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Appraisal Subcommittee

Federal Financial Institutions Examination Council

June 30, 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 April 28, 2006 letter responding to our March 15, 2006 field review letter and your June 2, 2006 email responding to several follow-up questions from my staff. We appreciate your efforts to bring California's Office of Real Estate Appraiser's ("OREA") temporary practice processing procedures into compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, ("Title XI") and ASC Policy Statement 5.

We also note that you completed a review of all approved distance education courses and found thirteen courses that had not provided evidence of International Distance Education Certification Center ("IDECC") accreditation.* OREA approved these courses on or after April 1, 2004. We understand that you have written to these providers, requesting that documentation and notifying them that the courses cannot be used as qualifying or continuing education at the certified level until proof of their IDECC accreditation is received.

In your June 2nd email, you noted that OREA had stopped approving courses that have ACE/Credit, but not IDECC, approval, and that you have not informed appraisers individually that non-IDECC distance education courses cannot be accepted for initial or continuing education purposes. We strongly urge you to notify your appraisers of the changes in approved courses to help prevent them from taking courses that will not be acceptable for renewal.

Finally, you stated that, since April 1, 2004 (the day that the AQB Interpretation regarding IDECC went into effect), OREA "has granted to and renewed certifications of some persons based on courses that are not IDECC approved[,] and you did not "know how many since we do not track which providers have provided the education specific to any licensee." In practice, however, OREA began requiring IDECC approval on distance education courses accepted on or after July 1, 2005. At the time of our field review, OREA approved three distance education courses since July 1, 2005; all had IDECC approval.

* Title XI and Appraiser Qualifications Board ("AQB") certification criteria, applicants for initial certification, as well as renewing certified appraisers, must meet the AQB's minimum education requirements. On December 1, 2003, the AQB removed ACE/Credit as an approved organization for distance education course reviews. At that time, the AQB stated that courses approved by ACE/Credit would remain valid until their approval period expired. On April 1, 2004, the AQB issued a new Interpretation stating that, to qualify as acceptable education, any distance education courses (other than those presented by an accredited college or university that offers distance education in other disciplines) needed to have their course delivery mechanism approved by IDECC.

It is possible that persons who were qualified for certification with a minimum amount of required education hours, which included one or more of these 13 non-IDECC approved distance courses, may have failed to meet the AQB's minimum requirements for certification because the he or she took one or more of these courses between April 1, 2004, and July 1, 2005. Similarly, certified appraisers whose certifications had been renewed on the basis of one or more of these non-IDECC approved continuing education courses taken between that same time period also run the risk of not having sufficient acceptable continuing education to support their certification renewals.

To ensure that all certified appraisers in California have met the AQB's initial and continuing education requirements for certification, OREA needs to take the following steps:

1. Within 30 days from the date of this letter, identify all persons initially certified or issued renewed certifications between April 1, 2004, and July 1, 2005, who were given credit for taking one or more of the problematic 13 distance education courses;
2. Within 45 days from the date of this letter, determine whether each of the certified appraisers identified in step one had sufficient education to support issuance of his or her credential, notwithstanding the fact that one or more of their educational courses did not conform to AQB criteria;
3. Within 60 days from the date of this letter, advise in writing the appraisers who did not have sufficient education for initial certification that they must take the necessary hours of qualifying education within 60 days to satisfy the AQB's certification criteria;
4. Also within 60 days from the date of this letter, advise in writing the appraisers who did not have sufficient continuing education to support the renewal of their certifications to provide documentation showing that they have, since their renewal dates, earned sufficient continuing education hours to satisfy AQB certification criteria; and
5. Within seven days after the close of the 60-day period to obtain the necessary education, determine which certified appraisers have not earned the necessary hours of education and either very promptly downgrade them to the licensed category or recall their certifications and reissue them overstamped with the phrase, "Not Eligible to Perform Federally Related Transactions." Appraisers choosing overstamped credentials will be removed from the National Registry.

Finally, we appreciate your keeping us informed of the process of amending your regulations to comply with the AQB criteria regarding distance education courses and providing us with a copy of the final amendment when it is adopted.

Please contact us if you have any questions.

Sincerely,

Ben Henson
Executive Director