

Appraisal Subcommittee

Federal Financial Institutions Examination Council

December 20, 1996

Ms. Ann L. Susko, Chairman
Arizona Board of Appraisal
1400 West Washington, Suite 360
Phoenix, Arizona 85007

Dear Ms. Susko:

Thank you for your and the Arizona Board of Appraisal ("Board") staffs cooperation in the November 7-8, 1996 Appraisal Subcommittee ("ASC") review of the Arizona appraiser regulatory program ("Program"). The Board was one of the first States to utilize volunteers from the appraiser community to provide assistance in investigating complaints, and we are pleased to note that this arrangement continues to work. Although the Board has made most of the recommended changes cited in the ASC's November 19-20, 1992 field review, we have the following recommendations for further improvement in your program.

- **The Board should ensure that all complaints receive equitable and consistent disposition.**

The ASC has received written and telephone complaints alleging unfair disposition of complaints against Board members. During the field review, we examined the complaints in question and other complaints against non-Board members alleging similar violations. For the most part, the Board handled all complaints in a fair and equitable manner. We do, however, have a concern with Complaint Number [REDACTION], which was filed against [deletion]. When carefully investigated by a volunteer, numerous violations of USPAP and the Competency Provision were identified. The Disciplinary Committee dismissed the complaint and issued a letter to [delete] that stated there were "no significant violations of USPAP." ASC staff reviewed other complaints involving similar violations of USPAP which resulted in Board sanctions against appraisers. The ASC recommends that the Board reopen [delete] case, Complaint Number [REDACTION], to determine if [delete] were afforded preferential treatment. If appropriate, disciplinary action should be taken by the Board. Such action, if necessary, must be equitable and consistent with disciplinary actions taken regarding other appraisers.

- **The Board should initiate the process of updating the necessary regulations in a timely manner to ensure that appraisers in Arizona are preparing appraisals in accordance with the most current version of USPAP.**

In the ASC's February 12 1993 letter to the Board, the ASC recommended that the current version of USPAP be adopted in a timely manner. The Board operated under the 1990 version of USPAP until December 29 1995 at which time the 1995 edition of USPAP became effective. The 1995 edition remains in effect, even though the 1996 Edition of USPAP was issued by the Appraisal Foundation more than 10 months ago, and the 1997 Edition will become effective January 1, 1997. The Board should initiate the process to amend its regulation as soon as new USPAP versions

become effective to ensure compliance with the most current version, and should put in place procedures to ensure that such amendments will be processed in a timely fashion in the future.

- **Board policy allows appraisers to receive their certificate license prior to paying the National Registry fee.**

Due to the State's practice of awarding certificates or licenses to Arizona appraisers prior to payment of the National Registry fee, some appraisers may have performed appraisals in federally related transactions without being listed on the ASC's National Registry. This practice is inconsistent with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("Title XI"). As you know, regulated financial institutions are required under Title XI and the Federal financial institutions regulatory agencies' appraisal regulations to use only State certified or licensed appraisers listed on the National Registry to perform appraisals in connection with federally related transactions. We observed that the Board, in its November 8 meeting, discussed changing this policy to one that would require appraisers to pay the National Registry fee before receiving a certificate or license. We recommend that you adopt this policy as soon as possible.

Finally, ASC staff has been working with the Board's administrative staff to reconcile the number of appraisers on the National Registry with the State's May 5, 1996 submission. Our database indicates that fees are owed for 235 appraisers. We will continue to work with the Board's administrative staff to resolve this issue.

We request that the Board respond to each of our recommendations within the next 60 days. If you have any questions, please do not hesitate to contact us.

Sincerely,

Diana L. Garmus
Chairperson

cc: Shirley Berry, Executive Director
Robert Harbin, Board Member
Scott Hudson, Board Member
Jared Huish, Board Member
Detlef Lange, Board Member
Lawrence Mann, Board Member
Marcella Peters, Board Member
Carl Yoder, Board Member
Melvin Young, Board Member