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Appraisal Subcommittee

Federal Financial Institutions Examination Council

January 9, 2017

Mr. Charles F. Kirk, Acting Executive Director
Real Estate Appraiser Board
Division of Consumer Affairs
124 Halsey Street – 3rd Floor
Newark, NJ 07102

RE: ASC Compliance Review of New Jersey's Appraiser Regulatory Program

Dear Mr. Kirk:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the New Jersey appraiser regulatory program (Program) on September 26-29, 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 is given an ASC Finding of "Needs Improvement." The final ASC Compliance Review Report (Report) is attached.

The ASC identified the following areas of non-compliance:

- States must, at a minimum, adopt and/or implement all relevant AQB Criteria;¹ and
- States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement.²

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and during the next Review. New Jersey 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

cc: Mr. John A. McCann, Real Estate Appraiser Board Chair

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

² 12 U.S.C. § 3347; Policy Statement 4.

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 9, 2017

New Jersey Appraiser Regulatory Program (State)

Real Estate Appraiser Board (Board) / Decision Making	PM: C. Brooks	ASC Compliance Review Date: September 26-29, 2016	Review Period: September 2014 to September 2016
Umbrella Agency: Division of Consumer Affairs		Number of State Credentialed Appraisers on National Registry: 2,651	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.)				<p>A review of the State's Statutes and Regulations revealed the following inconsistencies with the AQB Criteria regarding: (1) Trainees; and (2) Supervisory Appraisers.</p> <p>AQB Criteria requires Trainees to complete continuing education (CE) each year. New Jersey's regulation §13:40A-4.8 does not require Trainees to submit CE until the 3rd year.</p> <p>AQB Criteria requires 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. New Jersey's regulation §13:40A-4.6(b) restricts appraisers from supervising only if the discipline is received in New Jersey.</p>	On December 15, 2016, the State reported they will amend the regulations to bring them into compliance with AQB Criteria and reflect what is done in practice.	The State must amend its regulations to bring them into compliance with AQB Criteria and reflect what is done in practice. A copy of the regulation should be provided to ASC staff 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.
Statutes, Regulations, Policies and Procedures continued:			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.)				<p>The 9-member Board has 5 vacant positions. This leaves the Board vulnerable to a lack of a quorum for meetings and enforcement actions. There is a risk of Program failure if any of the current Board members resign or are otherwise unable to fulfill their responsibilities and no appointments/reappointments are made. The February 24, 2015 Board meeting did not have the required quorum of 3 members because only 2 members attended.</p> <p>In addition, since the last Review, the Program lost 2 staff members. The State is under a strict hiring freeze and these positions will not be filled. The State has pending legislation to register Appraisal Management Companies which, if passed, may further drain administrative resources.</p>	<p>On December 15, 2016, the State reported pursuant to statute, Board members are appointed by the Governor with the advice and consent of the Senate. The Board advised the Division of Consumer Affairs of the ASC's concerns with respect to Board member vacancies.</p> <p>The State also reported an additional staff member has been assigned to the Board and the Board anticipates additional staff may be hired should the legislation to register Appraisal Management Companies pass.</p>	The State should monitor the appointment process and encourage the appointment of members to the vacant Board positions as well as hiring of additional staff as appropriate.	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

ASC Compliance Review Report

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Umbrella Agency: Division of Consumer Affairs		Number of State Credentialed Appraisers on National Registry: 2,651	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				
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 15, 2016, the State reported that 5 disciplinary actions were not posted to the ASC National Registry due to clerical oversight. Upon notification to the Board staff, the disciplinary actions were immediately reported to the National Registry. Additional administrative procedures have been implemented to insure all disciplinary actions are reported timely and accurately.	The State should monitor its new procedures 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.
Application Process:		X					
States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement. (12 U.S.C. § 3347; Policy Statement 4.)				The State issued an appraiser credential after January 1, 2015, without verifying the applicant held the AQB Criteria required college level education.	On December 15, 2016, the State reported the Board recognizes the applicant was issued a credential without having met the AQB Criteria required college level education. This matter will be included on the January 18, 2017, Board meeting agenda for the Board's consideration. The Division of Law is researching available legal remedies.	The State must, within 60 days of the date of this Report, provide ASC staff a detailed account of the actions being taken to resolve this concern.	Though 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 4.
Reciprocity:	X						
				No compliance issues noted.	N/A	None	None
Education:	X						
				No compliance issues noted.	N/A	None	None
Enforcement:	X						
				No compliance issues noted.	N/A	None	None