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Appraisal Subcommittee

Federal Financial Institutions Examination Council

March 15, 2011

Mr. John D. Lyon, Jr., Chairman
North Carolina Appraisal Board
5830 Six Forks Road
Raleigh, NC 27609

RE: ASC Compliance Review of North Carolina's appraiser regulatory program

Dear Mr. Lyon:

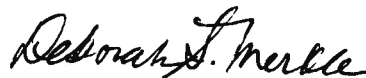
The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of North Carolina's appraiser regulatory program (Program) on August 16-18, 2010. This is the final ASC Compliance Review Report (Report) on that Review.

The ASC has considered the preliminary findings regarding the Review and the State's response. Although the attached Report references an area of concern, the ASC has determined the Program is in substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

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,



Deborah S. Merkle
Chairman

Attachment

cc: Mr. Donald Rodgers, Executive Director

ASC Compliance Review Report

Finding: In Substantial Compliance

Report Issue Date: March 15, 2011

North Carolina Appraiser Regulatory Program (Program)			
North Carolina Appraisal Board (Board) / Decision Making		ASC Compliance Review (Review) Date: August 16-18, 2010	Review Period: August 2008 to August 2010
Umbrella Agency: Independent	PM: J. Tidwell	Number of State Credentialed Appraisers on National Registry: 3277	Issue: FINAL

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					
North Carolina Statutes, Regulations, Policies and Procedures:	X							
				No compliance issues noted.	N/A	None	None	None
Temporary Practice:			X					
States must issue temporary practice permits on an assignment basis. For temporary practice purposes, the ASC regards the term "assignment" as meaning one or more real estate appraisals and written appraisal reports which are covered by a contract to provide an appraisal. (Title XI § 1122 (a), 12 U.S.C. 3351; ASC Policy Statement 5.)				ASC staff found that Board staff did not request from the applicant a copy of the appraisal engagement letter or contract in order to determine whether the application for a temporary practice permit was for a single assignment or multiple assignments.	On November 12, 2010, the Board reported to ASC staff that they do not require a letter of engagement as part of an application for a temporary practice permit unless it is unclear from the application what the actual assignment consists of, or what properties are included in the assignment. Not all appraisal assignments have a contract or formal letter of engagement. The Board does require that the address of the subject property be stated on the application, but will accept an engagement letter that lists the properties that are the subject of the assignment. The Board requested this be removed as an area of concern stating it is a best practice issue, and neither Title XI nor ASC Policy Statement 5 requires a letter of engagement.	None	To strengthen the Program, the Board should consider collecting a copy of the engagement letter or contract from applicants for temporary practice permits.	None
National Registry:	X							
				No compliance issues noted.	N/A	None	None	None

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PM: J. Tidwell

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	YES	NO	AC					
Application Process:	X							
States must use a reliable means of validating appraiser experience claims on all initial applications for appraiser credentialing. (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>The Board uses a point system for determining appraisal experience hours and does not require applicants for appraiser credentials to provide their actual number of hours worked as required in AQB Real Property Appraiser Qualification Criteria (AQB Criteria).</p> <p>While the experience logs were incomplete, the Board obtained and reviewed the required documentation to support applicants' appraisal experience hours.</p>	<p>On November 12, 2010, the Board reported to ASC staff that since its inception, the Board has used a point system to determine appraisal experience hours. This translated to 8.33 hours per point. The Board also required that every time a trainee worked on an appraisal, the supervisor must complete and sign a detailed report of the amount and type of work the trainee performed on the assignment. The Board believes that the combination of the supervisor's report and the experience log exceeds the requirements of the AQB Criteria to validate appraiser experience. The Board did, however, implement a new experience log that includes the applicant's actual experience hours per assignment, effective January 1, 2011.</p>	None	None	<p>During the next Review, ASC staff will pay particular attention to this area for compliance with AQB Criteria and Policy Statement 10G.</p>

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	YES	NO	AC					
Application Process continued:	X							
States must ensure appraiser credential applications submitted for processing do not contain expired examinations (24-month examination validity period). Valid applications should be timely processed. (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 2.)				ASC staff randomly selected and reviewed 40 applications, and discovered 3 applicants whose exams exceeded the 24-month validity period, all by less than one month.	On November 12, 2010, the Board reported to ASC staff that traditionally, the Board has required applicants to take the examination after they have completed their education and experience; thus the 24-month period was not an issue. In 2006, North Carolina adopted the segmented approach to the 2008 AQB Criteria. As part of the process, for a limited time North Carolina allowed applicants to take the examination once their education was complete. The Board now requires applicants to complete their experience before they take the examination. In light of the AQB exposure draft, and given the confusion among the States and ASC staff, and the few number of credentials involved, the Board asks that this be stricken as an area of concern.	None	None	The transition period ended on December 31, 2009, and the Board now requires all appraiser applicants to gain their appraisal experience prior to sitting for the examination. Therefore, the 24-month exam validity period should not be a problem in the future. During the next Review, ASC staff will pay particular attention to this area.

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	YES	NO	AC					
Reciprocity:	X							
				No compliance issues noted.	N/A	None	None	None
Education:	X							
				No compliance issues noted.	N/A	None	None	None
Enforcement:	X							
				No compliance issues noted.	N/A	None	None	None