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Appraisal Subcommittee

Federal Financial Institutions Examination Council

January 13, 2015

Mr. James S. Martin, Bureau Chief
Bureau of Real Estate Appraisers
Department of Consumer Affairs
Business, Consumer Services and Housing Agency
1102 Q Street, Suite 4100
Sacramento, CA 95811

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

Dear Mr. Martin:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the California appraiser regulatory program (Program) on October 6-10, 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.

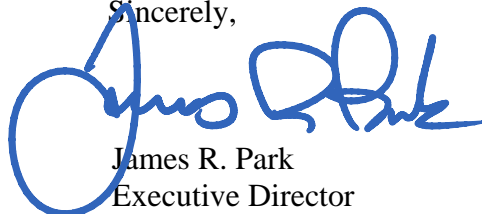
The ASC identified the following areas of non-compliance:

- 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 resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date in the absence of special documented circumstances.²

ASC staff will confirm that appropriate corrective actions have been taken during the next Review. California 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. Elizabeth Seaters, Chief, Licensing and Enforcement

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

² 12 U.S.C. § 3347; Policy Statement 7.

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: January 13, 2015

California Appraiser Regulatory Program (State)

State Board Title: N/A PM: V. Metcalf ASC Compliance Review Date: October 6-10, 2014 Review Period: October 2012 to October 2014
Umbrella Agency: Department of Consumer Affairs Number of State Credentialed Appraisers on National Registry: 11,101 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 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.)				California's regulations do not comply with the requirements of 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 December 23, 2014, the State reported that they are in the process of amending the regulations.	The State must continue the process to amend its regulations to bring them into compliance with ASC Policy Statement 5, and provide the ASC staff with a copy of the final regulations 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 5.
Statutes, Regulations, Policies and Procedures continued:			X				
States must have policies, practices and procedures consistent with Title XI. (12 U.S.C. § 3347; Policy Statement 1 A.)				California's Business and Professions Code, § 11340 (b) permits credit for experience gained by employees of assessor's offices and the State Board of Equalization as equivalent to experience in federally related real estate appraisal activity. This provision does not require that the experience comply with USPAP, and is inconsistent with Title XI.	On December 23, 2014, the State reported that California Code of Regulations Title 10, Chapter 6.5, Section 3541(f) in Article 3, requires, all experience claimed to conform with USPAP. Consistent with this code, all applications are examined for USPAP compliant experience.	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
Temporary Practice:			X				
States must issue temporary practice permits within five business days of receipt of a completed application, or notify the applicant and document the file as to the circumstances justifying delay or other action. (12 U.S.C. § 3351; Policy Statement 5.)				California failed to process requests for temporary practice permits within 5 business days of receipt of a completed application.	On December 23, 2014, the State reported they identified deficiencies contributing to the delays and have updated processing procedures so in the future, temporary practice permits will be issued within 5 business days.	The State should monitor the new procedures for temporary practice permit processing to ensure compliance with Title XI and ASC Policy Statement 2.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 2.

ASC Compliance Review Report

ASC Finding: Good
Final Report Issue Date: January 13, 2015

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Umbrella Agency: Department of Consumer Affairs Number of State Credentialed Appraisers on National Registry: 11,101 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				
National Registry:	X			No compliance issues noted.	N/A	None	None
Application Process:	X			No compliance issues noted.	N/A	None	None
Reciprocity:			X	The State's statutory/regulatory authority is not consistent with the State's practice or federal requirements. However, in practice, it appears California 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		The State had 134 outstanding complaints of which 21 were unresolved for more than 1 year. Of the complaints outstanding for more than 1 year, 5 appear to fall under the exception for special documented circumstances. Of those remaining 16 cases, 15 were in various stages of the disciplinary process, and 1 was still under investigation.	On December 23, 2014, the State reported additional resources were added to the enforcement program allowing for significant progress in complaint resolution during the Review Period. The number of outstanding complaints was reduced from 259 to 134 and the number of dated cases reduced from 83 to 16, despite receiving more than 660 new complaints during the Review period.	The State should continue to monitor the revised complaint management and documentation process procedures to ensure compliance with Title XI and ASC Policy Statement 7.	Although California is still out of compliance, the ASC commends California'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.