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Appraisal Subcommittee

Federal Financial Institutions Examination Council

June 18, 2007

Jeffrey Ledford, Deputy Real Estate Commissioner
Georgia Real Estate Appraisers Board
International Tower, Suite 1000
229 Peachtree Street, NE
Atlanta, GA 30303-1605

Dear Mr. Ledford:

Thank you for the cooperation and assistance of the Georgia Real Estate Appraisers Board's ("Board") staff during the March 12, 2007 Appraisal Subcommittee ("ASC") follow-up review of Georgia's real estate appraiser regulatory program ("Program"). Our follow-up review focused on concerns discussed in our September 26, 2006 field review letter.

As discussed below, Georgia promptly addressed each of our concerns. To bring the Program into substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI"), the Board needs to adopt regulations appropriately implementing a newly adopted statutory amendment regarding inactive status and to continue to focus on resolving the backlog of aged complaints.

Previous Findings, Current Status, and Necessary Actions

- **Georgia issued certified appraiser credentials without ensuring that the applicants' experience was obtained over at least a 24-month or 30-month period as required by Appraiser Qualifications Board ("AQB") criteria.**

Previous Finding: During the 2006 field review, when we reviewed the State's application files, we found that, while all applicants documented the necessary hours of experience, their work logs revealed that not all applicants earned their qualifying experience in at least 24-30 months, as required by AQB certification criteria (24 months for certified residential and 30 months for certified general). Our September 26th field review letter instructed the State to perform the following actions:

1. Immediately stop issuing certified credentials to persons who cannot support that they conform to AQB criteria;
2. Continue to implement revisions to the application process to ensure that applicants for certified appraiser credentials meet AQB criteria;
3. Within 15 days of receiving our letter, identify all certified appraisers whose applications were processed by its vendor, Applied Measurement Professionals ("AMP"), prior to providing clarifying guidance to AMP;
4. Within 30 days of receiving our letter, for appraisers identified in Step 3, determine whether each appraiser's application file contains documentation supporting that the

appraiser met the AQB criterion regarding qualifying experience spanning at least 24 or 30 months, as applicable;

5. For appraisers who did not have the necessary experience at the time the certified credential was issued, but who now have obtained the requisite appraisal experience, reissue the certified credentials with corrected effective dates;
6. For appraisers who cannot support their certified credential, or who fail to submit supporting documentation, immediately begin the necessary actions to downgrade the appraisers to a non-certified classification; and
7. Within 60 days of receiving our letter, provide a status report regarding this issue to the ASC.

In the Board's October 20th response, Commissioner Clark stated that they had identified every application processed by AMP since January 1, 2003, and reviewed all 465 certified level applications. In summary, Georgia:

- Determined that 412 certified applicants had experience logs showing that they had satisfied the AQB criteria's 24/30 month requirements;
- Requested further information from 53 applicants because their logs did not reflect that their experience met those AQB requirements;
- Concluded that 45 of the 53 applicants provided additional documentation supporting that their experience was obtained over the appropriate time periods; and
- Determined that eight applicants were unable to provide documentation to show their compliance with the AQB requirements.

Current Status: During the follow-up review, Board staff provided ASC staff with full documentation regarding the experience review. ASC staff reviewed a total of 58 of the 465 application files, including those of the eight noncompliant appraisers.

Seven of the eight non-compliant applicants provided a copy of an appraisal to establish the appropriate starting or ending date to show compliance with the AQB's applicable experience requirement. In October 2006, the Board disciplined these seven appraisers by issuing formal citations and requiring them to pay a fine. They were disciplined for having falsified an application to the Board in violation of O.C.G.A. § 43-39A-14(d). The Board instructed the appraisers to return their existing credentials and reissued new credentials with new effective dates reflecting the actual date that they fulfilled the AQB's requirements.

