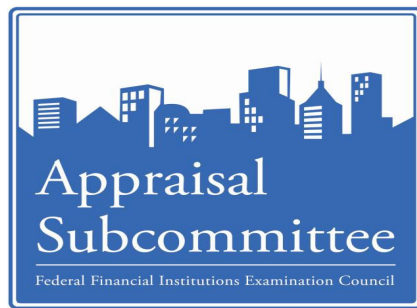


APPRAISAL SUBCOMMITTEE

# COMPLIANCE REVIEW MANUAL

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11/22/2022

# Table of Contents

<b>CHAPTER 1 - INTRODUCTION .....</b>	<b>4</b>
1. General Purpose .....	4
2. Scope.....	4
3. Authority .....	4
<b>CHAPTER 2 - DEFINITIONS.....</b>	<b>5</b>
1. Appraisal Foundation.....	5
2. Appraiser Qualifications Board (AQB) .....	5
3. Appraiser Qualifications Criteria (AQB Criteria).....	5
4. Appraisal Standards Board (ASB).....	5
5. Area of Concern (AC).....	5
6. Board.....	5
7. Certified Appraiser.....	5
8. Federally Related Transaction .....	5
9. Licensed Appraiser .....	5
10. Real Estate Related Financial Transaction.....	5
11. State.....	6
12. Uniform Standards of Professional Appraisal Practice (USPAP).....	6
13. ASC Compliance Review Finding Descriptions.....	6
<b>CHAPTER 3 - SELECTION OF STATES TO BE REVIEWED .....</b>	<b>8</b>
1. Review Types and Cycles .....	8
2. Schedule Development .....	9
<b>CHAPTER 4 - PRELIMINARY PROCEDURES .....</b>	<b>8</b>
1. Designate Compliance Review Team.....	10
2. Contact the State Appraiser Licensing and Certification Agency.....	10
3. Prepare Compliance Review Materials.....	10
4. Prior to on-site portion of the Compliance Review .....	10
5. Specific Areas To Be Reviewed .....	10
<b>CHAPTER 5 - INTER-OFFICE COORDINATION .....</b>	<b>12</b>
1. Obtain a Legal Review.....	12

2. Consult with the DED.....	12
<b>CHAPTER 6 - COMPLIANCE REVIEW PROCEDURES.....</b>	<b>13</b>
1. General.....	13
2. Opening Conference .....	13
3. Review .....	13
4. Staff Interviews.....	15
5. Exit Conference .....	15
6. Observation of Appraiser Board and/or Committee Meetings.....	16
7. Post Compliance Review Consultations .....	16
<b>CHAPTER 7 – ASC STAFF PRELIMINARY COMPLIANCE REVIEW REPORT PREPARATION.....</b>	<b>17</b>
1. Preparing the ASC Preliminary Compliance Review Report and Letter .....	17
<b>CHAPTER 8 – ASC COMPLIANCE REVIEW REPORT PREPARATION AND PRESENTATION.....</b>	<b>19</b>
1. State Response .....	19
2. Preparing Final Report and Letter.....	19
3. ASC Briefing .....	20
5. Final Compliance Review Reports: .....	20
<b>CHAPTER 9 – FOLLOW-UP TO THE REVIEW .....</b>	<b>22</b>
1. Continuing Dialogue.....	22
2. Follow-up Review.....	22
3. Other Actions.....	22
4. Programs receiving an ASC Finding of “Poor”.....	23

## CHAPTER 1 - INTRODUCTION

1. **General Purpose:** Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, (Title XI) requires the Appraisal Subcommittee (ASC) to monitor State appraiser regulatory programs (Program). The ASC must ensure that each State Program complies with Title XI. , The ASC has developed and implemented a State on-site Compliance Review program as one method of carrying out this responsibility. This manual sets forth the ASC's policies and procedures regarding the Compliance Review program.
2. **Scope:** These instructions apply to ASC staff and the ASC's State monitoring function. Included in this function are: site visits; file reviews; analysis of State appraiser statutes, rules, and policies; reports; and addressing identified areas of non-compliance and areas of concern.
3. **Authority:** Section 1118 (a) of Title XI states:

*The Appraisal Subcommittee shall monitor each State appraiser certifying and licensing agency for the purposes of determining whether such agency—*

