

Appraisal Subcommittee

Federal Financial Institutions Examination Council

August 20, 1997

Mr. Robert J. West, Director
California Office of Real Estate Appraisers
1225 R Street
Sacramento, California 95814

Dear Mr. West:

Thank you for your cooperation and your staff's assistance in our July 8-10, 1997 review of the California Office of Real Estate Appraisers ("OREA") regulatory program. We appreciate the changes you made in the temporary practice and scope of practice thresholds, as recommended following our 1993 field review.

Our review of your current appraiser regulatory program revealed one area that needs substantial improvement, OREA's complaint investigation and resolution process. We have three specific concerns regarding your enforcement, disciplinary and complaint resolution program.

- **Complaints are not investigated and resolved in a timely manner.**

At the time of our review, there were 613 open complaint cases. Many of these cases have been open for more than a year. Our review revealed numerous instances where complaints had been open from one to three years before resolution. We note that recent efforts appear to have been made to reduce the complaint backlog, as evidenced by your closing 181 complaints between January and June of 1997. Nonetheless, additional efforts are necessary. It is important that complaints be investigated and resolved in a timely manner. This area is of particular concern to us because the lack of timely complaint resolution was documented and addressed during our initial review in 1993. It appears that little, if any, improvement has occurred since that time.

OREA must initiate the necessary actions to implement a more rapid complaint investigation and disposition program to reduce the current complaint backlog and expeditiously resolve future complaints.

- **OREA's enforcement and complaint resolution program administration needs improvement.**

During our review, we noted several actions that indicate better administrative controls are needed in the enforcement and complaint resolution program. We noted that some appraisers who were disciplined received a credential upgrade prior to satisfying disciplinary requirements such as additional education, payment of fines and submission of work logs. The files contained no documentation to indicate that the appraiser's failure to meet the disciplinary requirements was considered prior to upgrading the appraiser's credential. We noted that some complaints have been open for more than a year without being assigned a priority rating. We also noted that

numerous complaint files did not contain the most up-to-date information regarding contacts and other actions.

OREA should review its administrative management controls in the enforcement and complaint resolution areas and ensure that these areas are efficiently managed and documented.

- **Disciplinary actions are not reported to the Appraisal Subcommittee.**

OREA has failed to notify us of disciplinary actions, particularly suspensions and revocations, taken against appraisers. The importance of, and requirement for, such notifications are set forth in Policy Statement 8. OREA must report promptly disciplinary actions taken against appraisers.

- **Our National Registry records do not match OREA's records for certified and licensed appraisers.**

Subsequent to our field review, we processed your June 12, 1997 data submission. Our processing indicated 1,579 new or renewed certifications or licenses. Your submission included Registry funds for 1,250 new or renewed certifications or licenses. We have identified the 329 appraisers for whom you did not submit funds. This information has been forward to Ms. Joan Chen of your staff. We have been working with your staff to resolve this difference. It is important that we resolve this difference as soon as possible.

As part of our Registry/Internet project, we are researching several Registry fee collection and submission issues. The outcome of our research could affect California. For example, two issues have been raised. The first issue involves whether a State is authorized to collect more than one year's Registry fee from an appraiser during any given year. A second issue involves whether a State that does collect multi-year Registry fees may submit only a portion of those fees to us, or whether *all* collected Registry fees must be submitted to us with the State's next regular monthly submission. We will be providing guidance on these, and other, issues in the near future.

Please respond to this letter within the next 60 days. If you have any questions, please do not hesitate to contact us.

Sincerely,

Herbert S. Yolles
Chairman