The remaining noncompliant applicant was a State Registered appraiser erroneously classified as a certified general credential holder. This misclassification was not reflected in the State's National Registry submissions, *i.e.*, he never was shown as a certified general appraiser on our National Registry. The State corrected this mistake.

Board staff provided AMP personnel with additional instruction on how to evaluate applicants' experience claims and instructed them to review experience logs more closely. Staff revised AMP's experience evaluation checklist. In addition, as a result of the Board's August 16, 2006 meeting, Board staff developed and provided AMP personnel with examples of "red flags" to help AMP staff identify questionable experience claims. Any questionable claims are forwarded to the Board for further review.

Necessary Actions: None.

- **Georgia renewed certified appraiser credentials without ensuring that the applicants had taken the 7-hour National USPAP Update Course, as required by AQB criteria.**

Previous Finding: Effective January 1, 2003, AQB criteria required appraisers to take the 7-hour National USPAP Update Course, or its equivalent, at least every two years as part of their continuing education. To facilitate the transition to this revised continuing education requirement, in calendar years 2003 and 2004, the AQB permitted appraisers to take either the 15-hour National USPAP Course or the 7-hour National USPAP Update Course (or their equivalents) to meet this requirement. The interchangeability of these courses ended on December 31, 2004, when the AQB eliminated the authority to accept the 15-hour National USPAP Course in lieu of the 7-hour National USPAP Update Course. Georgia, however, continued to accept the 15-hour National USPAP course in lieu of the 7-hour course.

In our September 26, 2006 field review letter, we instructed the Board to:

1. Immediately stop accepting the 15-hour National USPAP Course in lieu of the 7-hour National USPAP Update Course for certified appraiser continuing education fulfillment;
2. Within 15 days of receiving our letter:
 - a. Identify all certified appraisers whose credentials were renewed on or after January 1, 2005;
 - b. Determine for each appraiser identified in Step 2.a. whether the appraiser took the 15-hour National USPAP Course or the 7-hour National USPAP Update Course; and
 - c. Determine the date on which each appraiser identified in Step 2.a. took the National USPAP Course;
3. For certified appraisers whose credentials were renewed on or after January 1, 2005, and who relied on a 15-hour National USPAP Course taken on or after January 1, 2005 for continuing education, immediately notify these appraisers that they must successfully complete the 7-hour National USPAP Update Course, or its equivalent, within 30 days;
4. For any appraiser notified pursuant to Step 3 that fails to document successful completion of the 7-hour National USPAP Update Course, or its equivalent, within the 30-day period, downgrade the appraiser to a non-certified credential or recall the appraiser's certified credential and reissue that credential with the phrase, "Not Eligible to Appraise Federally Related Transactions" conspicuously over stamped on its face; and

5. Within 60 days of receiving our letter, provide a status report regarding this issue to the ASC.

In its October 20th response to our field review letter, Georgia set forth seven points and concluded that Georgia's acceptance of the 15-hour National USPAP Course in lieu of the 7-hour National USPAP Update Course was appropriate. In a December 20, 2006 letter, the Board explained modifications in the renewal process and computer system designed to prevent future renewals of any classification without the completion of the 7-hour National USPAP Update Course. The State, however, failed to take any of the corrective steps identified in our field review letter to resolve this concern with respect to existing appraisers.

In our January 26, 2007 response letter, we reiterated the corrective steps listed above and instructed the Board to follow them. We also cautioned the Board that, if it failed to take the specified actions promptly, the ASC would have no choice but to change the "AQB Compliant" status on its Web site to "Unknown" for all Georgia appraisers. We noted that this action could have a significant impact on Georgia appraisers because many users of appraisal services, such as HUD/FHA and many lending institutions, will not accept appraisals from appraisers who are not indicated as "AQB Compliant" on the ASC Web site.

Current Status: Georgia followed all the curative steps within the specified time frames. On April 2, 2007, the Board notified us that it had concluded its review and determined that all affected appraisers had taken the 7-hour National USPAP Update Course, or its equivalent, consistent with AQB criteria.

