

■ ■ ■ ■ ■ ■ ■

Appraisal Subcommittee

Federal Financial Institutions Examination Council

January 29, 2016

Mr. Bryan A. Schneider, Secretary
Illinois Department of Financial and Professional Regulation
Division of Real Estate
Real Estate Appraisal Administration & Disciplinary Board
James R. Thompson Center
100 West Randolph, Suite 9-100
Chicago, IL 60601

RE: ASC Compliance Review of Illinois' Appraiser Regulatory Program

Dear Secretary Schneider:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Illinois appraiser regulatory program (Program) on September 14-18, 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 is given an ASC Finding of "Needs Improvement." The final ASC Compliance Review Report (Report) is attached.

The ASC identified the following area(s) of non-compliance:

- States must, at a minimum, adopt and/or implement all relevant AQB Criteria;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 appropriate corrective actions have been taken through off-site monitoring and during the next Review. Illinois 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,



Arthur Lindo
Chairman

Attachment

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

² 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"> • 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: Needs Improvement
Final Report Issue Date: January 29, 2016

Illinois Appraiser Regulatory Program (State)				Illinois Real Estate Appraisal Administration & Disciplinary Board (Board) / Advisory		PM: K. Klamet		ASC Compliance Review Date: September 14-18, 2015		Review Period: September 2013 - August 2015	
Umbrella Agency: Department of Financial & Professional Regulation, Division of Real Estate				Number of State Credentialed Appraisers on National Registry: 4,046				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, 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.)				Supervisory Appraisers must personally inspect each appraised property with the Trainee Appraiser until the Supervisory Appraiser determines the Trainee Appraiser is competent to inspect the property, in accordance with the COMPETENCY RULE of USPAP for the property type. Illinois regulation 1455.316 a) 2) requires a Supervisory Appraiser to provide direct supervision during a minimum of the first 500 hours of experience for no fewer than 25 assignments. The regulation does not require the Supervisory Appraiser to continue the direct supervision if he/she determines that the Trainee Appraiser is not competent after reaching the minimum 500 hours.	On December 11, 2015, the State reported that it will amend the Illinois Administrative Rules provision to incorporate Supervisory Appraiser oversight over Appraisal Trainees until such time as the Supervisory Appraiser determines that the Trainee Appraiser is competent.	The State must amend its regulation to bring it into compliance with AQB Criteria, and provide the ASC staff with a copy of the final rule 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.				
Temporary Practice:	X										
				No compliance issues noted.	N/A	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 to the ASC National Registry.	On December 11, 2015, the State reported completing a full review of all disciplinary activity from September 2013 to September 2015 to ensure disciplinary matters were being appropriately reported to the ASC National Registry and that the State will continue to monitor its practices to ensure compliance.	The State should develop a procedure to ensure that it submits all disciplinary actions to the ASC National Registry in a timely manner.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 3 .				

ASC Compliance Review Report

ASC Finding: Needs Improvement
 Final Report Issue Date: January 29, 2016

Illinois Appraiser Regulatory Program (State)				Illinois Real Estate Appraisal Administration & Disciplinary Board (Board) / Advisory		PM: K. Klamet		ASC Compliance Review Date: September 14-18, 2015		Review Period: September 2013 - August 2015	
Umbrella Agency: Department of Financial & Professional Regulation, Division of Real Estate				Number of State Credentialed Appraisers on National Registry: 4,046		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 continued:			X								
States are required to report disciplinary action via the extranet application as soon as practicable. (12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 D.)				The State did not report all disciplinary actions to the ASC National Registry via the extranet application.	On December 11, 2015, the State reported disciplinary actions are now being reported to the ASC National Registry via the extranet application.	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 3.				
Application Process:	X			No compliance issues noted.	N/A	None	None				
Reciprocity:	X			No compliance issues noted.	N/A	None	None				
Education:	X			No compliance issues noted.	N/A	None	None				
Enforcement:		X		The State had 119 outstanding complaints of which 24 were unresolved for more than 1 year and 5 were unresolved for more than 2 years. Of the aged complaints, 1 was removed under the exemption for special documented circumstances. Of those 29 aged cases, 25 were in various stages of the disciplinary process, and 4 were under investigation.	On December 11, 2015, the State advised the ASC of their ongoing efforts and affirmed its commitment to ensure timely and judicious resolution to licensee disciplinary matters.	The State must continue to submit quarterly complaint logs to ASC staff. Staff will analyze each log. If progress is not made, the ASC may place additional requirements upon the State.	Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7.				