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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

April 23, 2015

Mr. David Mangler, Director  
Division of Professional Regulation  
861 Silver Lake Boulevard  
Cannon Building, Suite 203  
Dover, DE 19904

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

Dear Mr. Mangler:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Delaware appraiser regulatory program (Program) on January 20-22, 2015, 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.

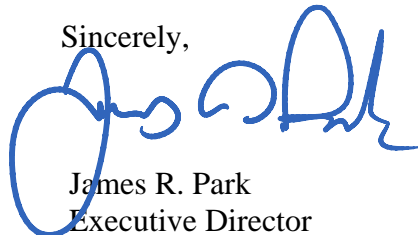
The ASC identified the following area of non-compliance:

- States must employ a reliable means of validating both education and experience credit claimed by applicants for credentialing.<sup>1</sup>

ASC staff will confirm that appropriate corrective actions have been taken during the next Review. Delaware 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. Pam Zickafoose, Executive Director  
Ms. Amanda McAtee, Administrative Specialist II, Council of Real Estate Appraisers  
Mr. Lynn Baker, Chair, Council on Real Estate Appraisers

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<sup>1</sup> 12 U.S.C. § 3347; Policy Statement 4.

## 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>2</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>2</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: April 23, 2015

**Delaware Appraiser Regulatory Program (State)**

Delaware Council on Real Estate Appraisers (Council) / Decision Making	PM: C. Brooks	ASC Compliance Review Date: January 20 - 22, 2015	Review Period: January 2013 to January 2015
Umbrella Agency: Division of Professional Regulation (Division)	Number of State Credentialed Appraisers on National Registry: 599		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, 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.)				As of July 1, 2013, trainee and supervisory appraisers must comply with AQB Criteria requirements. The State's regulations to include the minimum AQB Criteria for supervisory and trainee appraisers are in the rule making process and have not been adopted. In practice, the State is complying with AQB Criteria for supervisory and trainee appraisers.	On March 20, 2015, the State reported the proposed regulatory changes to correct the areas of non-compliance are scheduled for a public hearing for April 21, 2015.	The State should continue the process of amending its regulations to reflect what is required in practice and in AQB Criteria.	Upon adoption, please provide ASC staff with copies of the adopted regulation changes.
<b>Statutes, Regulations, Policies and Procedures continued:</b>	X						
States must have funding and staffing sufficient to carry out their Title XI-related duties. (12 U.S.C. § 3347; Policy Statement 1 B.)				The 9-member Council has 2 vacant positions. Delaware's Professions and Occupations Code §4004(c) requires at least 5 members of the Council vote affirmatively in disciplinary actions. As a result, the Council did not always have the ability to take prompt action in disciplinary matters when members were absent and/or had to recuse themselves.	On March 20, 2015, the State reported a public member was appointed to the Council and the Division will continue to work with the Governor's office to fill the remaining vacancy.	None	The State's resolution addresses the concern.
<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

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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>Application Process:</b>		X					
States must employ a reliable means of validating both education and experience credit claimed by applicants for credentialing. (12 U.S.C. § 3347; Policy Statement 4.)				The State issued a Certified Residential credential to an applicant who was 15 hours deficient in qualifying education (QE).	On March 20, 2015, the State reported the applicant is scheduled to take additional QE in mid-March. The State will initiate action to rescind and/or downgrade the license if the applicant fails to complete the required QE. The State also developed a new checklist for use with application review.	The State must monitor the applicant to ensure successful completion of QE and take further action if needed. Upon resolution, please notify ASC staff.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4.
<b>Reciprocity:</b>	X			No compliance issues noted.	N/A	None	None
<b>Education:</b>			X				
States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria. (12 U.S.C. § 3347; Policy Statement 6 A.)				Of the 16 courses ASC staff reviewed, 3 did not contain timed outlines to support the hours for which approval was granted.	On March 20, 2015, the State reported that the Division's website has been updated to add "detailed and timed" outlines as a requirement for education courses.	The State should monitor the results of its revised process to ensure that all courses approved by the Council are documented to support the hours for which approval is granted.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 6.
<b>Education continued:</b>	X						
States must ensure that appraiser education courses are consistent with AQB Criteria. (12 U.S.C. § 3347; Policy Statement 6 A.)				AQB Criteria requires qualifying education (QE) be a minimum of 15 hours in length. The State approved an 8 hour course for qualifying education.	On March 20, 2015, the State reported there was an error made on the Council's agenda approving the course for QE. An official correction was made to the course approval by the Council at their March 17, 2015 meeting to remove the course approval for QE and a correction was posted on the State's website.	None	The State's resolution addresses the concern.

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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>Enforcement:</b>			X				
States must document and maintain files to enable understanding of facts, determinations, and rationale for those determinations. (12 U.S.C. § 3347; Policy Statement 7 B.)				Complaints dismissed by the Attorney General's Office did not always contain sufficient documentation to support the rationale for dismissal.	On March 20, 2015, the State reported as a result of this finding, each "prosecutorial dismissal" is reviewed by the Division Director. In instances where the rationale is not clear, the Deputy Attorney General generating the dismissal is contacted for specific information.	The State should monitor the revised process to ensure all enforcement actions are properly documented to include clear rationale for dismissals, and made available to ASC staff during Compliance Reviews.	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>Enforcement continued:</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 9 outstanding complaints of which 6 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 March 20, 2015, the State reported 4 of the 6 cases unresolved for more than 1 year were closed. In the 2 remaining aged cases, the State received requests for continuance by the respondents.	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7.