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Appraisal Subcommittee

Federal Financial Institutions Examination Council

January 10, 2000

Honorable John G. Rowland, Governor
Governor's Office
State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106

Dear Governor Rowland:

The Appraisal Subcommittee of the Federal Financial Institutions Examination Council ("ASC") is a Federal government agency responsible, among other things, for overseeing State real estate appraiser regulatory programs under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI"), 12 U.S.C. 3310 and 12 U.S.C. 3331, *et seq.* In exercising our oversight, we perform periodic on-site reviews of each State's program to monitor compliance with Title XI. Enclosed please find a copy of our report that details our findings from our November 1999 review of Connecticut's real estate appraiser regulatory program ("Program").

Our review revealed serious weaknesses in Connecticut's Program. We identified many of these weaknesses in our 1996 on-site review and informed the Connecticut State Real Estate Appraisers Commission ("Commission") of them in an April 6, 1996 letter. Notwithstanding promises to improve the Program, Connecticut has made virtually no improvements and has not corrected the cited problem areas. If these weaknesses are not corrected promptly, it will be necessary for the ASC to initiate a proceeding under 12 U.S.C. 3347. At a minimum, this action would result in federally regulated financial institutions not recognizing Connecticut's real estate appraiser licenses and certifications.

Many of the weaknesses that we identified appear to result from the Program's lack of adequate funding and personnel. Connecticut's appraiser licensing and certification fees are among the highest in the United States. Only one staff person, however, has been assigned to the Program since its inception. In July 1999, the staff was increased to two full-time individuals, with the addition of a clerk. Even with increased staff, the Program's enforcement and application processing systems remain inadequate and ineffective. Other States, with similar numbers of regulated appraisers, provide effective programs with more personnel and fiscal resources, at lower costs to the public. For example, Oregon, with 1,350 regulated appraisers, charges appraisers \$225 per year and supports an administrator, an application/licensing specialist, an auditor/investigator, and administrative case coordinator, and an office specialist. Kentucky has 1,144 regulated appraisers and charges \$237 annually which funds a director, two support staff, and a full time investigator.

If the ASC were to order the "non-recognition" of Connecticut's appraiser certificates and licenses, no Connecticut appraiser legally would be able to perform appraisals in connection with federally related transactions. Such an order not only would seriously affect the livelihood of each Connecticut appraiser, it would significantly impact the efficient functioning of Connecticut's commercial and residential lending and related industries. We are sure you share

our desire to avoid such consequences. We request that you become actively involved in resolving the Program's weaknesses and the causes of those weaknesses as expeditiously as possible.

Due to the serious nature and the extent of our concerns for Connecticut's ability to carry out its Title XI responsibilities, we will return to your State for a follow-up review within the next six months. As you may note in our attached letter to Chairman Maisano, we have asked the Connecticut Real Estate Appraisers Commission to respond to each issue in our letter within 60 days. We will follow up with Chairman Maisano and Director Hurlburt after we receive the response.

If you have any questions, please contact us.

Sincerely,

Herbert S. Yolles
Chairman

cc: Donato D. Maisano, Chair
Connecticut State Real Estate Appraisers Commission
Richard Hurlburt, Director
Occupational and Professional Licensing Division, Department of Consumer Protection

Enclosure