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Appraisal Subcommittee
Federal Financial Institutions Examination Council

August 20, 2014

Mr. D. Scott Murphy, Chair
Georgia Real Estate Appraisers Board
229 Peachtree Street, NE
International Tower, Suite 1000
Atlanta, GA 30303-1605

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

Dear Mr. Murphy:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Georgia appraiser regulatory program (Program) on March 17-19, 2014, 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 Program has been awarded an ASC Finding of "Needs Improvement." The final ASC Compliance Review Report (Report) is attached.

The ASC identified the following areas of non-compliance:

- States must use proper designations and permitted scope of practice for all appraiser classifications;¹
- States must process applications in a consistent, equitable and well-documented manner;²
- States must require the 7-hour National USPAP Update Course for renewals consistent with AQB Criteria;³ and
- States must ensure appraiser education courses are consistent with AQB Criteria.⁴

ASC staff will confirm that appropriate corrective actions have been taken through off-site monitoring and during a Follow-up Review in approximately 12 months. Georgia 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,



Arthur Lindo
Chairman

Attachment

cc: Mr. William Rogers, Jr., Commissioner
Mr. Craig Coffee, Deputy Commissioner

¹ 12 U.S.C. § 3345; 12 U.S.C. § 3347; 12 U.S.C. § 3342; Policy Statement 1 D, E.

² 12 U.S.C. § 3347(a); ASC Policy Statement 4 A.

³ 12 U.S.C. § 3347; Policy Statement 4 F.

⁴ 12 U.S.C. 3347; Policy Statement 6A.

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 8, *Interim Sanctions*.

ASC Compliance Review Report

ASC Finding: Needs Improvement
Final Report Issue Date: August 20, 2014

Georgia Appraiser Regulatory Program (Program)

Georgia Real Estate Appraisers Board (Board) / Decision Making	PM: V. Metcalf	ASC Compliance Review Date: March 17-19, 2014	Review Period: February 2012 to March 2014
Umbrella Agency: Adjunct to Georgia Real Estate Commission		Number of State Credentialed Appraisers on National Registry: 3,588	Review Cycle: Two Year with Follow-up

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					
Statutes, Regulations, Policies and Procedures:			X					
States must, at a minimum, adopt and/or implement all relevant AQB Criteria. (12 U.S.C. § 3347; Policy Statement 1 C, D.)				AQB Criteria requires the completion of the most recent 7-hour USPAP update course prior to reactivation of a credential in inactive status. Georgia Rule §539-1-.08 (3) specifies that for an individual to reinstate a credential that has been inactive between 2-5 years, the appraiser must complete a 15-hour USPAP course.	On June 23, 2014, the State reported that a Notice of Intent to amend Georgia Rule 539-1-.08 (3) to require completion of the most recent 7-hour USPAP update course prior to reactivation of a credential that has been lapsed (inactive) between 2-5 years was posted.	None	None	Upon adoption, please provide ASC staff with a copy of the regulation change.
Statutes, Regulations, Policies and Procedures continued:	X							
States must require that appraisals be performed in accordance with the latest version of USPAP. (12 U.S.C. § 3331; 12 U.S.C. § 3347; Policy Statement 1.)				The USPAP Recordkeeping Rule specifies that appraisers must retain the work file for a period of at least 5 years after preparation or at least 2 years after final disposition of any judicial proceeding in which the appraiser provided testimony related to the assignment, whichever period expires last. Georgia's regulations only requires appraisers to keep their records for 5 years.	On June 23, 2014, the State referenced O.C.G.A. §43-39A-18(12) which identifies as a violation of the Appraisal Act the failure to retain records for 5 years unless within such 5-year period, the appraiser is notified that the appraisal or the appraisal report is involved in litigation. In that event, "the 5-year period for the retention of records shall commence upon the date of the final disposition of such litigation."	None	None	The referenced cite addresses the concern.

