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Appraisal Subcommittee

Federal Financial Institutions Examination Council

March 30, 2018

Mr. Kreg T. Allison, Director
Division of Real Estate
Illinois Department of Financial and
Professional Regulation
100 W. Randolph Street, 9th Floor
Chicago, IL 60601

RE: ASC Compliance Review of Illinois' Appraiser Regulatory Program

Dear Mr. Allison:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Illinois appraiser regulatory program (Program) on November 5-9, 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 notify the ASC as soon as practicable of voluntary surrenders, suspensions, revocations, or any other action that interrupts a credential holder's ability to practice;¹
- States are required to report disciplinary action via the extranet application as soon as practicable;²
- States must submit all disciplinary actions to the ASC for inclusion on the National Registry;³
- States must take remedial action when more than ten percent of audited affidavits for continuing education credit claimed fail to meet minimum AQB Criteria;⁴ and
- States resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date in the absences of special documented circumstances.⁵

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

cc: Mr. Brian Weaver, Appraisal Coordinator

¹ 12 U.S.C. § 3347; Policy Statement 3 D, E.

² 12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 D.

³ 12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 A, D, E.

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

⁵ 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 ¹	<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.

¹ 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: March 30, 2018	
Illinois Appraiser Regulatory Program (State)							
Illinois Real Estate Appraisal Administration and Disciplinary Board (Board)			PM: V. Metcalf		ASC Compliance Review Date: November 6-9, 2017		Review Period: Sept 2015 to Nov 2017
Umbrella Agency: Illinois Department of Financial and Professional Regulation, Division of Real Estate				Number of State Credentialed Appraisers on National Registry: 3,871		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.)				Section 1455.160a(2) of Illinois regulations allow appraisers who have held a credential for more than 185 days but less than 2 years to complete only 14 hours of continuing education (CE), when 28 hours may be required to comply with AQB criteria.	On February 8, 2018, the State reported that an amendment to §1455.160(a)(2) pending before the Joint Committee on Administrative Rules will clarify that appraisers must complete 14 hours of CE per year, if they obtained a credential 185 days or more before renewal.	The State should continue the process to amend its rules to bring them into compliance with AQB Criteria and provide the ASC staff with a copy of the rules once finalized.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with 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 spending authority during a budget impasse resulted in insufficient resources causing the State's inability to audit the CE claims of its 2015 renewing Trainee Appraisers and its failure to resolve complaints timely.	On February 8, 2018, the State responded that, while it was without a budget for 736 days, a budget is now in place and enforcement and audit procedures are proceeding. In addition the Department plans to hire additional staff. In a January 16, 2018 email, the State reported the completion of its audit on the Trainee Appraisers who had renewed in 2015 and provided the results.	The State should continue to explore ways to achieve and maintain the necessary resources to perform their 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

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Umbrella Agency: Illinois Department of Financial and Professional Regulation, Division of Real Estate				Number of State Credentialed Appraisers on National Registry: 3,871		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 notify the ASC as soon as practicable of voluntary surrenders, suspensions, revocations, or any other action that interrupts a credential holder's ability to practice. (12 U.S.C. § 3347; Policy Statement 3 D, E.)				The State did not report disciplinary actions to the ASC National Registry timely. The State reported 3 suspensions after their respective suspension periods had expired.	On February 8, 2018, the State reported that the Department reassigned staff duties and responsibilities to the order entry clerk to report disciplinary actions to the National Registry, allowing for immediate reporting.	The State must ensure all disciplinary actions are reported to the National Registry via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 3.
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 4 disciplinary actions timely, adding them to the ASC National Registry between 1 1/2 and 7 months after the disciplinary actions' effective dates.	On February 8, 2018, the State reported that the Department reassigned staff duties and responsibilities to the order entry clerk to report disciplinary actions to the National Registry, allowing for immediate reporting.	The State must ensure all disciplinary actions are reported to the National Registry via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.	Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 3.
National Registry continued:		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. The State failed to report at least 41 disciplinary actions to the ASC National Registry.	On February 8, 2018, the State reported that all missing disciplinary actions have been added to the National Registry. In addition, the Department reassigned staff duties and responsibilities to the order entry clerk to report disciplinary actions to the National Registry, allowing for immediate reporting.	The State must ensure all disciplinary actions are reported to the National Registry via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 3.
Application Process:			X				
States must complete audits of affidavits for continuing education credit claimed within sixty days from the date the renewed credential is issued. (12 U.S.C. § 3347; Policy Statement 4 F.)				The State did not audit the Trainee level appraisers who renewed based on affidavits attesting to possessing all or part of the required CE during the 2015 renewal cycle.	In a January 16, 2018, email, the State reported the completion of its audit on the Trainee Appraisers who had renewed in 2015. On February 8, 2018, the State reported that all credential levels were audited after the 2017 renewal period, and that a proposed regulatory amendment will establish a process which will notify appraisers of potential CE deficiencies before their expiration dates.	The State should continue the process to amend its rules to bring them into compliance with AQB Criteria and provide the ASC staff with a copy of the rules 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 4.

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Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Application Process continued:		X					
States must take remedial action when more than ten percent of audited affidavits for continuing education credit claimed fail to meet minimum AQB Criteria. (12 U.S.C. § 3347; Policy Statement 4 C.)				Of the 389 Certified appraisers permitted to renew by attesting to possessing some or all of the required CE in 2015, 13.88% failed to meet the AQB minimum.	On February 8, 2018, the State disputed the failure rate cited, by comparing the failed number of audited appraisers renewing by affidavit (53) to the total population of renewing appraisers (4,654) rather than the total number of appraisers renewing by affidavit (389).	Within 90-days, the State must provide the ASC with a plan of action it will take to address the apparent weakness of its affidavit process.	Through off-site monitoring and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 4.
Reciprocity:	X			No compliance issues noted.	N/A	None	None
Education:			X	AQB Criteria requires Trainee Appraisers to complete a Supervisor Appraiser/Trainee Appraiser course that, at minimum, complies with the specifications for course content established by the AQB, prior to obtaining a Trainee Appraiser credential. Illinois has a written policy permitting applicants to fulfill this prerequisite by completing a 3-hour Illinois-specific Supervisor Appraiser/Trainee course that does not appear to meet the AQB course content requirement.	On February 8, 2018, the State provided Illinois rule §1455.375 regarding the Supervisor/Trainee course.	The State should ensure that its written policy regarding Trainee Appraisers complies with Illinois rule §1455.375.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 6.
Enforcement:		X		The State had 71 outstanding complaints of which 8 were unresolved for more than 1 year with no special documented circumstances.	On February 8, 2018, the State provided information on the cases that have been in process for over 1-year.	The State must continue to submit monthly 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 ASC Policy Statement 4.