



Appraisal Subcommittee
Federal Financial Institutions Examination Council

December 3, 2018

Mr. Robert Fortes, Deputy Commissioner
Division of Professional Licensure
1000 Washington Street, Suite 710
Boston, MA 02118

RE: ASC Compliance Review of Massachusetts' Appraiser Regulatory Program

Dear Mr. Fortes:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Massachusetts appraiser regulatory program (Appraiser Program) on July 10-12, 2018, to determine the Appraiser 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 Appraiser Program is given an ASC Finding of "Needs Improvement." The final ASC Compliance Review Report (Report) of the Massachusetts Appraiser Program is attached.

The ASC identified the following areas of non-compliance:

- States must issue temporary practice permits within five business days of receipt of a completed application or notify the applicant and document the file as to the circumstances justifying delay or other action.¹
- States must maintain adequate documentation to support verification of all claimed education;²
- States must complete audits of affidavits for continuing education credit claimed within sixty days from the date the renewed credential is issued.³
- States must document and maintain files to enable understanding of facts, determinations, and rationale for those determinations;⁴ and
- 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.⁵

ASC staff will confirm appropriate corrective actions have been taken in a Follow-up Review in approximately 6 months. Massachusetts 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. Lynn Read, Agency Counsel
Ms. Kristin Mitchell, Program Coordinator
Ms. Ann-Margarette Barry, Prosecuting Counsel

¹12 U.S.C. § 3351; Policy Statement 2.

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

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

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

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 State Appraiser Program Compliance Review Report

ASC Finding: Needs Improvement

Final Report Issue Date: December 3, 2018

Massachusetts Appraiser Regulatory Program (State)

Board of Registration of Real Estate Appraisers (Board)	PM: C. Brooks	ASC Compliance Review Date: July 10-12, 2018	Review Period: May 2016 to July 2018
Umbrella Agency: Division of Professional Licensure		Number of State Credentialed Appraisers on National Registry: 1,929	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			No compliance issues noted.	N/A	None	None
Temporary Practice:		X					
States must issue temporary practice permits within five business days of receipt of a completed application, or notify the applicant and document the file as to the circumstances justifying delay or other action. (12 U.S.C. § 3351; Policy Statement 2.)				The State failed to process requests for temporary practice permits within 5 business days of receipt of a completed application. Timely processing of temporary practice applications was cited in the last Review.	On October 9, 2018, the State responded that additional staff were trained to process temporary practice applications when the Program Coordinator is out of the office to ensure temporary practice applications are processed within 5 business days.	The State must monitor temporary practice permit processing to ensure compliance with Title XI and ASC Policy Statement 2.	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 2.
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 Appraiser National Registry. On February 22, 2018, the State was contacted because ASC staff was concerned at the lack of disciplinary actions reported to the Appraiser National Registry. In response, the State added missing discipline to 16 credentials. During the Compliance Review, it was discovered that discipline was not reported to the Appraiser National Registry on an additional 19 credentials.	On October 9, 2018, the State reported that some of these issues may have been from data that was not uploaded to the new Appraiser National Registry during the conversion. The ASC notified the State, however, the State was unable to make corrections due to staffing issues. In addition, the State reported that all missing disciplinary actions were provided to the Appraiser National Registry.	The State should develop a procedure to ensure that all disciplinary actions are submitted to the Appraiser National Registry in a timely manner.	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 3.

