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Appraisal Subcommittee

Federal Financial Institutions Examination Council

January 19, 2010

Mr. William E. Coyle, III, Chair
Real Estate Appraisers Board
Department of Business Regulation
Division of Commercial Licensing, Racing and Athletics
John O. Pastore Center, Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920-0942

Dear Mr. Coyle:

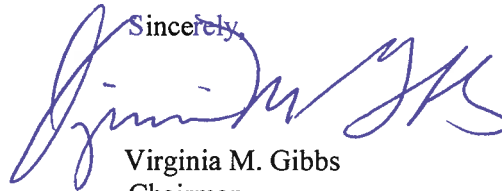
The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of Rhode Island's appraiser regulatory program (Program) on June 29- July 1, 2009. This is the final ASC Compliance Review Report (Report) on that Review.

The ASC has considered the staff's 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 (Title XI). The ASC identified the following concerns:

- Rhode Island must have sufficient legal and other administrative resources to perform Title XI related duties.¹
- Rhode Island must use a reliable means of validating experience on all initial applications including tax assessors.²
- Rhode Island must have a reliable means of validating all continuing education for reinstatement consistent with AQB real property appraiser criteria.³

In the response, the State indicated it has taken corrective actions, which are detailed in the attached Report. During the next Review, ASC staff will confirm these corrective actions have taken place and are appropriate. Please also be advised 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,

Virginia M. Gibbs
Chairman

Attachment

cc: Michael Marques, Department Director
Maria D'Alessandro, Associate Director of Commercial Licensing
William DeLuca, Acting Real Estate Administrator

¹ Title XI § 1118 (b) (2), 12 U.S.C. 3347

² ASC Policy Statement 10G; AQB Real Property Appraiser Qualification Criteria

³ ASC Policy Statement 10F 5; AQB Real Property Appraiser Qualification Criteria

ASC Compliance Review Report

Finding: Not In Substantial Compliance

Rhode Island Appraiser Regulatory Program (Program)		Rhode Island Real Estate Appraiser Board (Board)		ASC Compliance Review Date: June 29 - July 1, 2009	Review Period: 04/2007 - 06/2009
Umbrella Agency: Department of Business Regulation (Department), Division of Commercial Licensing and Racing and Athletics (Division)		PM: K. Klamet	Number of State credentialed appraisers on National Registry: 600		Issue Date: January 19, 2010

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					
Rhode Island Statutes, Regulations, Policies and Procedures:	X		X					
States must have sufficient legal and other administrative resources to perform Title XI related duties. (Title XI, SEC. 1118 (b) (2) [12 U.S.C. 3347])				Rhode Island had only one staff person dedicated to the Program. If that individual needs to be out of the office, this could negatively impact the Program.	On October 22, 2009, the Department reported that to ensure there is sufficient cross training and education of staff, they developed a comprehensive policy and procedures manual detailing each of the Title XI duties and responsibilities to assist other staff members in becoming familiar with the requirements. The Department has also begun training another full time staff member to assist carrying out all duties pertaining to Title XI compliance.	None	None	None
Temporary Practice:	X							
				No compliance issues noted.	N/A	None	None	None
National Registry:	X							
				No compliance issues noted.	N/A	None	None	None

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Finding: Not In Substantial Compliance

Rhode Island Appraiser Regulatory Program (Program)		Rhode Island Real Estate Appraiser Board (Board)		ASC Compliance Review Date: June 29 - July 1, 2009	Review Period: 04/2007 - 06/2009
Umbrella Agency: Department of Business Regulation (Department), Division of Commercial Licensing and Racing and Athletics (Division)		PM: K. Klamet	Number of State credentialed appraisers on National Registry: 600		Issue Date: January 19, 2010

