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Appraisal Subcommittee

Federal Financial Institutions Examination Council

April 13, 2017

Ms. Elissa Runyon, Board Chair
Virgin Islands Board of Real Estate Appraisers
Department of Licensing & Consumer Affairs
Property & Procurement Building
8201 Sub Base, Suite 1
St. Thomas, VI 00802-5826

RE: ASC Compliance Review of Virgin Islands' Appraiser Regulatory Program

Dear Ms. Runyon:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Virgin Islands' appraiser regulatory program (Program) on November 29-30, 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 reconcile and pay National Registry invoices in a timely manner.²

Virgin Islands has repeatedly failed to make the necessary corrective actions. Virgin Islands will remain on a two-year Review Cycle with a Follow-up Review in approximately six to nine months to consult with Virgin Islands officials and monitor the progress.

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. Devin Carrington, Commissioner
Ms. Nathalie Hodge, Assistant Commissioner

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

² 12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 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: April 13, 2017

Virgin Islands Appraiser Regulatory Program (State)					
Virgin Islands Board of Real Estate Appraisers (Board)/Decision Making		PM: K. Klamet		ASC Compliance Review Date: November 29-30, 2016	
Umbrella Agency: Department of Licensing & Consumer Affairs, Office of Boards & Commissions			Number of State Credentialed Appraisers on National Registry: 27		Review Period: November 2014 to November 2016
					Review Cycle: Two Year with Follow-Up

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>Prior to reactivation, a credential holder in an inactive status must complete the continuing education (CE) that would have been required if the credential holder had been in active status. Regulation 436-2.(b), only requires credential holders to submit CE for the year immediately preceding the date of reactivation.</p> <p>This concern was noted by ASC staff previously in the November 2014 Compliance Review.</p>	<p>On March 7, 2017, the State reported legal counsel will amend the regulation to require that, prior to reactivation, a credential holder must submit CE for all years immediately preceding the date of reactivation.</p>	<p>ASC staff discussed this area of non-compliance with the Board and legal counsel during the January 21, 2016 Follow-up Review and the November 29-30, 2016 Compliance Review and provided clarification.</p> <p>The State must, within 60 days of this Report, provide ASC staff with a written plan outlining the steps to be taken and the timeline to amend the regulations.</p>	<p>Through off-site monitoring as well as during a Follow-up Review in 6-9 months and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 1.</p>
Statutes, Regulations, Policies and Procedures continued:		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>Up to one-half of an appraiser's CE requirement may be granted for participation, other than as a student, in such activities as teaching or authoring a textbook. Regulation 440-1.(e) does not limit the amount of CE that may be acquired for these types of activities.</p> <p>This concern was noted by ASC staff previously in the November 2014 and December 2012 Compliance Reviews.</p>	<p>On March 7, 2017, the State advised ASC staff that it had previously requested guidance from the ASC on how best to bring this regulation in to compliance with AQB Criteria.</p>	<p>ASC staff discussed this area of non-compliance with the Board and legal counsel during the January 21, 2016 Follow-up Review and the November 29-30, 2016 Compliance Review and provided clarification on how to amend their regulations to limit the amount of CE allowed for participation in activities other than as a student.</p> <p>The State must, within 60 days of this Report, provide ASC staff with a written plan outlining the steps to be taken and the timeline to amend the regulations.</p>	<p>Through off-site monitoring as well as during a Follow-up Review in 6-9 months and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 1.</p>

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Umbrella Agency: Department of Licensing & Consumer Affairs, Office of Boards & Commissions		Number of State Credentialed Appraisers on National Registry: 27	Review Cycle: Two Year with Follow-Up

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 continued:			X				
States must have a policy for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI. (12 U.S.C. § 3351; Policy Statement 5.)				Virgin Islands' Statute 436(b) does not comply with Title XI which requires a reciprocal credential be issued when the applicant holds a valid credential from a State whose program is in compliance with Title XI and whose credentialing requirements meet or exceed the requirements of the State where the application is made. This concern was noted by ASC staff previously in the November 2014 Compliance Review.	On March 7, 2017, the State advised ASC staff that they will request their legal counsel amend the statute to include the reciprocity requirements.	ASC staff discussed this area of concern with the Board and legal counsel during the January 21, 2016 Follow-up Review and the November 29-30, 2016 Compliance Review. The State should, within 60 days of this Report, provide ASC staff with a written plan outlining the steps to be taken and the timeline to amend the statutes.	ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 5 during the next Compliance review.
Temporary Practice:	X						
				No compliance issues noted.	N/A	None	None
National Registry:		X					
States must reconcile and pay National Registry invoices in a timely manner. (12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 B.)				The State did not reconcile and pay National Registry invoices in a timely manner. This concern was noted by ASC staff previously in the November 2014 Compliance Review.	On March 7, 2017, the State advised ASC staff that they agree with this finding. However, the State advised that they are unable to ensure timely payment as the function is out of the Board's control. On January 3, 2017, the State paid 3 outstanding invoices for January, February and March 2016. As of the date of this report, the State has 2 outstanding invoices dated January 25, 2017 and February 25, 2017.	The State must, within 60 days of this Report, develop a plan and monitor the process to ensure National Registry invoices are reconciled and paid in a timely manner. Nonpayment by a State of an appraiser's National Registry fee may result in the status of that appraiser being listed as "inactive."	Through off-site monitoring as well as during a Follow-up Review in 6-9 months and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 3.
Application Process:	X						
				No compliance issues noted.	N/A	None	None

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Umbrella Agency: Department of Licensing & Consumer Affairs, Office of Boards & Commissions		Number of State Credentialed Appraisers on National Registry: 27	Review Cycle: Two Year with Follow-Up

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Reciprocity:			X				
States must have a policy for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI. (12 U.S.C. § 3351; Policy Statement 5.)				The State's statutory authority is not consistent with the State's practice or federal requirements. In practice, it appears that the Virgin Islands complies with Title XI concerning reciprocity. This concern was noted by ASC staff previously in the November 2014 Compliance Review.	On March 7, 2017, the State advised ASC staff that they would appreciate the ASC's assistance in this area.	ASC staff discussed this area of concern with the Board and legal counsel during the November 29-30, 2016 Compliance Review and provided clarification on how to amend their statute. ASC staff also provided statutes from another State to use as a model.	ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 5 during the next Compliance review.
Education:	X						
				No compliance issues noted.	N/A	None	None
Enforcement:	X						
				No compliance issues noted.	N/A	None	None