

■   ■   ■   ■   ■   ■   ■

## Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

December 19, 2016

Mr. Mike Rothman, Commissioner  
Minnesota Department of Commerce  
85 – 7th Place East, Suite 500  
St. Paul, MN 55101

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

Dear Mr. Rothman:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Minnesota appraiser regulatory program (Program) on September 13-15, 2016, 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.

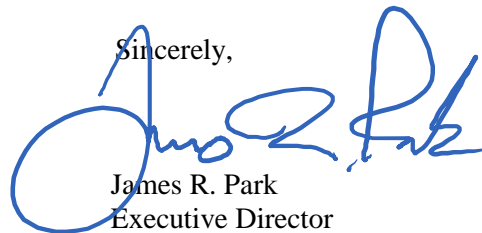
The ASC identified the following area of non-compliance:

- 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. Minnesota 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. Anne O'Connor, Deputy Commissioner/Chief of Staff  
Mr. Peter Brickwedde, Assistant Commissioner  
Mr. Robert Commodore, Senior Director of Unclaimed Property/Licensing Services  
Mr. Martin Fleischhacker, Assistant Commissioner  
Mr. Peter Bratsch, Licensing Director  
Mr. Mark Hastie, Audit Director  
Mr. Sheldon Klugman, Internal Controls Director

---

<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.

---

<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: December 19, 2016

**Minnesota Appraiser Regulatory Program (State)**

State Board Title (Board) / N/A	PM: J. Tidwell	ASC Compliance Review Date: September 13-15, 2016	Review Period: July 2014 to September 2016
Umbrella Agency: Minnesota Department of Commerce (Department)		Number of State Credentialed Appraisers on National Registry: 1,949	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.)				<p>A review of the Program's Statutes revealed the following inconsistencies with the AQB Criteria regarding: (1) reactivation of an appraiser credential; and (2) Supervisory Appraiser requirements.</p> <p>Prior to reactivation, AQB Criteria requires a credential holder in an inactive status to complete the continuing education (CE) that would have been required if the credential holder had been in active status. Minnesota Statute 82B.08 requires CE for "the period during which the license was canceled," but does not include the CE that would have been required during the period prior to cancelation.</p> <p>AQB Criteria requires that Supervisory Appraisers shall not have been subject to any disciplinary action within any jurisdiction within the last 3 years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. Minnesota Statute 82B.094 is inconsistent with this requirement.</p>	On December 1, 2016, the State reported that the Department will include the needed changes in its legislative agenda for the Minnesota Legislature's consideration prior to the next Review.	The State must amend its Statute to bring it into compliance with AQB Criteria, and provide the ASC staff with a copy once finalized.	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>ASC Compliance Review Report</b>						ASC Finding: Good	
						Final Report Issue Date: December 19, 2016	
<b>Minnesota Appraiser Regulatory Program (State)</b>							
State Board Title (Board) / N/A			PM: J. Tidwell		ASC Compliance Review Date: September 13-15, 2016		Review Period: July 2014 to September 2016
Umbrella Agency: Minnesota Department of Commerce (Department)				Number of State Credentialed Appraisers on National Registry: 1,949		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>National Registry:</b>			X				
States are required to report disciplinary actions 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 begin reporting disciplinary actions via the extranet application until September of 2015.	On December 1, 2016, the State reported that the Department began reporting disciplinary actions via the extranet in September 2015, and will continue to do so.	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 3.
<b>National Registry continued:</b>			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 for inclusion on the ASC National Registry.	While on-site, the State reported the missing disciplinary actions to the National Registry.  On December 1, 2016, the State reported they have implemented a new procedure that will ensure all disciplinary actions are reported for inclusion on the National Registry timely.	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.
<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