- (1) Has policies, practices, funding, staffing, and procedures that are consistent with this title;*
- (2) processes complaints and completes investigations in a reasonable time period;*
- (3) appropriately disciplines sanctioned appraisers and appraisal management companies;*
- (4) maintains an effective regulatory program; and*
- (5) reports complaints and disciplinary actions on a timely basis to the national registries on appraisers and appraisal management companies maintained by the Appraisal Subcommittee.*

## CHAPTER 2 - DEFINITIONS

1. **Appraisal Foundation:** A not-for-profit corporation established in 1987 and dedicated to promoting professionalism and ensuring public trust in the valuation profession through the promulgation of standards, appraiser qualifications, and guidance regarding valuation methods and.
2. **Appraiser Qualifications Board (AQB):** An independent board of the Appraisal Foundation that establishes the minimum education, experience and examination requirements for real property appraisers to obtain or renew a state license or certification. The AQB also establishes minimum requirements for appraiser trainees and supervisory appraisers.
3. **Appraiser Qualifications Criteria (AQB Criteria):** Minimum requirements, including education, experience and examination for real property appraisers, appraiser trainees and supervisory appraisers to obtain or renew a state license, certification or designation.
4. **Appraisal Standards Board (ASB):** An independent board of the Appraisal Foundation that develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP).
5. **Area of Concern (AC):** An “Area of Concern” in a Compliance Review Report identifies a specific area that may be in compliance but the level of compliance could be improved.
6. **Board:** individuals appointed pursuant to State law to support the appraiser regulatory program for that State. This entity may also be known as a Commission. A Board may be advisory or charged with actual oversight of the State’s Program although its specific responsibilities and authorities vary from State to State. As used in this Manual the term “Board” also refers to the executive of a State Program where such Program does not have a Board or Commission established by State law.
7. **Certified Appraiser:** An individual who holds a valid certificate as a State Certified General or State Certified Residential real estate appraiser issued in accordance with applicable State law.
8. **Federally Related Transaction:** Any real estate related financial transaction which:
  - a) A federal financial institutions regulatory agency engages in, contracts for, or regulates; and
  - b) Requires the services of an appraiser.
9. **Licensed Appraiser:** An individual who holds a valid State License issued in accordance with applicable State law.
10. **Real Estate Related Financial Transaction:** Any transaction involving:
  - a) The sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;

- b) The refinancing of real property or interests in real property; and
- c) The use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

11. **State:** A State within the United States, U.S. territories, and the District of Columbia. There are 56 jurisdictions subject to Title XI: 50 States; the District of Columbia; Puerto Rico; U.S. Virgin Islands; Guam; the Northern Mariana Islands; and American Samoa.

12. **Uniform Standards of Professional Appraisal Practice (USPAP):** Generally accepted standards for professional appraisal practice promulgated by the ASB. USPAP contains standards for all types of appraisal services. Standards are included for real estate, personal property, business and mass appraisal. Title XI recognizes USPAP as the generally accepted appraisal standards and requires USPAP compliance for appraisers in federally related transactions.

13. **ASC Compliance Review Finding Descriptions:**

ASC Finding	Rating Criteria	Review Cycle**	
<b>Excellent</b>	<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	No out of compliance or areas of concern on Final Report
<b>Good</b>	<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	2-year Review Cycle with no need to monitor or follow-up on outstanding issues before the next Review
<b>Needs Improvement</b>	<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> </ul>	2-year with additional monitoring	Additional monitoring on or off-site (i.e. enforcement logs, provide plans,

	<ul style="list-style-type: none"> <li>Moderate risk of Program failure</li> </ul>		Follow-up Review)
<b>Not Satisfactory</b>	<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	1-year Review Cycle
<b>Poor*</b>	<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	Continuous monitoring

\* An ASC Finding of “Poor” or “Not In Compliance” may result in significant consequences to the State. *See* Policy Statement 5, *Reciprocity*; *see also* Policy Statement 8, *Interim Sanctions*.

