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Appraisal Subcommittee

Federal Financial Institutions Examination Council

December 17, 2004

Michael Martinez, Special Counsel
Florida Department of Business
and Professional Regulation
1940 North Monroe Street
Tallahassee, Florida 32399-0750

Dear Mr. Martinez:

We appreciated meeting on December 13, 2004, with you, Special Counsel Kyle Mitchell, Senior Management Analyst Supervisor George Ayrish, and Florida Real Estate Appraiser Board Chairman Frank Gregoire. Our meeting focused on certain issues regarding Florida's November 30, 2004 credential expiration cycle for State certified and licensed appraisers. We believe that our meeting was very productive. The purpose of this letter is to recap the discussions at that meeting and the resulting agreements.

Florida issues appraiser credentials with two-year cycles that end on November 30 of even years. During our 2004 field review of Florida's appraiser regulatory program, we determined that the program had several serious weaknesses that needed to be addressed by the Department of Business and Professional Regulation ("Department") and the Real Estate Appraiser Board ("Board"). One of the concerns documented in our field review letter involved renewing appraiser credentials when the appraisers did not conform to Appraiser Qualifications Board ("AQB") criteria.

Subsequent to our 2004 field review, the Department implemented an automated continuing education tracking system. The purpose of the system is to match continuing education courses taken by appraisers against the Department's approved course listing to determine whether the appraisers have obtained the necessary continuing education to renew their credentials. In November, the Department determined that approximately 3,000 of 6,000 certified and licensed appraisers would not have the necessary continuing education to support renewing their credentials on November 30, 2004. In an effort to ensure that appraisers who failed to conform to AQB criteria were not issued renewed credentials, the Department extended the November 30, 2004 credential cycle to April 15, 2005. This extension, while well-intentioned, caused or contributed to several concerns. These concerns include the following:

1. The Department submitted a series of National Registry data files from August through December 2004 to the Appraisal Subcommittee ("ASC") reflecting that all 6,000 appraisers had met AQB criteria and been issued renewed credentials valid through November 30, 2006. The ASC, acting in good faith, processed those data files and posted the updated information on our Web site. Users of appraisal services, particularly federally insured financial institutions, rely on our Web site to determine appraisers' eligibility to perform appraisals in federally related transactions; and

2. The Department issued an undetermined number of paper credentials to appraisers reflecting November 30, 2006 expiration dates, even though many of those appraisers did not conform to AQB criteria.

After extensive discussions, we determined that the primary factor contributing to many appraisers not conforming to AQB criteria was one specific continuing education course. We will refer to this course as the Florida Law Course. Florida requires renewing appraisers to obtain 30 hours of continuing education every two years. Included in this 30-hour requirement is the three-hour Florida Law Course. AQB criteria provide that appraisers must obtain at least 14 hours of continuing education per year. Thus, for Florida's two-year cycle, appraisers must have 28 hours of AQB-compliant continuing education.

During the November 2002 to November 2004 credential cycle, many Florida appraisers took the Florida Law Course via distance education delivery methods. To conform to AQB criteria, distance education courses must have their delivery methods approved by one of two sources, the International Distance Education Certification Center ("IDECC") or a college or university that provides distance education. The Florida Law Course had not been approved by either source. Lacking this approval, the Florida Law Course could not be counted toward meeting AQB criteria.

To help remedy this situation, Department representatives contacted the course providers and IDECC. The course providers agreed to submit their courses to IDECC for review, and IDECC has agreed to review the Florida Law Course (and any other Department-approved courses that are not IDECC approved) on an emergency basis.

During our December 13th meeting, we agreed to the following actions to further remedy this situation:

1. The Department will continue working with IDECC and affected course providers to facilitate IDECC review and approval of the Florida Law Course and other distance education courses. Every effort will be made to have these courses submitted to IDECC and approved by December 31, 2004;
2. The ASC will accept as meeting the distance education delivery aspects of AQB criteria the Florida Law Course and other courses approved by IDECC. If IDECC approves these courses from December 2004 through April 2005, the ASC will consider as AQB-compliant the same course taken earlier in the credential renewal cycle, provided the IDECC-approved course is substantially similar to the course taken at an earlier date;
3. On January 3, 2005, the Department will identify all appraisers who do not have sufficient AQB-conforming continuing education credits for renewal. The Department will submit a National Registry data file to the ASC containing November 30, 2006 expiration dates for appraisers with adequate continuing education, and April 15, 2005 expiration dates for appraisers without adequate continue education;
4. By January 31, 2005, the Department will issue appropriate paper credentials to all appraisers correctly reflecting each appraiser's expiration date, either November 30, 2006 or April 15, 2005. The Department will require affected appraisers to return paper credentials with invalid November 30, 2006 expiration dates for replacement credentials reflecting April 15, 2005 expiration dates;

5. By January 31, 2005, the Department and the ASC will determine appropriate notices to be posted on their respective Web sites and what notices should be provided directly to other parties, such as the Federal financial institution regulatory agencies, HUD, and the Department of Veterans Affairs; and
6. The Department will not issue renewal credentials to appraisers who fail to conform to AQB criteria by April 15, 2005. The credentials of such appraisers will be involuntarily inactivated until such time as the appraisers conform to AQB criteria.

Please contact us if you have any questions of if we can assist you in any way.

Sincerely,

Ben Henson
Executive Director

cc: Frank Gregoire , Chairman, Florida Real Estate Appraiser Board