

■ ■ ■ ■ ■ ■ ■

Appraisal Subcommittee

Federal Financial Institutions Examination Council

September 18, 2018

Commissioner Ian Harlow
Bureau of Professional and Occupational Affairs
Department of State
One Penn Center
2601 North 3rd Street
Harrisburg PA 17110

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

Dear Commissioner Harlow:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Pennsylvania appraiser regulatory program (Program) on May 8-10, 2018, 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 area of non-compliance:

- States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date in the absence of special documented circumstances.¹

ASC staff will confirm appropriate corrective actions have been taken through off-site monitoring and during the next Review. Pennsylvania 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. D. Thomas Smith, Chair
Ms. Heidi Weirich, Board Administrator
Ms. Jacqueline Wolfgang, Board Counsel
Mr. Ray Michalowski, Senior Prosecutor

¹ 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 ²	<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.

² 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: September 18, 2018

Pennsylvania Appraiser Regulatory Program (State)

Board of Certified Real Estate Appraisers (Board)

PM: C. Brooks

ASC Compliance Review Date: May 8-10, 2018

Review Period: May 2016 to May 2018

Umbrella Agency: Department of State, Bureau of Professional and Occupational Affairs

Number of State Credentialed Appraisers on National Registry: 3,158

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 Regulations revealed the following inconsistencies with the AQB Criteria regarding: (1) Trainees; (2) Supervisory appraisers; and (3) qualifying education.</p> <p>AQB Criteria requires Trainees to complete qualifying education (QE) within 5 years prior to application; and complete a course specifically oriented to the requirements and responsibilities of Supervisory Appraisers and Trainee Appraisers. Pennsylvania's Regulations do not include these requirements.</p> <p>AQB Criteria requires Supervisory appraisers to not have been the subject of discipline affecting their ability to appraise for at least 3 years; and complete a course specifically oriented to the requirements and responsibilities of Supervisory Appraisers and Trainee Appraisers. Pennsylvania's Regulations do not include these requirements.</p> <p>AQB Criteria requires Certified General credential applicants to hold a Bachelor's degree, and does not allow for education "in lieu of" the degree. Pennsylvania Regulations allows the degree requirement to be satisfied through the completion of specific college level courses "in lieu of" holding a degree.</p> <p>AQB Criteria requires Certified Residential credential applicants to hold an Associate's Degree in specific fields of study or 30 semester hours of college and/or CLEP exams in specific topic areas. Pennsylvania Regulations allow an AA degree in any field of study or 21 semester hours in specific college level courses.</p>	<p>On July 24, 2018, the State reported regulations to address the inconsistencies were drafted in 2016 and are in the final stages of Pennsylvania's extensive regulatory approval process. In addition, the State reported it has statutory authority to enforce the minimum AQB Criteria. The State will continue to work through the regulatory process so the Board's regulations reflect the minimum requirements of AQB Criteria and the State's Statutes.</p>	<p>The State should continue the process to amend its regulations to bring them into compliance with AQB Criteria, and provide the ASC staff with a copy of the final rules once adopted.</p>	<p>During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.</p>

ASC Compliance Review Report						ASC Finding: Needs Improvement	
						Final Report Issue Date: September 18, 2018	
Pennsylvania Appraiser Regulatory Program (State)							
Board of Certified Real Estate Appraisers (Board)		PM: C. Brooks		ASC Compliance Review Date: May 8-10, 2018		Review Period: May 2016 to May 2018	
Umbrella Agency: Department of State, Bureau of Professional and Occupational Affairs				Number of State Credentialed Appraisers on National Registry: 3,158		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				
Temporary Practice:	X			No compliance issues noted.	N/A	None	None
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 July 24, 2018, the State reported all discipline was added to the National Registry. In addition, the State completed an audit of all enforcement actions from the past 4 years and modified procedures to ensure all discipline is reported to the National Registry in the future.	The State should monitor the new procedures to ensure all disciplinary actions are submitted in a timely manner to the ASC National Registry .	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			No compliance issues noted.	N/A	None	None
Reciprocity:	X			No compliance issues noted.	N/A	None	None
Education:	X			No compliance issues noted.	N/A	None	None
Enforcement:		X					
States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date in the absence of special documented circumstances. (12 U.S.C. § 3347; Policy Statement 7 B.)				The State had 70 outstanding complaints of which 15 were unresolved for more than 1 year and 12 were unresolved for more than 2 years. Of the aged complaints, 11 were removed under the exemption for special documented circumstances.	On July 24, 2018, the State reported implementing a revised case handling procedure including a non-disciplinary remediation program which, when fully executed, should eliminate the backlog of aged complaints and prevent cases from aging in the future.	The State must continue to submit quarterly 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 Title XI and ASC Policy Statement 7.