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Board of Registration of Real Estate Appraisers (Board)

PM: C. Brooks

ASC Compliance Review Date: July 10-12, 2018

Review Period: May 2016 to July 2018

Umbrella Agency: Division of Professional Licensure

Number of State Credentialed Appraisers on National Registry: 1,929

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				
National Registry continued:			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 failed to report 4 voluntary surrenders, 4 suspensions and 4 revocations to the Appraiser National Registry timely.	On October 9, 2018, the State responded that some of these disciplinary actions are duplicative of the missing discipline discussed above. In addition, the State reported all discipline was added to the Appraiser National Registry-	The State should develop a procedure to ensure that all disciplinary actions are submitted to the Appraiser National Registry in a timely manner.	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 3.
National Registry continued:			X				
States must ensure the accuracy of all data submitted to the National Registry. (12 U.S.C. § 3347; Policy Statement 3 A, D, E.)				The State reinstated 12 credentials but failed to report them as active on the Appraiser National Registry.	On October 9, 2018, the State reported that some of these issues may have been from data that was not uploaded to the new Appraiser National Registry during the conversion. The ASC notified the State; however, the State was unable to correct the data due to staffing issues. In addition, the State has since corrected the data on the Appraiser National Registry and the transmission and reconciliation process has been redesigned.	The State should monitor the new process to ensure the information submitted to the Appraiser National Registry is up to date and accurate.	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 3.
Application Process:		X					
States must maintain adequate documentation to support verification of all claimed education. (12 U.S.C. § 3347; Policy Statement 4 B, C.)				ASC staff requested 9 reinstatement files to review for compliance; 4 of those files could not be located.	On October 9, 2018, the State responded that the missing files were due to staff turnover.	The State should implement an effective policy and procedure to ensure in the future, documentation used to validate education claims are properly retained and available to ASC staff during the Compliance Review.	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.

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Umbrella Agency: Division of Professional Licensure		Number of State Credentialed Appraisers on National Registry: 1,929	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				
Application Process continued:		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 failed to complete audits of affidavits for continuing education (CE) within 60 days. The State was cited in the last Review for failure to process CE audits timely.	On October 9, 2018, the State responded the Board implemented a new process of rolling audits and are requiring licensees to respond within 15 days.	The State should monitor the new process for CE audits to ensure compliance with ASC Policy Statement 4.	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.
Application Process continued:			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.)				Prior to reactivation, credential holders in inactive status must complete all required CE hours that would have been required if the credential holder was in active status. The required hours must also include the most recent edition of a 7-hour USPAP update course. The State reinstated 1 appraiser credential without verifying the applicant had successfully completed the most recent edition of a 7-hour USPAP update course.	On October 9, 2018, the State acknowledged the oversight and reached out to the applicant to take the most recent 7-hour USPAP update course. On October 26, 2018, the State provided evidence the course was completed.	The State should ensure applicants have successfully completed courses consistent with AQB Criteria for the appraiser credential sought	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				
Reciprocity:	X			No compliance issues noted.	N/A	None	None
Education:	X			No compliance issues noted.	N/A	None	None
Enforcement:		X					
States must document and maintain files to enable understanding of facts, determinations, and rationale for those determinations. (12 U.S.C. § 3347; Policy Statement 7 B.)				ASC staff requested 22 complaint files to review for compliance; 1 of those files could not be located.	On October 9, 2018, the State responded the file in question was not a complaint file but a request for documents from a licensee who was not the subject of a complaint.	The State must ensure all cases on the enforcement log submitted for ASC staff's review have supporting documentation and entries that are not the subject of a complaint are identified as such.	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 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 29 outstanding complaints of which 3 were unresolved for more than 1 year and 1 was unresolved for more than 2 years without the exemption for special documented circumstances. Complaint investigation and resolution has been cited in every Compliance Review conducted for the State since 2010.	On October 9, 2018, the State responded the Board reduced its cases unresolved for more than 1 year from 29 in 2014 to 3 in 2018 and reduced its total outstanding complaints from 77 in 2014 to 29 in 2018.	While the number of aged complaints has been reduced, the number of complaints the State received decreased from 309 during the 2014 Review Cycle to 74 during this Review Cycle. The State must ensure that the complaints of appraiser misconduct or wrongdoing are resolved on a timely basis as required by ASC Policy Statement 7. The State must continue to 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.	Through off-site monitoring, a during a Follow-up Review and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 7.