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

## **CHAPTER 3 - SELECTION OF STATES TO BE REVIEWED**

### **1. Review Types and Cycles:**

- a) The ASC has two Compliance Review Cycles: 2-year and 1-year. States generally are scheduled on a 2-year Review Cycle but a State may be moved to a 1-year Review Cycle if the ASC determines that more frequent Compliance Reviews are needed. For example, a State may be placed on a 1-year Review Cycle because of substantive non-compliance issues or serious areas of concerns that warrant more frequent on-site visits. Reviews conducted on either the 2-year or 1-year Review Cycles are comprehensive and meant to determine the State's compliance with Federal statutes and regulations.
- b) The ASC also conducts Follow-up Reviews. A Follow-up Review focuses on specific areas identified during a Compliance Review and usually occurs within 6-12 months of the Compliance Review.
- c) The ASC occasionally determines that it is necessary to conduct a Priority Contact (PC) or informal on-site visit. PCs and informal on-site visits are not considered Compliance Reviews or Follow-up Reviews. PCs generally take place in States that have relatively significant numbers of credentialed appraisers. These visits are used to discuss emerging issues which may pose a potential risk of non-compliance. A PC usually is on-site but may take place remotely. Informal on-site visits generally are used to introduce the ASC to new Board members or State agency representatives, and/or to discuss emerging issues.

### **2 State Assignments:**

- a) All States subject to oversight by the ASC are on an established four year rotation. By July 31<sup>st</sup> prior to each scheduled rotation the Deputy Executive Director (DEC) will assign rotating States to ASC Policy Managers. The assigned PM is the designated Lead for each Compliance Review and the primary point of contact with that particular State. Each assignment is for a maximum period encompassing not more than four consecutive years.
- b) The following minimum factors should be used in developing the State assignments for PMs.
  - 1) Previous PM assignments. A PM may not be assigned to a State for more than four consecutive years.
  - 2) Potential conflicts of interest. A PM may not be assigned to a State in which that PM has been employed in the previous 3 years.
  - 3) Special needs or requirements. Special needs or requirements of the State and/or the PM should be considered in assigning States.

### 3 Schedule Development:

- a) ASC Policy Managers may develop a proposed Compliance Review schedule of State Programs to be conducted the following calendar year by September 1. This proposed schedule will include proposed dates for each Compliance Review and proposed team members, identifying the Lead and all Assists, if any.
- b) The following factors should be considered in developing the proposed Compliance Review schedule:
  - c) Date of previous Compliance Review(s) or PC;
    - 4) Areas of concern or issues of non-compliance noted in previous Compliance Reviews;
    - 5) Potential issues identified since the previous Compliance Review;
    - 6) State Board meeting dates;
    - 7) ASC staff travel schedules;
    - 8) Status as Lead or Assist for each Policy Manager; and
    - 9) Potential conflicts with other activities (*e.g.*, AARO meetings and ASC Board meetings).
  - d) The DED will review, amend if necessary, and submit a recommendation of the Compliance Review schedule by October 31 to the Executive Director (ED) for approval.

## CHAPTER 4 - PRELIMINARY PROCEDURES

### 1. Designate Compliance Review Team:

- a) Each team will consist of at least two individuals from the Policy staff and may include other ASC staff as designated by the DED.
- b) The team leader will be the Policy Manager assigned primary responsibility for the State Program being reviewed.
- c) The team leader will be responsible for allocating responsibilities among team members.

### 2. Contact the State Appraiser Licensing and Certification Agency:

- a) After approval of the Compliance Review schedule, the Policy Manager will contact the State Program administrators to discuss the preliminary schedule and, with the DED's approval, adjust the Compliance Review schedule as necessary. Approximately three months prior to the scheduled Review date, the policy manager will contact the State to confirm the Review dates and expected time of arrival.
- b) The Regulatory Affairs Specialist (RAS) will send an Upcoming Review letter and an Information Collection form to the State approximately 60-90 days prior to the scheduled Review date. Templates for the letter and form can be found in SharePoint under the Template folder.

### 3. Prepare Compliance Review Materials: The RAS will prepare a Compliance Review folder containing information obtained from the State and the ASC's files. A copy of the State laws and regulations also will be provided to ASC Attorney-Advisor.

### 4. Prior to on-site portion of the Compliance Review: Review team members must read materials in the State folder and make notations of items to investigate or follow-up during the on-site Review. If appropriate and/or necessary, the team leader may contact the State to request additional information prior to the on-site Review or that certain documents or files be available during the on-site Review. This is particularly important for States that have multiple office locations or have files in off-site storage.

