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## Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

January 25, 2016

Ms. Catherine Awakuni Colón, Director  
Department of Commerce and Consumer Affairs  
335 Merchant Street, Room 310  
Honolulu, HI 96809

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

Dear Ms. Awakuni Colón:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Hawaii appraiser regulatory program (Program) on December 1-3, 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.

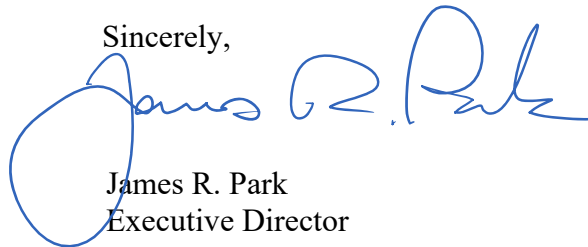
The ASC identified the following area of non-compliance:

- States must, at a minimum, adopt and/or implement all relevant AQB Criteria.<sup>1</sup>

ASC staff will confirm that appropriate corrective actions have been taken during the next Review. Hawaii 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: Mr. Alan Taniguchi, Executive Officer, Real Estate Appraiser Program

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<sup>1</sup> 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"> <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: January 25, 2016

Hawaii Appraiser Regulatory Program (State)				Real Estate Appraisers Advisory Committee (Committee) / Advisory		PM: N. Fenochietti	ASC Compliance Review Date: December 1-3, 2015	Review Period: August 2013 to December 2015
Umbrella Agency: Department of Commerce & Consumer Affairs, Professional & Vocational Licensing Division (Division)				Number of State Credentialed Appraisers on National Registry: 600		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 Trainee Appraisers are in the rulemaking process and have not been adopted. In practice, the State is complying with AQB Criteria for Trainee Appraisers.	On January 6, 2016, the State reported that the Division drafted an amendment which is in the rulemaking process.	The State must continue the process to amend its Rules to bring them into compliance with AQB Criteria, 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.	
<b>Statutes, Regulations, Policies and Procedures: (continued)</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.)				AQB Criteria requires that Supervisory Appraisers shall not have been subject to any disciplinary action within the last 3 years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. Hawaii Administrative Rules 114-69 (a) (1) requires that Supervisory Appraisers shall not have been subject to any disciplinary action within the last 2 years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice.	On January 6, 2016, the State reported that the Division drafted an amendment which is in the rulemaking process.	The State must continue the process to amend its Rules to bring them into compliance with AQB Criteria, 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.	
<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							
				No compliance issues noted.	N/A	None	None	
<b>Reciprocity:</b>	X							
				No compliance issues noted.	N/A	None	None	
<b>Education:</b>	X							
				No compliance issues noted.	N/A	None	None	
<b>Enforcement:</b>	X							
				No compliance issues noted.	N/A	None	None	