.)				The State did not report all disciplinary actions on the ASC National Registry. The missing sanctions were reported to the National Registry before the conclusion of the on-site Review.	On September 26, 2014, the Department reported their procedure has been changed to include the National Registry as an "action item" in each case file to prompt reporting when discipline is imposed.	None	During the next Compliance Review, the ASC will pay particular attention to this area for compliance with Policy Statement 3.
Application Process:	X						
States must process applications in a consistent, equitable and well-documented manner. (12 U.S.C. § 3347 (a); Policy Statement 4 A.)				The files did not contain evidence Connecticut verified the supervisory appraisers for trainees credentialed after July 1, 2013, had not been subject to disciplinary action within the last 2 years affecting their legal ability to engage in appraisal practice.	On September 26, 2014, the Department reported that while it had not been formally documented, staff verifies the license history of the supervisors and the number of trainees to ensure compliance with AQB Criteria. In the future, Connecticut will document the files.	None	During the next Compliance Review, the ASC will pay particular attention to this area for compliance with Policy Statement 4.

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Applicable Federal Citations	Compliance (YES/NO) Areas of Concern			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Application Process continued:	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.)				Connecticut had 12 trainees who had been credentialed for more than 185 days prior to renewal who were not required to submit evidence of having completed the required CE.	On September 26, 2014, the Department reported that of the 12 trainees referenced, 1 did not renew and 2 were included in the 2014 CE audit and found to have complied with the CE requirement.	None	The State's response addresses the concern.
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.)				Connecticut's statute and regulations do not comply with the requirements of Title XI and ASC Policy Statement 5, although in practice, Connecticut appears to operate in compliance with those requirements.	N/A	None	During the next Compliance Review, the ASC will pay particular attention to this area for compliance with Title XI and Policy Statement 5.
Education:	X						
States must ensure that appraiser education courses are consistent with AQB Criteria. (12 U.S.C. § 3347; Policy Statement 6 A.)				The Board approved a CE course entitled "Preparing the Buyer and Seller for the Home Inspection" with content that appeared to be inconsistent with AQB Criteria.	On September 26, 2014, the Department stated that the Commission reviewed the course materials and voted to rescind its approval of the course.	None	The State's resolution addresses the concern.
Enforcement:	X						
				No compliance issues noted.	N/A	None	None