### 5. Specific Areas To Be Reviewed:

- a) State-provided Material.
  - 1) Applications: Team members must review applications for licensure or certification, including applications for reinstatement, reciprocity and temporary practice, to ensure consistency with Title XI provisions.
  - 2) Complaint Log: Team members must evaluate the complaint log to identify cases to be reviewed. Generally, this should include cases involving:
    - a. Revocations and suspensions;
    - b. Cases open longer than one year;

- c. Complaints involving past and present Board members;
  - d. Entries noting unusual sanctions; or
  - e. Multiple complaints filed against the same individual.
- 3) Education Course Listing: Team members must determine if:
- a. Pre-qualifying courses reflect the fundamental knowledge required of an appraiser;
  - b. Approved courses appear to favor specific education providers;
  - c. Courses have been granted credit for an unusual number of hours (*e.g.*, more than 30 or 40 hours);
  - d. Inappropriate courses have been approved, such as business valuation or real estate finance for qualifying education, and office management or marketing for continuing education; and
  - e. Any approved qualifying education courses are less than 15 hours long or continuing education courses are less than 2 hours long.
- b) Correspondence: The team leader must review correspondence regarding the State Program. Particular attention should be given to correspondence regarding previous Compliance Reviews and other concerns about the Program.
- c) National Registry: The Review team must analyze Registry data and identify any issues to follow-up during the Review, *e.g.*, failure to submit data timely, failure to remit fees timely, outstanding invoices, and data quality. The team should review the most recent data from the ASC Website and compare it against data received from the State. The team also should use the most recent data in comparisons conducted on-site.

## CHAPTER 5 - INTER-OFFICE COORDINATION

- 1. Obtain a Legal Review:** Within two weeks of receipt of a States' statutes and regulations for an upcoming Review, ASC Attorney-Advisor will provide a legal review of the status of the State's statute and regulations to the Lead Policy Manager. This review should identify issues and concerns raised by the State's statutes and regulations applicable to the State Program and their adequacy relative to the requirements of Title XI and ASC Policy Statements.
- 2. Consult with the DED:** Prior to each Compliance Review, the Review team briefs and the DED on any potentially significant issues regarding the State Program.

## CHAPTER 6 - COMPLIANCE REVIEW PROCEDURES

1. **General:** The Compliance Review process involves the analysis of the consistency of State appraiser statutory and regulatory requirements, and implementing policies, procedures and practices consistent with Title XI and other relevant Federal statutory or regulatory provisions. The on-site portion of a Compliance Review is performed over a two-four day period. On-site Reviews preferably should coincide with a meeting of the State Board, or its equivalent, to allow Policy Managers to attend board and/or committee meetings and observe the regulatory process. The on-site Review process is designed to enable ASC staff to analyze the Program in its entirety to determine if the State agencies have taken appropriate steps to ensure that each person seeking and obtaining a State certificate or license meet minimum education, examination, and experience requirements. Additionally, the Review team must determine if the State appraiser regulatory agencies has established an effective and efficient enforcement program to ensure that State certified or licensed appraisers continue to perform appraisal work in a competent and ethical manner.
2. **Opening Conference:** The review team will hold an opening conference with the State Program either virtually, no more than one week prior to the on-site portion of the Review, or upon arrival on-site. During the opening conference, it is important that the team clear communication channels within the Board, agency, etc. and clarify the administrative and organizational structure of the Program. The team should request that Program official(s) explain the processing procedures for various activities (*e.g.*, original and reciprocal licenses, temporary practice permits, and complaints of appraiser misconduct) and clearly identify which individual performs each task. Any questions resulting from the Review team's study of the preliminary information also may be raised at this time.
3. **Review:** The Review team should review each aspect of the Program. The Review must include, but is not limited to:
  - a) ***Active Files of Licensed and Certified Appraisers:*** The Review is based on a targeted sampling of licensed and certified appraisers' files. The Review team should use its own judgment in determining an appropriate sample. The Review team must document files reviewed using the Compliance Review worksheets and verify that:
    - 1) Each appraiser is qualified based on the minimum requirements prescribed in the AQB Criteria;
    - 2) Education and experience credit granted by the State was appropriate and in accordance with AQB Criteria;
    - 3) Each appraiser had successfully completed an examination that was approved by the AQB for the level of licensure or certification awarded; and
    - 4) The State has a reliable, routine audit method to validate both education and experience credit claimed for certification or licensing.

