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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

December 9, 2014

Mr. Alan J. Schefke, Director  
Department of Licensing and Regulatory Affairs  
Corporations, Securities & Commercial Licensing Bureau  
Licensing Division  
Real Estate Appraisers Board  
P O Box 30018  
Lansing, MI 48909

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

Dear Mr. Schefke:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of Michigan's appraiser regulatory program (Program) on September 22-24, 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." The final ASC Compliance Review Report (Report) is attached.

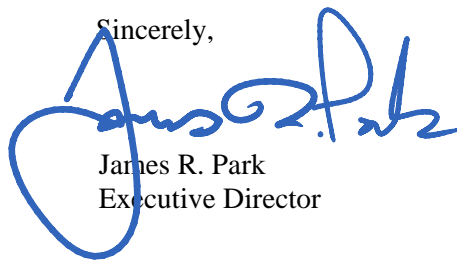
The ASC identified the following areas of non-compliance:

- States must require that appraisals be performed in accordance with the latest version of USPAP;<sup>1</sup> and
- 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.<sup>2</sup>

ASC staff will confirm that appropriate corrective actions have been taken during the next Review. Michigan 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. Ann Baker, Deputy Director  
Mr. Andrew Brisbo, Licensing Division Director  
Mr. Barrington Carr, Enforcement Division Director  
Ms. Stephani Fleming, Assistant Administrator  
Ms. Sue Sherman, Testing and Education Administrator

<sup>1</sup> 12 U.S.C. § 3331; 12 U.S.C. § 3347; Policy Statement 1 F.

<sup>2</sup> 12 U.S.C. § 3347; Policy Statement 7 B

## ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	<ul style="list-style-type: none"> <li>• State meets all Title XI mandates and complies with requirements of ASC Policy Statements</li> <li>• State maintains a strong regulatory Program</li> <li>• Very low risk of Program failure</li> </ul>	2-year
Good	<ul style="list-style-type: none"> <li>• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements</li> <li>• Deficiencies are minor in nature</li> <li>• State is adequately addressing deficiencies identified and correcting them in the normal course of business</li> <li>• State maintains an effective regulatory Program</li> <li>• Low risk of Program failure</li> </ul>	2-year
Needs Improvement	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program</li> <li>• State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies</li> <li>• State regulatory Program needs improvement</li> <li>• Moderate risk of Program failure</li> </ul>	2-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program</li> <li>• State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing</li> <li>• State regulatory Program has substantial deficiencies</li> <li>• Substantial risk of Program failure</li> </ul>	1-year
Poor <sup>3</sup>	<ul style="list-style-type: none"> <li>• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements</li> <li>• Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program</li> <li>• State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies</li> <li>• High risk of Program failure</li> </ul>	Continuous monitoring

\*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

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<sup>3</sup> 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: December 9, 2014

Michigan Appraiser Regulatory Program (State)

Board of Real Estate Appraisers (Board) / Advisory Board in all areas except enforcement

PM: J. Tidwell

ASC Compliance Review Date: September 22-24, 2014

Review Period: June 2012 to September 2014

Umbrella Agency: Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau

Number of State Credentialed Appraisers on National Registry: 2,671

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				
<b>Statutes, Regulations, Policies and Procedures:</b>		X					
States must require that appraisals be performed in accordance with the latest version of USPAP. (12 U.S.C. § 3331; 12 U.S.C. § 3347; Policy Statement 1 F.)				Michigan's Administrative Rules have not been amended to adopt the 2014-2015 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).	On November 17, 2014, the State reported requests were submitted to amend the Code and Administrative Rules.	The State must continue the process to amend its Rules to bring them into compliance and provide the ASC staff with a copy of the final rules once adopted.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1 F.
<b>Temporary Practice:</b>	X						
				No compliance issues noted.	N/A	None	None
<b>National Registry:</b>	X						
				No compliance issues noted.	N/A	None	None
<b>Application Process:</b>			X				
States must process applications in a consistent, equitable and well-documented manner. (12 U.S.C. § 3347 (a); Policy Statement 4 A.)				Upgrade application files did not contain documentation that appraisal work product had been reviewed for USPAP compliance. Conversations with staff indicated that work product routinely was reviewed but documentation of the review and results was not maintained in the files.	On November 17, 2014, the State reported that staff will utilize an electronic checklist in the licensing database which contains details of all review activities performed by staff and allows for notes to be recorded and maintained. This electronic version has controls that prevent issuance of a license until checklist items have been completed.	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4 A.
<b>Reciprocity:</b>	X						
				No compliance issues noted.	N/A		None

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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				
<b>Education:</b>			X				
States must ensure that appraiser education courses are consistent with AQB Criteria. (12 U.S.C. § 3347; Policy Statement 6 A.)				Michigan approved 2 continuing education (CE) courses with content that appeared to be inconsistent with AQB Criteria for CE. These were marketing and military relocation courses.	On November 17, 2014, the State provided documentation that supports the courses are consistent with AQB Criteria. The State reported that in the future, documentation will be requested from educators to support courses are consistent with AQB Criteria.	The State should implement an effective process to ensure that in the future, all approved CE course files contain sufficient documentation to support conformance to AQB Criteria.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 6 A.
<b>Enforcement:</b>		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 71 outstanding complaints of which 11 were unresolved for more than 1 year. Of the complaints outstanding for more than 1 year, 2 appear to fall under the exception for special documented circumstances.	On November 17, 2014, the State reported implementation of a series of program and procedural changes to reduce complaint processing times.	The State should continue to monitor its revised procedures to ensure compliance with Title XI and ASC Policy Statement 7 B.	Although Michigan is still out of compliance in enforcement, the ASC commends Michigan's progress in this area.  During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7 B.