

OFFICE OF REAL ESTATE APPRAISERS
1225 R Street
Sacramento, CA 95814-5812

October 1, 1997

Mr. Herbert S. Yolles, Chairman
Appraisal Subcommittee
Federal Financial Institutions Examination Council
2100 Pennsylvania Avenue, NW, Suite 200
Washington, DC 20037

Dear Mr. Yolles:

Thank you for your recent letter regarding the Appraisal Subcommittee's (ASC) review of the California Office of Real Estate Appraisers (OREA) regulatory program. OREA strives for excellence in customer service and continuously seeks to improve the manner in which we do business. We appreciate ASC's comments and will take appropriate steps to further improve our operations wherever possible. We must, however, take exception to some of ASC's comments as noted in our response to your specific comments below:

ASC COMMENT: Complaints are not investigated and resolved in a timely manner.

OREA RESPONSE: OREA agrees that it needs to decrease the average time between receipt of a complaint and final disposition and is increasing its efforts to do so. Nevertheless, OREA takes strong exception to ASC's statement that "little, if any, improvement has occurred" since ASC's initial review in 1993. The statement suggests that ASC's understanding of OREA's enforcement efforts is, at best, superficial.

At the time of ASC's initial review, OREA's Enforcement Division did not exist. Primarily since ASC's last visit, OREA has:

- Developed and established civil service classifications for Supervising Property Appraiser Investigator, Senior Property Appraiser Investigator and Property Appraiser Investigator;

- Developed and administered civil service examinations and established employment eligibility lists for each of the above classifications;

- Established an Enforcement Division budgeted with eight Investigators plus support staff;
- Hired and trained investigative staff;
- Developed and implemented an Enforcement database to track Enforcement cases and interface with the Licensing Division's databases while simultaneously maintaining appropriate security;
- Developed and promulgated regulations to improve and streamline the disciplinary process;
- Developed and implemented policies and procedures that provide guidelines for the conduct of Enforcement investigations;
- Developed and implemented standardized forms and templates to provide consistency in the activities of the Division;
- Developed and implemented an Enforcement Review Committee (ERC) to ensure consistency in disciplinary actions;
- Investigated and closed over 994 complaint and 706 background investigations, eliminating the backlog in background investigations;
- Closed over 300 complaint cases between July 1996 and June 1997 alone;

ASC COMMENT: Enforcement and complaint resolution program administration needs Improvement.

OREA RESPONSE: Since ASC did not advise OREA of any **specific cases in which** it believes an upgrade was inappropriately granted, we are unable to specifically concur or disagree with respect to this issue. In the absence of specifics, we believe an appropriate process is in place that ensures appropriate review of disciplined appraisers' upgrade applications as indicated below:

OREA's Enforcement Division places a "hold" in both the Licensing Division's hard file and computer database file for all disciplined appraisers. The hold prohibits the Licensing Division from Issuing an upgraded.

Upon receipt of an upgrade application from a disciplined appraiser, the Licensing Division refers the matter to the Enforcement Division, which reviews the matter, conducts any necessary investigation and makes a recommendation to ERC as to whether the upgrade should be denied for Enforcement reasons. ERC, which is composed of the Chief Deputy Director, General Counsel/Deputy Director, Enforcement and Chief, Licensing Division (a licensed, Certified General appraiser) approve the recommendation or issue other directions which may authorize the Licensing Division to proceed with processing the upgrade application or direct that legal proceedings be instituted to deny the upgrade. Again, in the absence of specifics, we believe this process is an appropriate method for review and determination of whether or not an upgrade application should be denied for Enforcement reasons.

OREA has comprehensive Enforcement policies and operational directives that require appropriate documentation of division activities. A computerized record regarding each case is maintained in the Enforcement Division database for recording case activity. A separate hard copy file is also maintained with respect to each complaint.

ASC COMMENT: Disciplinary actions are not reported to the Appraisal Subcommittee.

OREA RESPONSE: OREA has been providing registry data to ASC in the format directed by ASC's Information Technology (IT) staff. OREA's Information Technology Unit worked with Ray Seward on the reporting format to ensure compliance with ASC reporting requirements. In accordance with ASC's direction, each federal registry list submitted by OREA was coded using ASC's format. New licensees were coded with an "A" and renewal licensees were coded with an "N". OREA was directed by ASC staff to code disciplinary action cases with an "R" for revocations and an "S" for suspensions, deceased and other system inactives. OREA questioned ASC staff regarding the use of the "S" status to identify both suspended and deceased licensees, and as a result, we were directed to submit the listing using only the "A" and "N" codes until ASC could resolve the issue. ASC has never advised OREA to do otherwise.

ASC COMMENT: Our National Registry records do not match OREA's records for certified and licensed appraisers.

OREA RESPONSE: When OREA first began submitting registry data to ASC, the entire licensee population was submitted. OREA was subsequently advised by ASC staff to only submit updates and fees on an annual basis. It was agreed that upgraded and new licensees would be submitted quarterly. The first update submitted included all licensees of record as of January 1, 1995.

As a result of this process, OREA's largest submittal is January 1 of each year. Based on this renewal format, federal registry

renewals of licensees are not based on the annual anniversary of their license issuance dates, but on the quarter they are initially submitted to the federal registry unless they fail to renew their license or renew late.

If a license is renewed late, the licensee is submitted in the next quarterly submittal and in the same quarter in subsequent years unless the licensee fails to renew his/her license.

The June 12, 1997, Federal Registry submittal included the entire licensee population as requested by ASC in preparation for their review.

ASC's statement that our June 12, 1997, data submission did not include funds for 329 appraisers is incorrect. Review of OREA's Federal Registry submittal dated January 31, 1997, substantiates that funding for all but 14 of the appraisers identified in the ASC report were appropriately submitted. In addition, at least seven of the 14 were not due at the time of the June 12, 1997, submittal because six appraisers had submitted late renewals and one was not due to renew until the July 1, 1997, submission in accordance with the agreed upon Federal Registry submittal schedule. All 14 of these licensees were included in the submittal dated September 18, 1997.

In accordance with standard review procedures, please provide a copy of this response to anyone to whom you have already provided a copy of your August 20, 1997, letter, as well to anyone to whom your August 20, 1997, letter is disseminated in the future.

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Thank you, again, for your letter. Please feel free to contact me in writing at the above address or by calling (916) 322-0097 if you have any questions.

Sincerely,

Robert J. West
Director