- b) ***Files of Individuals denied licensure or certification:*** The Review team must review a sample of the files of individuals denied licensure or certification, particularly noting on the Review worksheets the basis for the denial and the contentions of the State and the applicant. The Review team must ascertain from the file material whether the basis for denial seemed appropriate and equitable.
- c) ***Procedures for reviewing appraisal education courses:***
- 1) The Review team needs to determine if the State has an appropriate process for evaluating courses offered by providers of appraisal education;
  - 2) The Review team should review a sample of the State's QE and CE files to ensure that the courses, at a minimum, meet AQB Criteria. The Review team must document files reviewed on the Compliance Review worksheets; and
  - 3) The Review team should review all files of education courses or providers who were denied approval, noting on the Compliance Review worksheets the basis for the denial and the contentions of the State and the provider. The Review team must determine from the file material whether the basis for denial was appropriate and equitable.
- d) ***Disciplinary Files and Enforcement Procedures:*** The Review team must determine whether the State has established procedures to process and investigate complaints against appraisers and, if appropriate, sanction appraisers, in a timely, effective, consistent, equitable, and well-documented manner. The team should review a representative sample of files and document files reviewed on the Compliance Review worksheets, particularly noting the nature of the complaint and the resolution of that complaint. The Review team must determine from the file material whether the action taken seemed appropriate and equitable, or exhibited apparent biases or inconsistencies that should be explored further.

#### *Special Documented Circumstances*

The Revised Policy Statements expanded the coverage of Special Documented Circumstances (SDC) to be those cases with extenuating circumstances beyond the control of the State agency that delay normal processing of a complaint. Examples of SDC are: complaints involving a criminal investigation by a law enforcement agency when the investigative agency requests that the State refrain from proceeding; final disposition that has been appealed to a higher court; documented medical condition of the respondent; ancillary civil litigation; and complex fraud cases that involve multiple individuals and reports. All instances where SDC is claimed to apply must be fully documented by the State (ASC Policy Statement 7,B1). SDC may also include those periods when State rules require referral of a complaint to another State entity for review and the State agency is precluded from further processing of the complaint until it is returned. In that circumstance, the State agency should document the required referral and the time period during which the complaint was not under its control or authority.

Determining Compliance:

1. One or more complaint(s) pending over one year (without SDC) – Area of Concern under Timely Enforcement.
2. One or more complaints pending over two years (without SDC) – Out of Compliance under Timely Enforcement.

Identifying Potential Risk:

The team may identify potential risk for a State to fall behind in timely enforcement if the total number of pending cases is more than 10% greater than the average number of complaints processed per year. This would raise an Area of Concern under Statutes and Regulations for resources.

e) ***Procedures for Granting Temporary Practice:***

- 1) The Review team must determine whether the State, in accordance with Title XI, recognizes on a temporary basis the certification or license of an appraiser in good standing from another State who wishes to register with the State to perform an appraisal on property that is part of a federally-related transaction; and
  - 2) The Review team must review and document on the Compliance Review worksheets a sampling of requests for temporary practice to ensure that they were processed in accordance with ASC Policy Statement 2. The Review team should review any request denials to obtain evidence of their justifiability.
- g) ***The State's Organizational Structure:*** The Review team must determine if the Program's organizational structure presents a conflict of interest or the appearance of a conflict of interest, or whether the Program has sufficient independence to ensure adequate supervision of appraisers.
- h) ***State's Funding and Staffing:*** The Review team should collect copies of the Program's Budget and staffing information. The Review team should determine if the Program has sufficient resources to carry out its Title XI-related duties.
4. **Staff Interviews:** While performing the Compliance Review, the Review team may interview individual Program staff who perform specific appraiser regulatory tasks. Such interviews should be courteous, professional, and kept to the minimum time necessary to avoid unnecessarily interfering with the employee's work.
5. **Exit Conference:** Upon conclusion of the on-site Compliance Review, the Review team will conduct an exit conference with Board and Program representatives. If needed, the exit conference can be held virtually within one week of leaving the State office. The team leader may identify areas of potential concern to the ASC and areas that might be improved upon, providing it is clearly understood that such discussion is preliminary and that final determinations as to what may or may not be in the official report will be made by the ASC.

