

Appraisal Subcommittee

Federal Financial Institutions Examination Council

January 23, 2012

Mr. Mike Rothman, Commissioner
Minnesota Department of Commerce
The Golden Rule Building, Suite 500
85 - 7th Place East
St. Paul, MN 55101-3165

RE: ASC Compliance Review of Minnesota's appraiser regulatory program

Dear Mr. Rothman:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Minnesota appraiser regulatory program (Program) on July 24-26, 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
- States must issue temporary practice permits within five business days of receipt of a completed application;²
- States need to maintain adequate documentation to support validation method(s);³ and
- States should resolve all complaints filed against appraisers within 1 year, except for special documented circumstances.⁴

ASC staff will confirm corrective actions have taken place and are appropriate through off-site monitoring and during the next Review. Minnesota 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. Peter Bratsch, Licensing Director

¹Title XI § 1118 (a), 12 U.S.C 3347.

²Title XI § 1118 (a), 12 U.S.C. 3347; Title XI § 1122 (a), 12 U.S.C. 3351; ASC Policy Statement 5.

³Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10G.

⁴Title 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: January 23, 2012

Minnesota Appraiser Regulatory Program (Program)

The Real Estate Appraiser Advisory Board (Board) / Advisory	PM: N. Fenochietti	ASC Compliance Review Date: July 24-26, 2012	Review Period: May 2010 to July 2012
Umbrella Agency: The Department of Commerce (Department)		Number of State Credentialed Appraisers on National Registry: 2120	Review Cycle: Two Year

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					
Minnesota Statutes, Regulations, Policies and Procedures:		X						
States must have sufficient funding and staffing consistent with the purpose of Title XI. (Title XI § 1118 (a), 12 U.S.C 3347.)				The Department does not have sufficient staffing to support timely administration of temporary practice permits. Administrative duties for the issuance of temporary practice permits are assigned to one person. When that person is out of the office temporary practice permits are not issued timely.	On November 6, 2012, the Department reported to ASC staff that an additional employee has been trained to process temporary practice permits when the primary person is out of the office.	The Department must monitor its processes to ensure timely issuance of temporary practice permits as required by ASC Policy Statement 5.	None	During the next Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 5.
Temporary Practice:		X						
States must issue temporary practice permits within five business days of receipt of a completed application. (Title XI § 1118 (a), 12 U.S.C. 3347; Title XI § 1122 (a), 12 U.S.C. 3351; ASC Policy Statement 5.)				Minnesota failed to process requests for temporary practice permits within five business days of receipt of a completed application. ASC staff reviewed 23 files, and of those 23 files 11 permits were not issued within five days.	On November 6, 2012, the Department reported to ASC staff that system glitches causing a delay in the issuance of temporary practice permits receive expedited attention. Processing changes and technology upgrades will be completed by the end of March 2013 and will eliminate delays in issuing temporary practice permits.	The Department must monitor its process changes to ensure timely issuance of temporary practice permits as required by ASC Policy Statement 5.	None	During the next Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 5.
National Registry:	X							
				No compliance issues noted.	N/A	None	None	None

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PM: N. Fenochietti

ASC Compliance Review Date: July 24-26, 2012

Review Period: May 2010 to July 2012

Umbrella Agency: The Department of Commerce (Department)

Number of State Credentialed Appraisers on National Registry: 2120

Review Cycle: Two Year

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					
Application Process:		X						
States need to maintain adequate documentation to support validation method(s). (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10G.)				ASC staff requested 24 appraiser credential application files to review for compliance. Of those 24 files, 4 did not include documentation to support that the applicants met qualifications for credentialing as required by the Appraiser Qualifications Board Real Property Appraiser Qualification Criteria (AQB Criteria). Department staff determined these 4 credentials were issued by reciprocity. However, the records that were maintained did not include supporting documentation.	On November 6, 2012, the Department informed ASC staff that Department staff will add comments to each license record when the credential is issued by reciprocity.	The Department must monitor its revised processes to ensure that the records of the credentials issued by reciprocity contain adequate documentation as required by ASC Policy Statement 10G.	None	During the next Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10G.
Reciprocity:	X							
				No compliance issues noted.	N/A	None	None	None
Education:	X							
				No compliance issues noted.	N/A	None	None	None

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	YES	NO	AC					
Enforcement:		X						
States should resolve all complaints filed against appraisers within 1 year, except for special documented circumstances. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)				<p>Minnesota had 79 outstanding complaints of which 19 were unresolved for more than 1 year. Of the complaints outstanding for more than 1 year, 3 fall under the exception for special documented circumstances.</p> <p>Of the remaining 16 cases, 1 is more than 3 years, 9 are more than 2 years, and 6 are more than 1 year old.</p>	On November 6, 2012, the Department reported to ASC staff that they have added staff to expedite the resolution of outstanding complaints.	Minnesota 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.	None	Through off-site monitoring and during the next Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10E.