OFFICE OF REAL ESTATE APPRAISERS
1102 Q STREET, SUITE 4100
SACRAMENTO, CA 95814

July 24, 2006

Ben Henson, Executive Director
Appraisal Subcommittee
2000 K Street NW, Suite 310
!ashington, !C 20006

JUL 2 5 2006

Dear Mr. Henson:

Thank you for your June 30, 2006, letter regarding the Appraisal Subcommittee's most recent field review of California's appraiser regulatory program. A key issue raised during the review dealt with accreditation of distance education courses offered in California for initial certification and continuing education. I believe the information provided herein will resolve that issue.

In our original response to the Appraisal Subcommittee's March 15, 2006, field review letter, we noted that providers of thirteen education courses we approved subsequent to the effective date of the Appraiser Qualification Board interpretation concerning the elimination of ACE/Credit approval of distance education courses had not provided documentation of accreditation by the international Distance Education Certification Center (IDECC). In my subsequent email in response to questions posed to me by Marc Weinberg, I reiterated that we had not received such documentation. However, I did not indicate that we had not sought such documentation since our initial request for it.

After receipt of your letter referenced above, we again contacted the providers of the thirteen courses in question and received documentation clarifying IDECC accreditation of two of the courses. Additional research on the remaining eleven courses resulted in the following:

1. Three of the courses, while having been re-approved by the Office of Real Estate Appraisers (OREA) after April 1, 2004, have not been marketed since that time.

2. Seven courses are approved by OREA for their appraisal-related components but are marketed primarily to real estate licensees rather than real estate appraisers because California's real estate licensing program requires appraisal-related education to qualify for the broker license.

3. One course is marketed as a continuing education course. The complete course consists of 49 hours of appraisal principles and 7 hours of national USPAP update.

Your letter directed this office to, within 30 days, "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(;)." We reviewed all of the initial certifications granted during that 15-month period and found that OREA had not granted any initial certifications based on any of the thirteen courses.

We also reviewed, on a sample basis, all of the renewed certifications granted during that period and found that we had, in fact, granted some renewed certifications based on one of the 13 courses. We used a sampling methodology that provides us with a significant level of confidence that we have identified the scope of the problem.

In analyzing the issue, we identified in our database over 4,000 records of certification renewals granted during the 15-month period. It was our initial expectation that if any renewal certifications had been granted during that time they would have been granted as a result of applicants having taken one particular course, that being the one identified in subparagraph 3 above, and that as many as 20 percent of those certification renewal applicants may have taken that course. To test that hypothesis, we constructed a randomly selected interval sample of 85 records. The resultant review of those records established that, in fact, about 12 percent of the applicants sampled had taken that course. None of the sampled records identified any other of the thirteen courses as having been taken.

As a result of our initial sample to establish a probable error rate, we then constructed a statistically valid sample to identify one attribute, that is, any applicants who had renewed their certifications based on any of the thirteen courses. Based on the expected error rate and a 95% confidence level with a sampling error of $^{+/-}$5%, our sample size was 354 for a total population of 4.-145 records.[1]

As in the preliminary sample, our expectation with regard to the statistical sample was that only one course would he identified in the sample, with that course being the one identified in subparagraph 3 above. The results of the sampling process confirmed that about 11 percent of the population (±5%) had been granted renewal certifications based on the one expected course. More importantly, the sampling process confirmed that renewal certifications granted during that time period were not based on education obtained through any of the other non IDECC approved courses.

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[1] Sample size and selection methodology based on Creative Research Systems' sample size and confidence level calculators.

We believe that performing the review on a sample basis is not only an appropriate way to identify the scope of the issue but that it is also consistent with ASC policy as identified in guidance provided to states on the acceptance of affidavits and other affirmations in recognizing experience and education for certification renewal.[2] Policy Statement 10 permits the use of validation procedures including a sample that is representative of the population. We believe that our analysis meets the requirements for validation in that the sample selected evaluated an adequate number of records to have an acceptable chance of identifying those renewal licensees who may have taken any one of the thirteen courses, and the sampling procedures were constructed to permit acceptable projections of the sample results to the entire population.

We also believe that the course identified through the sampling process as having been taken for certification renewal, while not yet approved by IDECC for the 49 hours of appraisal principles, is equivalent to an IDECC approved course and should be considered so until the provider obtains specific IDECC approval for the remainder of the course. The entire course, including both the principles component and the National USPAP Update component, is delivered in the same manner and, with the exception of the addition of the AQB approved 7-Hour National USPAP Update component, is the same course that has been approved by OREA and ACE/Credit since 1997. While the 49 hours of principles component has not previously been IDECC approved, the provider has submitted that component to IDECC and approval is expected in August. Moreover, since the principles and USPAP components of the course are delivered in the same manner, we believe that had the entire course, as currently designed and delivered, been submitted for IDECC approval on or after April I. 2004, it would have been approved.

Finally, in your letter you requested that you be provided updates on the progress of the amendment process regarding OREA's regulations. Please note that OREA withdrew the proposed amendments from the Office of Administrative Law upon the recommendation of that office because the proposed language implementin^g a temporary reduction in fees did not contain a specific repeal date. While we made an acceptable modification to that section and we made other non-substantive revisions to correct typographical errors and to amend authority and reference citations, we made no substantive changes to any other sections of the proposed amendments. As you know, we exposed the modifications to the proposed amendments for the required 15-day public comment period. We have since adopted the proposed amendments, closed the rulemaking tile, and resubmitted it to the Office of Administrative Law. We await the results of the final review and notice that the rulemaking tile has been submitted to the Secretary of State for publication in the California Code of Regulations.
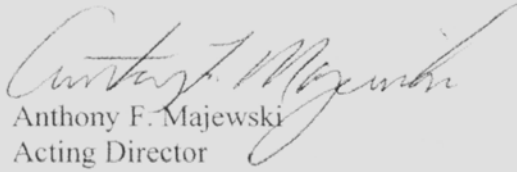
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[2] ASC Policy Statement Amendment re Affidavit Use 08.11.04

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If I can provide any additional information on this matter, please call me at (916) 440-7878.

Sincerely,

Anthony F. Majewski
Acting Director