- 6. Observation of Appraiser Board and/or Committee Meetings:** The Review team should attend a board meeting while on-site if available or virtually prior to the Review. The Review team should note the authority and functions of the Board regarding administration of the Program, the interaction and exchanges between Board members, and the official actions taken by the Board. Generally, the Review team will observe the Board meeting and not participate, unless the Board asks the Review team leader to explain who the ASC is, how Title XI affects the State, and why we are conducting the Review. It is important that the Review team discuss such a presentation with the Board and Program prior to the Board meeting. The Review team should remain aware of the potentially sensitive nature of public Board meetings and not discuss any areas of concern or issues of non-compliance during an open Board meeting if the Board or Program requests.
- 7. Post Compliance Review Consultations:** After conclusion of the on-site Review, the team leader should review the materials gathered and identify potential Program issues. The team leader should consult with other team members and ASC staff to determine the appropriate level of concern for those identified issues. This process also may require follow-up conversations with Program staff and review of additional materials including prior Compliance Review reports and letters. The Review team should always be cognizant that ASC actions taken based on the findings of the Review team are far reaching and could potentially affect State appraiser licensing and certification programs, federally regulated financial institutions, and the real estate industry.

## CHAPTER 7 – ASC STAFF PRELIMINARY COMPLIANCE REVIEW REPORT PREPARATION

### 1. Preparing the ASC Preliminary Compliance Review Report and Letter:

- a) The team leader is responsible for drafting the ASC Staff Preliminary Compliance Review Report (Preliminary Report) and letter. The ASC Staff Preliminary Compliance Review should be created with most recent template for the Compliance Report workbook found in the “Template Folder” in SharePoint.
- b) The Preliminary Report must identify: (1) staff observations; (2) any requirement or guidance related to the observations; (3) whether there are issues of non-compliance or areas of concern; (4) general comments if appropriate.
- c) Below is a guideline for reporting the States compliance determination for “yes”, “no” and “Area of Concern (AC)” in the ASC Final and Preliminary Compliance Review Reports.
  - 1) **No** - Applies when the identified area is **not in compliance** with Title XI, ASC Policy Statements or AQB Criteria. A “no” applies when the State has not adequately resolved the concern. A “no” may be changed to a “yes” (in compliance) if the State resolves the concern and ASC staff has confirmed the change. A “no” may also be changed to an AC if the State reports they resolved the concern but ASC staff has not confirmed the adequacy of the action(s).
  - 2) **Area of Concern (AC)** – Applies when an area is identified as **technically in compliance**, however ASC staff identified something that if continued could cause the Program to become out of compliance. As an example, the State’s regulations do not require AQB Criteria for continuing education. The State, however, is in compliance by practice. The concern is that if the State is challenged legally, they could lose and be required to allow an appraiser to be renewed under the inadequate regulation. An AC also applies when ASC staff has identified best practice suggestions that could strengthen a marginal area of the Program. An AC may be changed to a “yes” (in compliance) if the State’s action resolves the concern and ASC staff has confirmed the action(s). As an example, a State amends and adopts a regulation to meet AQB Criteria and provides documentation showing the action was finalized. An AC will remain if ASC staff is unable to verify the State’s reported remedy. As an example, if the State reports that a remedy is in place and provides documents showing the new process, but ASC staff cannot validate that the State is actually using the new process, it will remain an AC until the next Review.
  - 3) **Yes** – Applies when the State is **in compliance** in the area and ASC staff has not recommended corrective or supplemental State actions.
- d) The draft Preliminary Report and letter to the State are due to the DED within ten business days of the end of the Review. Any need to extend this time period should be discussed with the DED as soon as possible.

- e) The DED will review the draft Report and letter and discuss identified issues and questions with the team leader. After the team leader makes any necessary changes, the DED will review the Preliminary Report and letter refer the Preliminary Report and letter to the Attorney-Advisor for review. After reviewing the suggested edits, the DED refers the report and letter to the ED for review as applicable. The RAS will then mail the signed letter and Preliminary Report to the State by overnight mail, forward copies to the Policy Managers and DED, and make a PDF for the electronic file. The PM should forward a courtesy copy of the letter and Preliminary Report to the State via email.