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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					
Statutes, Regulations, Policies and Procedures continued:			X					
States must, at a minimum, adopt and/or implement all relevant AQB Criteria. (12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D.)				AQB Criteria requires appraiser trainees to be subject to direct supervision by a supervising appraiser who shall be State certified. Georgia Rule §539-1-16(1) permits licensed level appraisers to supervise registered (trainee) appraisers.	On June 23, 2014, the State replied that in practice, it has not allowed any licensed appraisers to serve as supervising appraisers since 2006. The "licensed" language in Georgia Rule 539-1-.16 (1) should have been removed from the Rule in 2006 with the adoption of Georgia Rule 539-1-.16 (9) which specifies that supervisors must be Certified appraisers. Rule 539-1-.16 (1) concerning the scope of practice for registered appraisers is currently being rewritten and the "licensed" language will not appear in the updated version.	None	None	Upon adoption, please provide ASC staff with a copy of the regulation change.
Statutes, Regulations, Policies and Procedures continued:		X						
States must use proper designations and permitted scope of practice for all appraiser classifications. (12 U.S.C. § 3345; 12 U.S.C. § 3347; 12 U.S.C. § 3342; Policy Statement 1 D, E.)				AQB Criteria requires appraiser trainees to be directly supervised by a supervisory appraiser who is State certified. Georgia Rule §539-1-16(9) allows registered (trainee) appraisers to independently appraise properties for transactions that are not in conjunction with a federally related transaction after only completing 1,000 hours of supervised work experience.	On June 23, 2014, the State reported that it is currently drafting a Rule to ensure their rules and practice comply with current AQB criteria for appraiser trainees.	Georgia must continue the process to amend its rule to bring it into compliance with AQB Criteria, and provide the ASC staff with a copy of the final rule once adopted.	None	During a Follow-up Review in approximately 12 months, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 1.

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Umbrella Agency: Adjunct to Georgia Real Estate Commission		Number of State Credentialed Appraisers on National Registry: 3,588	Review Cycle: Two Year with Follow-up

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					
Statutes, Regulations, Policies and Procedures continued:			X					
States must have funding and staffing sufficient to carry out their Title XI-related duties. (Title XI § 1118 (b), 12 U.S.C. § 3347; ASC Policy Statement 1.)				Georgia does not appear to have sufficient resources to effectively resolve disciplinary matters. The Program has added resources in the investigative area to more effectively address the number of complaints received. However, this caused the number of cases referred to the Office of the Attorney General (AG) to increase. The AG assigned 3 of the cases to the Specially Appointed Attorney General (SAAG) and 16 cases remain in the AG's office. All 19 have been in various stages of adjudication for a number of years; 2 since 2009, 9 since 2010, 7 since 2011, and 1 since 2012.	On June 23, 2014, the State reported that 6 of the 19 cases cited in the review had been settled and the AG had begun settlement discussions with the respondents in the 13 remaining cases. State staff sent a letter to the AG inquiring about the dated cases and requesting that future appraiser cases be assigned to the private law firm serving as the SAAG. State staff believes this will enable the AG to complete the older cases and move forward with the timely filing of cases with the Office of State Administrative Hearings.	The State should continue to find ways to achieve and maintain the necessary resources to perform its Title XI-related duties.	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 1.
Temporary Practice:	X			No compliance issues noted.	N/A	None	None	None
National Registry:			X					
States must submit all disciplinary actions to the ASC for inclusion on the National Registry. (12 U.S.C. § 3347; 12 U.S.C. § 3338; Policy Statement 3 A, D, E.)				ASC staff found that 1 citation and 2 revocations were not reported to the National Registry.	On March 18, 2014, the missing disciplinary actions were added to the National Registry. On June 23, 2014, Georgia explained that the 3 cases involved special circumstances and the usual office process flow was not followed. To prevent this from happening again, Board staff created an additional review process to ensure all actions are properly reported to the National Registry.	None	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 3.

