

□ □ □ □ □ □

Appraisal Subcommittee

Federal Financial Institutions Examination Council

March 15, 2006

Mr. Anthony F. Majewski, Acting Director
Office of Real Estate Appraisers
1102 Q Street, Suite 4100
Sacramento, CA 95814

Dear Mr. Majewski:

Thank you for your cooperation and your staff's assistance in the January 18-20, 2006 Appraisal Subcommittee ("ASC") review of California's appraiser regulatory program ("Program"). Based on our review, California needs to address two concerns to bring the Program into substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI").

- **The Office of Real Estate Appraisers ("OREA") did not issue temporary practice permits within five business days of receipt of completed applications as required by Title XI and ASC Policy Statement 5.**

OREA often fails to issue temporary practice permits within five business days after receipt of a completed application, as required by ASC Policy Statement 5. ASC staff reviewed 34 temporary practice permit applications and found that in 18 cases, OREA took longer than five business days to process the application and issue the permit.

OREA needs to revise its temporary practice processing procedures to ensure that all temporary practice permits are issued within five business days of receipt of completed applications and advise us of the nature of those processing changes in its response to this field review letter.

- **OREA approved distance education courses that fail to conform to Appraiser Qualifications Board ("AQB") certification criteria.**

ASC staff identified four approved distance education courses that appeared inconsistent with AQB distance education criteria. Specifically, the distance education courses failed to have their delivery methodologies approved by one of the approval sources specified in AQB criteria. The four courses are:

Appraiser Liability-Virtual Classroom
McKissock Data Systems
Approved 8/5/2004

California Real Estate Finance
Felde Publications and Programs
Approved 11/8/2004

Real Estate Law in California
Felde Publications and Programs
Approved 11/8/2004

The Art of Appraisal Review-Virtual Classroom
McKissock Data Systems
Approved 1/18/2005

On December 1, 2003, the AQB issued an interpretation removing the American Council on Education (“ACE/Credit”) as an approved organization for distance education course reviews. Courses approved under the ACE/Credit program were eligible to remain valid until their current approvals expired, but could not be renewed through ACE/Credit. Effective April 1, 2004, all new distance education course delivery mechanisms were to be approved by the International Distance Education Certification Center (“IDECC”) or a university or college that operated a distance education program. OREA approved the four identified courses after April 1, 2004, based on ACE/Credit approval.

In October 2004, OREA began drafting regulatory amendments to ensure conformance with Federal and State statutes. Among the draft amendments was the removal of ACE/Credit as an accreditation agency for distance learning courses and the addition of IDECC as an accreditation agency for distance education delivery mechanisms. The draft changes were published for public comment with the public comment period ending January 9, 2006. OREA received no comments regarding this specific change. At the time of our field review, the proposed amendments were undergoing a fiscal and economic impact review by the Department of Finance.

In practice, OREA began requiring IDECC approval on distance education courses accepted on or after July 1, 2005. At the time of our field review, OREA had approved three distance education courses since July 1, 2005; all had IDECC approval.

To ensure compliance with AQB certification criteria, OREA needs to:

1. Immediately review all distance education courses approved on or after April 1, 2004, for conformance with AQB criteria regarding delivery methodology approval;
2. Rescind approval for any courses that do not conform to AQB criteria;
3. Ensure that future distance education course reviews include proper consideration of AQB criteria;
4. Notify us in your response to this letter regarding the results of your course review required in step one above; and
5. Keep us informed about the status of the curative draft regulatory amendment and provide us with a copy of the final amendment when it is adopted.

Please respond to our findings and recommendations within 60 days from the date of this letter. Until the expiration of that time period or the receipt of your response, we consider this field review to be an open matter. After receiving your response or the expiration of the 60-day response period, whichever is earlier, this letter, your response and any other correspondence

between you and the ASC regarding this field review become releasable to the public under the Freedom of Information Act and will be made available on our Web site.

Please contact us if you have any questions.

Sincerely,

Virginia M. Gibbs
Chairman