## CHAPTER 8 – ASC COMPLIANCE REVIEW REPORT PREPARATION AND PRESENTATION

**1. State Response:** Each State is given 60 days from the date of the ASC Preliminary Compliance Review letter to respond to the Preliminary Compliance Review Report. The Review remains an open matter with the ASC until the expiration of that period or the receipt of the State’s response. If a response has not been received within 10 business days of the conclusion of the 60-day period, the lead policy manager will remind the State by email of the due date.

### 2. Preparing Final Report and Letter

- a) The team leader will review the State’s response and draft a final Report using the Compliance Review Workbook containing the Preliminary Compliance Review Report in SharePoint.
- b) The Report must identify: (1) staff observations; (2) the requirement or guidance related to the observation; (3) whether there are issues of non-compliance or areas of concern; (4) the State’s response, if any; (5) required State actions, if any; (6) recommended State actions and general comments, if any.
- c) The Review team must always be cognizant that ASC actions taken based on the findings of the ASC are far reaching and could potentially affect State appraiser licensing and certification programs, federally regulated financial institutions, the real estate industry and consumers.
- d) Below is a guideline for reporting the States compliance determination for “yes”, “no” and “Area of Concern (AC)” in the ASC Final Compliance Review Reports (Final Report).
  - 1) **No** - Applies when the identified area is **not in compliance** with Title XI, ASC Policy Statements or AQB Criteria. A “no” applies when the State has not adequately resolved the identified instance of non-compliance.
  - 2) **Area of Concern (AC)** – Applies when an area is identified as **technically in compliance**, however ASC staff identified something that if continued could cause the Program to become out of compliance. As an example, the State’s regulations do not require AQB Criteria for continuing education. The State, however, is in compliance by practice. The concern is that if the State is challenged legally, they could lose and be required to allow an appraiser to be renewed under the erroneous regulation. An AC also applies when ASC staff has identified best practice suggestions that could strengthen a marginal area of the Program.
  - 3) **Yes** – Applies when the State is **in compliance** in the area and ASC staff has not recommended corrective or supplemental State actions.

- e) The draft Final Report is due to the DED within ten business days of the earlier of receipt of the State response or expiration of the 60-day response period. Any need to extend this time period should be discussed with the DED as soon as possible.
  - f) The DED will review the draft Final Report and discuss any necessary changes or questions with the team leader. After the team leader makes any necessary changes, the DED reviews and edits the Final Report. The DED will then refer the Final Report to the Attorney-Advisor for review. The DED then makes any final edits.
  - g) The RAS will finalize the Final Report and draft the cover letter and associated memo if applicable. For recommended Findings of “Excellent” or “Good”, the cover letter will be prepared for the ED’s signature. For recommended Findings of “Needs Improvement”, “Not Satisfactory” and “Poor” a memo will be prepared from the ED to Chair and the cover letter will be prepared for the Chair’s signature.
  - h) The RAS will give the completed package to the DED for final review.
  - i) For recommended Findings of “Excellent” or “Good,” the DED will forward the printed documents to the ED for approval and signature of the cover letter. The Final Report, cover letter and memo will be included in the ASC meeting package as an FYI item.
  - j) For a recommendation of “Needs Improvement,” the DED will forward the printed documents to the ED for approval and initials on the memo. The memo, cover letter and Final Report are sent to the Chair for approval and signature. The Final Report, cover letter and memo will be included in the ASC meeting package as an FYI item.
  - k) If staff recommends a Finding of “Not Satisfactory” or “Poor,” the memo, cover letter, Final Report, any State response to the Preliminary Report and the Preliminary Report are combined in PDF and included in the ASC meeting package for discussion in closed session at the next ASC meeting.
3. **ASC Briefing:** Recommended Findings of “Not Satisfactory” or “Poor,” will be addressed by the DED at the next ASC meeting closed session. The DED will present the draft Final Report and cover letter to the ASC, address questions from the ASC members and obtain guidance on preparing the final Report and letter to the State as applicable.
  4. The DED will present the Final Report and cover letter to the ASC for action in the next open session meeting of the ASC.
  5. **Final Compliance Review Reports:** The approved Final Report and signed cover letter will be sent by the RAS to the State by overnight mail. A pdf of the Final Report and signed cover letter will be made by the RAS for the electronic file with copies forwarded to the Policy Managers, DED, ED and Chairman. The RAS will place the Excel version of the Compliance Review Workbook on the server under Correspondence/Compliance Reviews Compliance Review Reports. If the State receives a Follow-up Review, the RAS also places the Excel version in the folder on SP titled “Waiting Follow-up.” The Final Report and signed cover letter is available to the public under the Freedom of Information Act. The RAS will place a searchable PDF copy on the ASC website and add it to the chart on the State Compliance Review page. The RAS will then update the “State Program Status