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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					
Application Process:		X						
States must process applications in a consistent, equitable and well-documented manner. (12 U.S.C. § 3347(a); ASC Policy Statement 4 A.)				The credential of a revoked appraiser was erroneously reinstated as an "inactive" credential because the revocation was not properly classified by the State in their system and on the National Registry.	On June 23, 2014, the State reported that the AG's office opened a case and the Board is moving to revoke the erroneously credentialed appraiser's classification. In addition, the State added an additional review process to ensure all actions are properly classified in its system.	Within 60 days of the date of this Report, and every 30 days thereafter until resolution, the State must provide ASC staff with a written update as to the status of the State's efforts to revoke the credential.	None	Through off-site monitoring and a Follow-up Review in approximately 12 months, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 4.
Application Process continued:		X						
States must require the 7-hour National USPAP Update Course for renewals consistent with AQB Criteria. (12 U.S.C. § 3347; Policy Statement 4 F.)				AQB Criteria requires the completion of the most recent 7-hour USPAP Update course prior to reactivation of a credential in inactive status. Georgia Rule §539-1-.08(3) states that appraisers with credentials that have lapsed for more than 2 years but less than 5 years must complete the 15-hour USPAP course to reinstate. ASC staff found 1 appraiser was permitted to reinstate on this basis.	On June 23, 2014, the State reported that a Notice of Intent to amend Georgia Rule 539-1-.08 (3) to require completion of the most recent 7-hour USPAP update course prior to reactivation of a credential that has been lapsed (inactive) between 2-5 years was posted. According to the Notice, the comment period ends on August 1 and it becomes effective on September 1, 2014.	None	None	During a Follow-up Review in approximately 12 months, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 4 and AQB Criteria.

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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					
Application Process continued:			X					
States must ensure that appraiser experience logs conform to AQB Criteria. (12 U.S.C. 3345; Policy Statement 4D.)				The experience logs in some application files did not contain the required information specified in the AQB Criteria.	On June 23, 2014, the State reported that the non-compliant logs were submitted by applicants that chose not to use the experience log provided by the Board. Board staff has directed its test vendor/application screener to forward any logs not submitted on the Board approved "Appraisal Experience Log for Classification" to its office to ensure that all of the required information is present and conforms with AQB Criteria.	None	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and AQB Criteria.
Application Process continued:			X					
States must ensure that persons analyzing work product for USPAP compliance must have sufficient knowledge to make that determination. (12 U.S.C. § 3347(a); ASC Policy Statement 4 D.)				Program staff evaluating the selected applicant work samples is not knowledgeable about USPAP and does not properly review work product for USPAP compliance. Each application file contained a check sheet that denoted that the provided reports were examined to ensure reporting elements were present, but based on the check sheet and discussions with program staff, work product is not analyzed for minimum USPAP compliance.	On June 23, 2014, the State reported that, in order to ensure that the person analyzing work product for USPAP compliance is knowledgeable and capable of making that determination, a certified residential appraiser will be used. The certified appraiser is a Board investigator and will be evaluating the selected applicant work samples for USPAP compliance.	None	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 4 D.

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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					
Reciprocity:	X			No compliance issues noted.	N/A	None	None	None
Education:			X	Program staff did not ensure that approved distance education courses maintained their AQB compliant course design and delivery approvals.	On June 23, 2014, the State reported that its computer system has been modified to add an end date to the course record to coincide with the AQB design and delivery approvals.	None	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 6.
States must ensure the delivery mechanism for distance education courses offered by a non-academic provider has been approved by an AQB-approved organization providing approval of course design and delivery. (12 U.S.C. § 3347; Policy Statement 6 B, C.)								
Education continued:		X		Program staff approved the following continuing education (CE) courses with content inconsistent with AQB Criteria because they did not contain real estate related content: <ul style="list-style-type: none"> • “Appraising for forest landowners adapting to change made by the 2012 Tax Act,” • “2013 University of Georgia Timberland Conference,” and • “Introduction to ARCGIS.” 	On June 23, 2014, the State reported that all 3 of the courses were submitted by the same education provider. A review of education records indicates that CE credit was issued for 1 of the courses to 3 individuals. This provider’s record has been marked so that all future requests for course approvals are reviewed by the Deputy Commissioner as well as the Education Advisor.	The State must: (1) cease accepting appraiser education courses that do not meet AQB Criteria; (2) ensure the individuals identified as receiving CE credit for courses that did not meet AQB Criteria have demonstrated completion of appropriate CE to maintain their credential.	None	During a Follow-up Review in approximately 12 months, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 6 and AQB Criteria.
States must ensure appraiser education courses are consistent with AQB Criteria. (12 U.S.C. 3347; Policy Statement 6A.)								
Enforcement:	X			No compliance issues noted.	N/A	None	None	None