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Appraisal Subcommittee

Federal Financial Institutions Examination Council

October 20, 2017

Mr. Dean Zantow, Chair
New Mexico Real Estate Appraisers Board
Regulation and Licensing Department
P O Box 25101
Santa Fe, NM 87504

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

Dear Mr. Zantow:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the New Mexico appraiser regulatory program (Program) on June 6-9, 2017, 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 verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement¹;
- States must document and maintain files to enable understanding of facts, determinations, and rationale for those determinations²;
- States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date in the absence of special documented circumstances³;
- States must ensure that the system for processing and investigating complaints and sanctioning appraisers is administered in an effective, consistent, equitable, and well-documented manner⁴; and
- States must have funding and staffing sufficient to carry out their Title XI-related duties⁵.

¹ 12 U.S.C. § 3347; Policy Statement 7 B.

² 12 U.S.C. § 3347; Policy Statement 7 B.

³ 12 U.S.C. § 3347; Policy Statement 7 B.

⁴ 12 U.S.C. § 3347; Policy Statement 7 B.

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

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and during a Follow-up Review in approximately ten (10) months. New Mexico 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: Ms. Laura Romero-Halama, Team Leader
Ms. Ruth Romero, Board Administrator

ASC Finding Descriptions

	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 ⁶	<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

⁶ 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: October 20, 2017

New Mexico (NM) Appraiser Regulatory Program (State)

New Mexico Real Estate Appraisers Board (Board)

PM: J. Tidwell

ASC Compliance Review Date: June 6-9, 2017

Review Period: April 2015 to June 2017

Umbrella Agency: New Mexico Regulation and Licensing Department

Number of State Credentialed Appraisers on National Registry: 641

Review Cycle: Two Year with Follow-up

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Statutes, Regulations, Policies and Procedures:			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.)				Lack of sufficient resources has resulted in the Attorney General's (AG) Office failing to timely investigate and resolve complaints.	On August 21, 2017, the State explained the delays in resolving complaints were caused by staff turnover. The State made complaint management and procedural changes to help the AG timely proceed in taking the appropriate action to resolve complaints.	The State should monitor its revised complaint management and documentation procedures to ensure it is carrying out its Title XI-related duties.	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.)				Lack of sufficient resources has resulted in the State failing to timely and consistently resolve complaints.	On August 21, 2017, the State explained the delays in resolving complaints were caused by staff turnover. The State made complaint management and procedural changes to ensure cases are timely and consistently resolved.	The State should monitor its revised complaint management and documentation procedures to ensure it is carrying out its Title XI-related duties.	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						
				No compliance issues noted.	N/A	None	None
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 1 Trainee appraiser credential without verifying the applicant had successfully completed a course oriented to the requirements and responsibilities of Trainee Appraisers and Supervisory Appraisers consistent with AQB Criteria.	On August 21, 2017, the State reported that Board staff verified that the applicant has now completed the course and that this was an isolated incident, which will not occur again.	The State must implement an effective process of validating that applicants have successfully completed courses consistent with AQB Criteria for the appraiser credential sought on all initial applications.	During a Follow-up Review and 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

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New Mexico (NM) Appraiser Regulatory Program (State)

New Mexico Real Estate Appraisers Board (Board)

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ASC Compliance Review Date: June 6-9, 2017

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Umbrella Agency: New Mexico Regulation and Licensing Department

Number of State Credentialed Appraisers on National Registry: 641

Review Cycle: Two Year with Follow-up

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Education:	<input checked="" type="checkbox"/>			No compliance issues noted.	N/A	None	None
Enforcement:		<input checked="" type="checkbox"/>		Some dismissed complaints did not contain sufficient documentation to support the rationale for dismissal. Some files forwarded to the AG's Office did not contain investigation reports or justification for the violations that were to be charged.	On August 21, 2017, the State reported that Board staff developed a "Complaint Summary Report" that lists the violations identified by the Complaint Committee, defines the action that led to each violation, provides a recommendation for appropriate action, or summarizes the basis for a case being dismissed.	The State must monitor its revised complaint management and documentation procedures to ensure it is carrying out its Title XI-related duties.	During a Follow-up Review and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7.
Enforcement continued:		<input checked="" type="checkbox"/>		The State had 31 outstanding complaints of which 8 were unresolved for more than 1 year and 3 were unresolved for more than 2 years. Of the aged complaints, 1 was removed under the exemption for special documented circumstances.	On August 21, 2017, the State reported that they have implemented a new process to prioritize and triage complaints in order to resolve complaints in a timely manner.	<p>The State must monitor its revised processes to ensure timely processing of complaints to reduce the backlog of aged complaints, and to ensure that complaints of appraiser misconduct or wrongdoing are resolved on a timely basis as required by ASC Policy Statement 7 B.</p> <p>The State must submit complaint logs to ASC staff quarterly. Staff will analyze each log. If progress is not made, the ASC may place additional requirements upon the State.</p> <p>The State should contact its assigned ASC Policy Manager to determine log submission schedule and details.</p>	Through off-site monitoring as well as during a Follow-up Review and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7.

ASC Compliance Review Report

ASC Finding: Needs Improvement
Final Report Issue Date: October 20, 2017

New Mexico (NM) Appraiser Regulatory Program (State)

New Mexico Real Estate Appraisers Board (Board)	PM: J. Tidwell	ASC Compliance Review Date: June 6-9, 2017	Review Period: April 2015 to June 2017
Umbrella Agency: New Mexico Regulation and Licensing Department	Number of State Credentialed Appraisers on National Registry: 641	Review Cycle: Two Year with Follow-up	

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Enforcement continued:		X					
States must ensure that the system for processing and investigating complaints and sanctioning appraisers is administered in an effective, consistent, equitable, and well-documented manner. (12 U.S.C. § 3347; Policy Statement 7 B.)				Some complaints were not processed consistently. Complaints with similar violations, aggravating and mitigating circumstances were not processed in the same manner.	On August 21, 2017, the State reported that a “disciplinary action log” identifying violations, disciplinary actions and final Board action has been made available to the Complaint Committee and Board members for reference purposes. Use of the disciplinary action log will ensure consistency when processing cases involving similar violations.	The State must monitor its revised complaint management and documentation procedures to ensure that complaints of appraiser misconduct or wrongdoing are processed consistently.	During a Follow-up Review and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7.
Enforcement 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.)				Lack of sufficient resources has resulted in the State closing complaints or moving them forward without fully investigating.	On August 21, 2017, the State explained the allocated resources could be utilized more efficiently. The State made complaint management and procedural changes in order to more efficiently utilize their resources and to help allocate the proper and necessary resources to assure appropriate investigation and action are taken. Finally, the Complaint Committee Chair will be attending the Level III Investigator Training and the Board’s prosecutor plans to attend the Level I training when it is available.	The State must monitor its revised complaint management and documentation procedures to ensure it is carrying out its Title XI-related duties.	During a Follow-up Review and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.