



Appraisal Subcommittee

Federal Financial Institutions Examination Council

October 10, 2012

Mr. Charles Kirk, Acting Executive Director
State Real Estate Appraiser Board
Office of the Attorney General
Division of Consumer Affairs
Department of Law and Public Safety
124 Halsey Street, 3rd Floor
Newark, NJ 07102

RE: ASC Compliance Review of New Jersey's appraiser regulatory program

Dear Mr. Kirk:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the New Jersey appraiser regulatory program (Program) on March 26-28, 2012. This is the final ASC Compliance Review Report (Report) on that Review.

The ASC has considered the preliminary findings regarding the Review and the State's response. The ASC has determined the Program is not in substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended. The ASC identified the following areas of non-compliance:

- States must have sufficient funding and staffing consistent with the purpose of Title XI;¹ and
- States should resolve all complaints filed against appraisers within one year, except for special documented circumstances.²

ASC staff will confirm corrective actions have taken place and are appropriate in a Follow-up Review in one year. New Jersey will remain on a two-year Review Cycle.

This letter and the attached Report are public record and available on the ASC website in accordance with the Freedom of Information Act.

Please contact us if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Gillispie".

Peter Gillispie
Chairman

Attachment

cc: Mr. Eric Kanefsky, Acting Director, Division of Consumer Affairs
Ms. Denise Siegel, President, New Jersey Real Estate Appraiser Board

¹ Title XI § 1118 (a), 12 U.S.C 3347

² Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E

ASC Compliance Review Report

ASC Finding: Not In Substantial Compliance

Final Report Issue Date: October 10, 2012

New Jersey Appraiser Regulatory Program (Program)

Board of Real Estate Appraisers (Board) / Decision Making PM: J. Tidwell

ASC Compliance Review Date: March 26-28, 2012

Review Period: March 2010 to March 2012

Umbrella Agency: Office of the Attorney General,
Division of Consumer Affairs, Department of Law and Public Safety (Division)

Number of State Credentialed Appraisers on National Registry: 2748

Review Cycle: Two Year with Follow-up

Requirement/Guidance	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
New Jersey Statutes, Regulations, Policies and Procedures:			X					
States must adopt and/or implement all relevant AQB Real Property Appraiser Qualification Criteria. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria.)				<p>A review of Board Rules and Regulations revealed inconsistencies with the Appraiser Qualifications Board's (AQB) Real Property Appraiser Qualification Criteria (AQB Criteria) regarding: (1) appraiser experience; (2) continuing education (CE) requirements; and (3) reactivation of an appraiser credential. Although conflicts were discovered in the Board Rules and Regulations, we found no incidents where these were applied to any aspect of the Program.</p> <p>Experience claimed by an appraiser applicant must include, in the experience log, the actual number of work hours performed by the applicant on each assignment. Section 13:40a-4.7(a) of the Board Regulations should be updated to reflect current AQB Criteria.</p> <p>All credential holders must obtain the equivalent of 14 class hours of CE per year. ASC Bulletin 2011-01 requires compliance with AQB Criteria for trainees by July 1, 2013. Section 13:40A-4.8(c) of the Board Regulations allows for extensions of time to complete CE for trainees and needs updating by July 1, 2013, to reflect AQB Criteria.</p> <p>Prior to reactivation, a credential holder in an inactive status must complete the CE that would have been required if the credential holder had been in active status. The requisite hours must also include completion of the most recent version of the 7-hour National USPAP Update Course. Waivers may not be granted to credential holders who have failed to meet the CE requirements and deferrals may not be granted to credential holders, except in the case of individuals returning from active military duty. In section 13:40A-5.10(b) of the Board Regulations the word "active" should be changed to "inactive" to reflect AQB Criteria.</p> <p>In addition, it was noted that the Appraisal Foundation's address cited in Section 13:40A-1.2 of the Boards Regulations under the definition of the AQB, should be updated to reflect the current address.</p>	In a letter dated July 24, 2012, the Board provided ASC staff a copy of proposed amendments to the Board Rules and Regulations to address the inconsistencies with the AQB Criteria.	None	To strengthen the Program, New Jersey should continue the process of amending its regulations to reflect what is required in practice and in AQB Criteria.	Upon adoption, please provide ASC staff with a copy of the final rules.
New Jersey Statutes, Regulations, Policies and Procedures continued:		X						
States must have sufficient funding and staffing consistent with the purpose of Title XI. (Title XI § 1118 (a), 12 U.S.C 3347.)				Due to a lack of sufficient resources, the Program was not able to investigate and resolve complaints timely, as discussed in the Enforcement Section of this Report.	In a letter dated July 24, 2012, the Board reported to ASC staff its intentions to improve its enforcement program as discussed in the Enforcement Section of this Report	Required State Actions are addressed in the Enforcement Section of this Report.	None	During a Follow-up Review in one year, ASC staff will pay particular attention to this area for compliance with Title XI.

ASC Compliance Review Report

ASC Finding: Not In Substantial Compliance

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Review Cycle: Two Year with Follow-up

Requirement/Guidance	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
Temporary Practice:	X							
				No compliance issues noted.	N/A	None	None	None
National Registry:	X							
				No compliance issues noted.	N/A	None	None	None
Application Process:	X							
				No compliance issues noted.	N/A	None	None	None
Reciprocity:	X							
States are encouraged to rely on the National Registry to verify credential history on applicants for a reciprocal credential. (Title XI § 1118, 12 U.S.C. 3351; ASC Policy Statement 9.)				The Board and Program staff did not use the National Registry to verify the credential history of appraisers applying for a reciprocal credential.	In a letter dated July 24, 2012, the Board reported to ASC staff that it will utilize the License History Reports generated by the National Registry henceforth on all applicants for a reciprocal credential.	None	None	The Board's proposed resolution addresses the concern.
Education:	X							
				No compliance issues noted.	N/A	None	None	None
Enforcement:		X						
States should resolve all complaints filed against appraisers within one year, except for special documented circumstances. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)				New Jersey had 66 outstanding complaints of which 30 were unresolved for more than 1 year. None of the complaints outstanding for more than 1 year fall under the exception for special documented circumstances. Of those 30 cases, 15 were in various stages of the disciplinary process, and 15 were still under investigation. The number of aged cases (over 1 year old) has increased from 20 to 30 during this Review Cycle. Of the 30 complaints outstanding, 4 were received in 2008, 11 were received in 2009, nine were received in 2010, and 6 were received in 2011.	In a letter dated July 24, 2012, the Board reported to ASC staff that it is seeking to move those cases that have been outstanding for over one year to resolution as swiftly as possible. The Board noted that cases often cannot be resolved within one year, for reasons that include limited investigative and legal resources, and the need to provide licensees with due process when complaints are investigated and/or when actions are prosecuted. The Board assured the ASC that it remains committed to conducting appropriate review of all complaints, and will seek to resolve matters in as timely a fashion as possible.	The Board must: (1) within 60 days of receipt of this Report provide a written plan on how it will address the State's significant backlog of outstanding complaints and facilitate more timely complaint disposition in the future; and (2) continue to send quarterly complaint logs to ASC staff to allow monitoring of the Board's progress towards addressing this situation.	None	Through off-site monitoring and during a Follow-up Review in 1 year, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10E.