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 must use a reliable means of validating experience claims on all initial applications, including tax assessors. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 10G.)				<p>Six application files were found that contained experience logs with no hours documented. Program staff provided a list of all applicants that had been issued a credential since our last review (April 2007). Based on this list, 65 applications were identified that needed to be reviewed to determine whether a log had been submitted in accordance with AQB criteria.</p> <p>One individual had been issued a credential without meeting the 30-month experience requirement for certified general appraisers.</p>	<p>On October 22, 2009, the Department reported they had identified 56 licensee files that did not have an experience log detailing the actual number of hours and months. Of those, 35 updated logs were received and will be presented to the Board for a final determination of compliance. If lack of compliance is found in any log, the Board will proceed with enforcement consistent with the ASC's guidance, including downgrading certifications.</p> <p>To improve the Program, the Department developed and implemented a form which specifically documents the number of hours attributed to each appraisal and a protocol that documents compliance via a checklist for all applications for credentials.</p> <p>The one licensee identified by ASC staff as being issued a credential without meeting the 30-month requirement has been investigated by Program staff and that licensee file has been deemed compliant.</p>	<p>The Board must:</p> <p>(1) continue with the process to determine the status of compliance for each appraiser and provide ASC staff with the final results;</p> <p>(2) downgrade certified appraisers to a non-certified credential who cannot provide acceptable experience documentation; and</p> <p>(3) reissue certified appraiser credentials with corrected effective dates to appraisers who did not have the necessary experience at the time the certified credential was issued and now have subsequently obtained the requisite experience.</p>	None.	ASC staff will verify the steps taken and that the experience logs provided are appropriate during the next on-site Review.

ASC Compliance Review Report

Finding: Not In Substantial Compliance

Rhode Island Appraiser Regulatory Program (Program)

Rhode Island Real Estate Appraiser Board (Board)

ASC Compliance Review Date: June 29 - July 1, 2009

Review Period: 04/2007 - 06/2009

Umbrella Agency: Department of Business Regulation (Department), Division of Commercial Licensing and Racing and Athletics (Division)

PM: K. Klamet

Number of State credentialed appraisers on National Registry: 600

Issue Date: January 19, 2010

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 Continued:		X						
States must require all continuing education for re-instatement be consistent with AQB 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>ASC staff identified a prior credential holder who had been issued a new certified general credential, but did not meet the required continuing education hours for reinstatement or the required qualifying education as a new applicant.</p> <p>In 2007, the applicant's credential had been expired for over one year, therefore, she applied under Rhode Island's Commercial Licensing Regulation 10, Section 7 - Term of Licenses/Renewals (D). At no time shall any certification or license be renewed without an examination if the certification or license has been expired for more than a period of one (1) year from the date of expiration.</p> <p>The Board initially denied the application because her experience was older than five years (which is a Rhode Island requirement). The applicant requested a hearing and was granted her prior experience hours. However, there was no documentation that the AQB required continuing education hours were met.</p>	<p>The Department advised the ASC in a October 22, 2009 correspondence that the credential holder's application for the certified general credential was initially denied by the Board as the applicant did not meet Rhode Island's five-year experience requirement. The credential holder requested a hearing to contest the denial and the matter was ultimately resolved via an Order of Dismissal indicating that the Board determined the applicant met the experience requirement and recommended licensure if all other prerequisites were met.</p> <p>The Department acknowledged that there is an apparent lack of documentation in the applicant's file confirming how the prerequisites were met. It is the Department's understanding from speaking with the Program's retired administrator that the documentation was received and reviewed prior to granting the credential. The applicant passed the State Certified General examination on 10/27/2007 and a credential was issued on 10/31/2007.</p> <p>On October 22, 2009, Department staff reported that they intend to review, and if necessary, revise the regulations regarding reinstatement to ensure compliance with AQB criteria.</p>	<p>The Department must contact the credential holder and request documentation to show that the appraiser met all the required education requirements either as a reinstatement or as a new applicant at the time of the credential issuance.</p> <p>If the appraiser does not provide appropriate documentation to meet this requirement, the Department must downgrade the credential to an appropriate non-certified classification.</p> <p>Rhode Island must amend the regulation regarding reinstatement of a credential to conform with AQB criteria.</p>	<p>To strengthen the Program, Rhode Island should implement an effective policy and procedure to ensure that documentation used to validate appraiser credential education and experience claims are properly retained.</p>	<p>Please provide ASC staff with a copy of the revised regulation.</p>
Reciprocity:	X			No compliance issues noted.	N/A	None	None	None

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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					
Education:	X			No compliance issues noted.	N/A	None	None	None
Enforcement:	X			No compliance issues noted.	N/A	None	None	None