Report,” the “PM Work Log,” and the “Compliance Review Findings and Data Workbook.” The PM should forward a courtesy copy of the Final Report and signed cover letter to the State via email.

## CHAPTER 9 – FOLLOW-UP TO THE REVIEW

1. **Continuing Dialogue:** The Review team must determine if the State’s response to the Preliminary Compliance Review Report is adequate or if the identified issues must be addressed further or monitored.
  - a) If the State agreed to make necessary changes to its statutes, rules, regulations, or procedures, the team leader must note the State’s intentions and monitor to ensure they are carried out;
  - b) If the ASC has assigned required actions for the State, the PM must monitor the State to ensure they are carried out.
2. **Follow-up Review:** The ASC may schedule a Follow-up Review to obtain on-site verification of the status of the State’s efforts to resolve areas of concern or issues of non-compliance addressed in the Compliance Review letter and Final Report, or other correspondence. A Follow-up Review usually is one day in length, conducted by the team leader, and addresses only those issues identified as out of compliance during the Compliance Review.
  - a) The team leader is responsible for drafting the Report and letter.
  - b) The Report must identify the issues of non-compliance addressed in the Compliance Review Report; the current status of the State’s efforts to resolve those concerns; any further required actions; and comments, if any.
  - c) The format used should be the most recent template of the Follow-up Review Report.
  - d) The draft Follow-up Report and cover letter are due to the DED within ten business days of the end of the Follow-up Review. Any need to extend this time period should be discussed with the DED as soon as possible.
  - e) The DED will review the draft Report and cover letter and discuss any questions or changes with the team leader. After the team leader makes any necessary changes, the DED reviews and edits the draft Report and cover letter. The DED will then refer the draft Report and cover letter to the Attorney-Advisor for review. The DED will submit the final report and cover letter to the ED for review and signature. The RAS will send the approved Follow-up Review Report and signed cover letter to the State. Copies of the approved Follow-up Review Report and signed cover letter will be included in the next ASC meeting package for information and PDF copies will be made for inclusion in the electronic file system.
3. **Other Actions:** In special circumstances, the DED, in consultation with the ED, may determine that issues presented by a Program would be best addressed by sending the DED, ED and/or Attorney-Advisor to a State to address ASC areas of concern or issues of non-compliance. Persons making the visit shall report their findings and recommendations to the ASC at the next ASC meeting.

- 4. Programs receiving an ASC Finding of “Poor”:** A Program with an ASC Finding of “Poor” will be monitored continuously by the PM.
- a) All correspondence and conversations will be documented and filed in PDF in the State file.
  - b) Letters may be sent by the ED or Chair to appropriate State government officials informing them of the severity of the ASC’s Findings and the need to take corrective actions promptly.
  - c) An “Internal Staff Assessment” will be provided to the DED upon completion of each on-site visit.
  - d) An on-site “Required State Action Assessment” will be performed approximately 180 days after the date of the ASC Finding of Poor.
  - e) A draft “Required State Action Assessment” Report and cover letter will be prepared by the PM and sent to the DED within 10 business days. The DED will discuss questions and any necessary changes with the PM. The DED will review the draft Report and cover letter and then refer the draft Report and cover letter to the Attorney-Advisor for review. DED will refer the final report and cover letter to the ED for approval and signature. The RAS will send the approved Required State Action Assessment Report and signed cover letter to the State. Copies of the approved Report and signed cover letter will be included in the next ASC meeting package for information and PDF copies will be made for inclusion in the electronic file system.