During the course of the Board's efforts to cure this situation, Board staff developed a computer program to identify certified appraisers who had not taken the 7-hour National USPAP Course. Georgia education providers report course attendance information directly to a Board-operated database. This system was used to identify 23 certified appraisers who appeared to have taken the 15-hour National USPAP Course instead of the 7-hour National USPAP Update Course. We understand that this new program has been permanently incorporated into the renewal process. The State's computer system now rejects renewal applications if the information in the database does not show that renewing appraisers have not completed the 7-hour National USPAP Course and generates an explanatory notice to rejected applicants.

Using this new program, Board staff determined that five of the 23 appraisers had taken the 7-hour National Update Course from providers not connected to the Georgia course provider system. Two of the 23 appraisers upgraded to certified levels during the review period and the 24 months within which certified appraisers must take the 7-hour National USPAP Update Course had not yet elapsed. The State revoked the certification of one of the 23 appraisers on other grounds.

On February 6, 2006, the Board notified the remaining 15 appraisers requesting that they either had to show that the Board's records were incorrect or that they had completed the 7-hour National Update Course. In a February 15, 2007 letter, the Board updated the ASC about the status of its curative efforts and listed all affected appraisers.

While on-site, ASC staff reviewed the letters sent to those appraisers, and the six responses received up to that time. All six appraisers showed that they had completed the 7-hour National USPAP Course. In an April 2, 2007 letter, Deputy Real Estate Commissioner Ledford informed us that all but two appraisers had responded to the Board's letters and showed that they had taken the 7-hour National USPAP Update Course.

Only two appraisers failed to respond to the request for information. Board staff determined that they held credentials by reciprocity and were currently certified in good standing in their home States. On that basis, the Board staff reasonably assumed that the two appraisers had complied with their home States' requirements regarding taking the 7-hour National USPAP Update Course.

While we were on-site, Board staff also showed us new language that had been incorporated in renewal documents. All renewing appraisers now are notified that:

All active appraisers must have completed a 7-hour National USPAP Update Course within the last or current renewal period as part of the 14 hours required to renew their appraiser classifications. Appraisers may NOT substitute the 15-hour National USPAP Course to meet this seven hour requirement. Before you enroll, have the school verify for you that the course is approved to meet the AQB's USPAP continuing education requirement.

Necessary Actions: None.

- **Georgia's regulatory requirements for reinstating lapsed appraiser credentials are inconsistent with AQB criteria.**

Previous finding: In September 2005, the AQB issued an Interpretation stating that, prior to reactivation, credential holders in "inactive status" must complete all continuing education hours that would have been required if the credential had been "active," including the most recent edition of the 7-hour National USPAP Update Course, or its equivalent. The Interpretation was amended on May 5, 2006, to allow States to defer the continuing education requirements for up to 180 days for credential holders returning from active military duty.

In our September 26, 2006 field review letter, we noted that Georgia's regulations at § 539-1-.08(3) did not conform to this Interpretation. In its December 20, 2006 letter, the Board provided its proposal "to seek legislative approval . . . to reduce the reinstatement period for lapsed classifications from 10 to 5 years" The Board stated that, after adoption of this statutory amendment, it planned to change § 539-1-.08(3) of its rules to require all persons with credentials lapsed for more than two years but less than five years to pay the required fees and complete 90 classroom hours of approved board education. The section covered a period spanning two to ten years.

In our January 2007 response letter, we agreed that these amendments effectively would resolve our concern because, at most, a reactivating appraiser would have to earn 90 hours of continuing education, 20 hours more than the minimum needed for reactivation under the AQB's criteria.

