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Appraisal Subcommittee

Federal Financial Institutions Examination Council

April 16, 2020

VIA EMAIL

Ms. Catherine P. Awakuni Colón, Director
Department of Commerce and Consumer Affairs
P O Box 3469
Honolulu, HI 96801
dcca@dcca.hawaii.gov

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

Dear Ms. Awakuni Colón:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Hawaii appraiser regulatory program (Appraiser Program) on December 3-5, 2019, 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 "Good." The final ASC Compliance Review Report (Report) of the Hawaii Appraiser Program is attached.

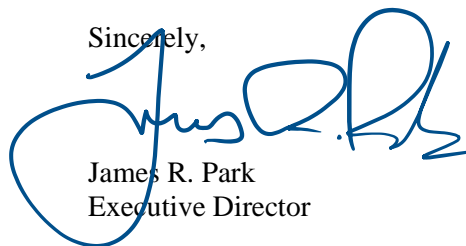
The ASC identified the following area of non-compliance:

- States must adhere to mandates, prohibitions and documentation requirements as set forth in Section B, titled Excessive Fees or Burdensome Requirements.¹

ASC staff will confirm that appropriate corrective action has been taken during the next Review. Hawaii 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,



James R. Park
Executive Director

Attachment

cc: Mr. Alan Taniguchi, Executive Officer, appraiser@dcca.hawaii.gov

¹ 12 U.S.C. § 3351; Policy Statement 2 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 12, *Interim Sanctions*.

ASC State Appraiser Program Compliance Review Report

ASC Finding: Good

Final Report Issue Date: April 16, 2020

Hawaii Appraiser Regulatory Program (State)

State Board Title: Real Estate Appraisers Advisory Committee (Committee)	PM: V. Metcalf	ASC Compliance Review Date: December 3-5, 2019	Review Period: December 2017 - December 2019
Umbrella Agency: Department of Commerce and Consumer Affairs, Professional & Vocational Licensing Division		Number of State Credentialed Appraisers on Appraiser Registry: 519	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						
State requirements for trainee appraisers and supervisory appraisers must meet or exceed the AQB Criteria. (12 U.S.C. § 3345; 12 U.S.C. § 3347; 12 U.S.C. § 3342; Policy Statement 1 C.)				AQB Criteria requires the Appraiser Trainee be subject to direct supervision by a Supervising Appraiser in good standing who is State certified. Administrative Rule §16-114-75(4) requires applicants for licensure as a trainee to retain and identify at least one licensed real estate appraiser who agrees to provide the supervision required.	On March 12, 2020, the State reported that its regulations require supervisory appraisers to be certified and specifically states licensed appraisers shall not supervise trainee appraisers.	None	None
Temporary Practice:		X					
States must adhere to mandates, prohibitions and documentation requirements as set forth in Section B, titled Excessive Fees or Burdensome Requirements. (12 U.S.C. § 3351; Policy Statement 2 B.)				ASC Policy Statement 2 requires temporary practice permits to be issued on an assignment basis (1 or more real estate appraisals and written reports which are covered by a contract to provide an appraisal). The State issued some temporary practice permits on an assignment basis, while others limited the applicant to 1 appraisal report per permit issued.	On March 12, 2020, the State reported the temporary practice application was amended to clarify that permits are issued on an assignment basis, which may include multiple properties.	The State must 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.

ASC State Appraiser Program Compliance Review Report

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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				
National Registry:			X				
States must ensure that the authorization information provided to the ASC is updated and accurate. (12 U.S.C. § 3347; Policy Statement 3 C.)				The State failed to revoke the ASC Appraiser National Registry permissions for 6 individuals who left the Program.	In December 2019, the State updated the National Registry permissions. On March 12, 2020, the State reported staff that require access to the National Registries have been reminded to notify the Executive Officer of the appraisal program of staffing changes in a timely fashion. The Executive Officer will then notify the ASC to eliminate National Registry access to those employees.	The State should monitor National Registry permissions information to ensure they are updated and accurate.	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						
				No compliance issues noted.	N/A	None	None