

# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

May 28, 1996

Mr. Mark A. Shiffrin  
Commissioner  
Department of Consumer Protection  
State Office Building 165 Capitol Avenue  
Hartford, CT 06106

Dear Commissioner Shiffrin

Thank you for your cooperation in the March 14 - 15, 1996, Appraisal Subcommittee ("ASC") review of the Connecticut appraiser regulatory program ("program"). While the Connecticut Real Estate Appraisal Commission ("Commission"), as part of the Department of Consumer Protection ("Department"), has made substantial progress since our February 1992 field review, we nevertheless must bring certain matters to your attention which appear to impair the integrity of your program under Title X1 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("Title X1").

At the time of the March 1996 review and for several months prior, the Commission was operating with only three of the eight authorized members, which does not constitute a quorum. We are pleased to note that, since the exit interview between you and the ASC review team, the Governor of Connecticut has re-appointed two Commission members and appointed four new appraisal members. We remain concerned that the two public member positions on the Commission remain unfilled. Moreover, the lack of a quorum for several months raises serious concerns by the ASC about the potential impact on the ability of the Commission to take enforcement action.

The following summarizes the ASC findings:

- The Commission operates with inadequate financial physical, staff and member resources. Despite substantial cash flow from the appraiser certification/licensing program, no budget exists for investigative services clerical help is non-existent, file storage is totally inadequate, hard copy printouts of State credentialed appraisers require ten days to obtain, and long vacant Commission positions are still unfilled.
- Referrals from Federal Financial institutions regulatory agencies regarding activities contrary to Title X1 on the part of State credentialed appraisals are not logged in, adequately recorded, responded to, investigated or disposed of as required by Section 1119(c) of Title XI.

- Fees for the *National Registry of State Certified and Licensed Real Estate Appraisers*, which the State collects on the ASC's behalf, are routinely retained in the State general fund for months before being forwarded to the ASC with an updated list of active certified/licensed appraisers who are eligible to perform appraisals in connection with federally related transactions. Connecticut's appraiser renewal date was April 30, 1996. The ASC has not received payment of those fees collected by Connecticut on the ASC's behalf as of May 15, 1996. Payment of Registry fees is due in this office no later than June 30, 1996.
- There is a significant disparity between Connecticut's November 1995 submission to the *National Registry of State Certified and Licensed Real Estate Appraisers* (1,085) versus the number of active appraiser records counted by ASC staff in the Commission's office (1,220). Additionally, 77 new records were awaiting processing and placement in the active files. The State appears to owe approximately \$5,300 in Registry fees for the 1995/1996 licensing year if these figures are correct.
- The State certifies and licenses appraisal corporations, allowing "representatives of the corporation" to sign appraisals. Earlier State law required certification or licensure of the individual who performed and signed the appraisal. This practice could lead to a practice wherein corporate officers, whose competence has not been tested or validated by the State, inadvertently or otherwise, sign appraisals for the corporation.
- Complaint and enforcement files in General are in disarray. It was not possible to review and track the actions pertaining to, and the disposition of, most complaints against State credentialed appraisers.

Based on our findings, the ASC recommends that the State and the Commission take the following actions:

1. The State should fill all Commission vacancies.
2. The Commission should respond to all referrals made by Federal financial institutions regulatory agencies. Acknowledgment should be made directly to the agency filing the complaint. We request that you provide the ASC with copies of all such communications.
3. The Commission should establish and maintain an official log of all complaints and note all actions including case dispositions
4. The State should provide adequate investigative resources for the Commission to carry out its enforcement responsibilities This could be accomplished by hiring additional staff, contracting for this service or using volunteer certified/licensed appraisers
5. The State should provide sufficient office filing space to the Commission so that the Commission can establish order in the administration of enforcement cases.

6. The State should provide the Commission and administrator with Funds to permit training for staff and members and interaction with adjacent States.
7. The Commission should promptly (within 60 days of either renewal or issuance of a new license or certificate) submit to the ASC all fees received and names of appraisers for inclusion in the Registry.
8. The Commission should reconcile the difference among Connecticut's November 1995 submission of State certified and licensed appraisers (1,085) and the number of active appraiser records counted in the Commission's office files (1,220) and the 77 files we were informed were awaiting processing and placement in the files.
9. The Commission should inform all State credentialed appraiser's corporations that only persons who are State certified/licensed appraisers are eligible for listing in the Registry. Cease collection of Registry fees on behalf of the ASC Tom corporations so credentialed.

The ASC considers the deficiencies in the Connecticut appraiser regulatory program to be substantive and a significant matter of concern. You are requested to respond to each of these findings and recommendations within the next 45 days. If you have any questions please do not hesitate to contact us.

Sincerely

Herbert S. Yolles  
Acting Chairperson

cc: Laurence Hannafin, Director. Real Estate and Professional Practices Division  
Edward J McMahon lilt Real Estate Examiner. Real Estate Appraisal Commission