We also noted that amending statutes and regulations takes time. We reminded the Board that, during that time, the Board must take steps to ensure that it does not reactivate any certified appraiser credentials without those appraisers having the continuing education hours required by the AQB's certification criteria. Finally, we recommended that the Board take identical steps to ensure that any licensed appraisers wishing to reactivate their licensed level credentials have the recommended hours of continuing education under the AQB's licensing criteria, and that, should the Board choose to reactivate any licenses with less than the minimum number of continuing education hours under the AQB's licensing criteria, the Board would need to note those licensed appraisers as "non-AQB compliant" on its National Registry data submissions.

Current Status: During the follow-up visit, Board staff provided us a copy of Senate Bill 114 as passed and adopted by the Georgia Senate on February 22, 2007. The Bill passed in the House on April 20th and was signed by the Governor on May 24th as Act 249. Senate Bill 114 reduced the reinstatement period for lapsed classifications from ten to five years. None of the staff recalled having seen an application for reinstatement since our September 2006 field review.

Necessary Actions: The Board needs to develop proposed implementing regulations promptly and provide a copy for our review and forward a copy of the final regulations to us.

- **Complaint investigation and resolution**

Previous Finding: In our 2006 field review letter, we noted that the timeliness of Georgia's complaint investigation and resolution program worsened since our previous field review. The number of complaints outstanding and the number and percentage of complaints outstanding for more than one year increased significantly.

During our 2006 review, Commissioner Clark acknowledged the situation and informed us that the Board had already taken steps to address the processing delays.

To resolve our concerns, the ASC directed the Board to:

1. Investigate and resolve complaints in a timely manner, with special attention to reducing the backlog of cases outstanding more than one year; and
2. Forward quarterly complaint logs to ASC staff to allow us to monitor the Board's progress towards addressing this situation.

Current Status: As shown by the chart below, the enforcement program showed significant improvement since our previous field review.

Field Review Period	Complaints received during review cycle	Complaints outstanding	Complaints outstanding more than 1 year
March 2000 – July 2003	1,195* (~358/year)	131*	16* (10%)
June 2003 – June 2006	1,518 (~506/year)	284	70 (25%)
July 2006 – March 2007	179	254	44 (17%)

* The previous field review report did not include complaint statistics. We developed this data based on information provided in preparing for the current field review.

The Board received most of the 254 outstanding complaints since the last field review. Investigative staff focused on eliminating the complaint backlog. The Board resolved 62 of the 70 cases more than one year old. At the time of this follow-up review, 17% of outstanding complaints had been outstanding for more than one year. This percentage, while significantly improved, remains too high.

Necessary Actions: The Board needs to continue its efforts to reduce the backlog of aged complaints to acceptable levels, as required by ASC Policy Statement 10 E. and provide quarterly complaint logs to enable us to track the Board's progress.

- **Georgia failed to retain adequate documentation to support appraiser credentials and approved education courses.**

Previous Finding: During our field review, we found that a number of application files reviewed by ASC staff did not contain the application and supporting information for the most current credential. Also, many education files did not contain necessary supporting documentation, though it was apparent that the staff reviews this data to determine whether a course is appropriate. The State's October 10th response stated that the documentation for the application files were complete, but "[u]nfortunately, it was in two locations." The letter stated that the documentation now was merged into a single file, and that all supporting education documentation will be maintained electronically.

Current Status: This issue was resolved. ASC staff reviewed application files while on-site, and all files were complete.

Necessary Actions: None.

Conclusion

As discussed above, to bring the Program into substantial compliance with Title XI, the Board only needs to adopt regulations appropriately implementing a newly adopted statutory amendment regarding inactive status and to continue to focus on resolving the backlog of aged complaints.

If you wish to respond to our comments, please do so within 60 days from the date of this letter. After receiving your response or the expiration of the 60-day response period, whichever is earlier, this letter, your response, and any other correspondence between you and the ASC

regarding this follow-up review become releasable to the public under the Freedom of Information Act and will be made available on our Web site.

Please contact us if you have any questions.

Sincerely,

Ben Henson
Executive Director

cc: Charles Bramlett, Chair