

■ ■ ■ ■ ■ ■ ■

# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

January 24, 2019

Ms. Cheryl Pezon, Bureau Director  
Bureau of Professional Licensing  
Department of Licensing and Regulatory Affairs  
611 W Ottawa Street, 3rd Floor  
Lansing, MI 48933

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

Dear Ms. Pezon:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Michigan appraiser regulatory program (Appraiser Program) on September 17-19, 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 Appraiser Program has been awarded an ASC Finding of "Needs Improvement." The final ASC Compliance Review Report (Report) of the Michigan Appraiser Program is attached.

The ASC identified the following area of non-compliance:

- States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought.<sup>1</sup>

ASC staff will confirm that appropriate corrective actions have been taken through off-site monitoring and during the next Review. Michigan 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 DeBano, Licensing Division Director  
Mr. Jon Campbell, Investigations & Inspections Division Director  
Mr. Forrest Pasanski, Enforcement Division Director  
Ms. Robin Sirls, Licensing Division Section Manager

---

<sup>1</sup>12 U.S.C. § 3347; Policy Statement 4 B, C.

## ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	<ul style="list-style-type: none"> <li>• State meets all Title XI mandates and complies with requirements of ASC Policy Statements</li> <li>• State maintains a strong regulatory Program</li> <li>• Very low risk of Program failure</li> </ul>	2-year
Good	<ul style="list-style-type: none"> <li>• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements</li> <li>• Deficiencies are minor in nature</li> <li>• State is adequately addressing deficiencies identified and correcting them in the normal course of business</li> <li>• State maintains an effective regulatory Program</li> <li>• Low risk of Program failure</li> </ul>	2-year
Needs Improvement	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program</li> <li>• State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies</li> <li>• State regulatory Program needs improvement</li> <li>• Moderate risk of Program failure</li> </ul>	2-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program</li> <li>• State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing</li> <li>• State regulatory Program has substantial deficiencies</li> <li>• Substantial risk of Program failure</li> </ul>	1-year
Poor <sup>2</sup>	<ul style="list-style-type: none"> <li>• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements</li> <li>• Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program</li> <li>• State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies</li> <li>• High risk of Program failure</li> </ul>	Continuous monitoring

\*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

---

<sup>2</sup> 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: January 24, 2019

### Michigan Appraiser Regulatory Program (State)

Michigan Board of Real Estate Appraisers (Board)	PM: K. Klamet	ASC Compliance Review Date: September 17-19, 2018	Review Period: September 2016 to September 2018
Umbrella Agency: Department of Licensing & Regulatory Affairs, Bureau of Professional Licensing		Number of State Credentialed Appraisers on National Registry: 2,526	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				
<b>Statutes, Regulations, Policies and Procedures:</b>	X			No compliance issues noted.	N/A	None	None
<b>Temporary Practice:</b>			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.	On November 20, 2018, the State reported staff has been reminded of the procedures in place to ensure temporary practice permits are issued within 5 days.  In addition, the State reported that a new online licensing system is being implemented which will automatically date stamp receipt of the application and shorten the process.	The State should monitor temporary practice permit processing to ensure compliance with Title XI and ASC Policy Statement 2.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 2.
<b>National Registry:</b>			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 failed to ensure accuracy of all data submitted to the National Registry.	On November 20, 2018, the State reported that corrective actions and updated procedures were initiated to address this concern and to ensure timely and accurate reporting.	The State should ensure the accuracy of all data submitted to the National Registry in compliance with Title XI and ASC Policy Statement 3.	ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 3 during the next Compliance Review.
<b>Application Process:</b>		X					
States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade or renewal of a credential so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations. (12 U.S.C. § 3347 (a); Policy Statement 4 A.)				ASC staff requested 25 application files to review for compliance; of those 25 files, 2 were not provided.	On November 20, 2018, the State reported that the lack of the original paper application was likely an error that occurred when the documents were scanned into the digital imaging system.  The State also reported that a new online licensing system is being implemented which will require the applicant to upload all supporting documentation.	The State must ensure that all documentation to support its validation methods are available to ASC staff during the next Compliance Review.	ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4 during the next Compliance Review.

**ASC State Appraiser Program Compliance Review Report**

ASC Finding: Needs Improvement  
Final Report Issue Date: January 24, 2019

**Michigan Appraiser Regulatory Program (State)**

Michigan Board of Real Estate Appraisers (Board)	PM: K. Klamet	ASC Compliance Review Date: September 17-19, 2018	Review Period: September 2016 to September 2018
Umbrella Agency: Department of Licensing & Regulatory Affairs, Bureau of Professional Licensing		Number of State Credentialed Appraisers on National Registry: 2,526	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				
<b>Application Process continued:</b>		<b>X</b>					
States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought. (12 U.S.C. § 3347; Policy Statement 4 B, C.)				The State failed to verify that Supervisory Appraisers had completed the AQB Criteria required course specifically oriented to the requirements and responsibilities of Supervisory Appraisers and Trainee Appraisers.	On November 20, 2018, the State reported that the "Real Estate Appraisal Experience Log" was revised to include an attestation that the supervisory appraiser has completed the AQB required course.	The State must verify that Supervisory appraisers for all Trainee appraiser credentials issued during the Review Period (September 2016 – September 2018) completed the AQB required Supervisory Appraiser/Trainee Appraiser Course if required.  Within 60 days of the date of this Report, the State must provide ASC staff with the results of this verification and the actions being taken to resolve this concern.	ASC staff will analyze the results to ensure the State does not allow appraisers who fail to meet AQB Criteria to appraise property for federally related transactions. The ASC may place additional requirements upon the State.
<b>Reciprocity:</b>	<b>X</b>			No compliance issues noted.	N/A	None	None
<b>Education:</b>		<b>X</b>		ASC staff requested 14 education files for review; of those 14 files, 1 was not provided.	On November 20, 2018, the State advised that the paper filing system for education courses was reorganized and restructured to prevent the loss of documentation in the future.	The State must ensure that all documentation to support its validation methods are available to ASC staff during their Compliance Review.	ASC staff will pay particular attention to this area for compliance with AQB Criteria and ASC Policy Statement 6 during the next Compliance Review.

**ASC State Appraiser Program Compliance Review Report**

ASC Finding: Needs Improvement  
Final Report Issue Date: January 24, 2019

**Michigan Appraiser Regulatory Program (State)**

Michigan Board of Real Estate Appraisers (Board)	PM: K. Klamet	ASC Compliance Review Date: September 17-19, 2018	Review Period: September 2016 to September 2018
Umbrella Agency: Department of Licensing & Regulatory Affairs, Bureau of Professional Licensing		Number of State Credentialed Appraisers on National Registry: 2,526	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				
<b>Enforcement:</b>			<b>X</b>				
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 51 outstanding complaints of which 9 were unresolved for more than 1 year and 1 was unresolved for more than 2 years without the exemption for special documented circumstances.	On November 20, 2018, the State reported that internal documentation for 5 of the 9 cases, including the case that was unresolved for more than 2 years, were investigated and approved for closing. However, the files were not physically closed with the correct computer entry.  The State also reported that processes have been developed to ensure complaints are addressed timely, including reducing the timeframe of the investigative process and assigning appraiser complaints to an Administrative Law Specialist.	The State should monitor the revised complaint management and documentation process to ensure compliance with Title XI and ASC Policy Statement 7.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 7.