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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

July 24, 2000

Joseph Krass, Chair  
Illinois Office of Banks and Real Estate  
Real Estate Appraisal Administration  
310 S. Michigan Avenue, Suite 2130  
Chicago, IL 60604-4278

Dear Mr. Krass:

Thank you for your cooperation and your staff's assistance in the May 22-24, 2000 Appraisal Subcommittee ("ASC") review of the Illinois Real Estate Appraiser Board ("Board") and appraiser regulatory program ("Program").

Our review revealed that the Illinois Program has serious weaknesses. Following are the areas of your Program that need attention.

- **The Board's enabling statute ("Statute") and Administrative Rules ("Rules") do not comply with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989's ("Title XI") minimum requirements regarding acceptable appraiser experience.**

During our review, we found an instance when an appraiser upgrading from the Licensed to Certified Residential credential was awarded 1,000 hours of appraisal experience credit because he was a real estate broker. Section 60(a) of the Statute allows approved appraisal experience credit to include time spent in real property management, real estate sales, and real estate brokerage. These same provisions are repeated in § 1455.50(b) of the Rules. In the Statute, § 60(c) provides that "[a]n applicant who has been licensed for 5 of the previous 7 years with the Office of Banks and Real Estate as a broker or real estate salesperson shall receive credit for appraisal experience equal to 40% of the total experience requirement." These provisions are repeated in § 1455.50(d)(1) and 1455.60(c) of the Rules.

Title XI's minimum appraiser qualifications standards are stated in the Appraiser Qualifications Board's ("AQB") qualification criteria. Experience from real property management or real estate sales and brokerage activities is not acceptable for the Certified Residential or Certified General Real Estate Appraiser classifications. That experience also cannot be used by a Licensed real estate appraiser when upgrading to a Certified classification.

To ensure that all Certified appraisers have met Title XI requirements and AQB criteria, the Board must:

1. Immediately stop issuing Certified Residential and Certified General credentials to persons who do not meet the minimum AQB criteria;
2. Identify all appraisers who have obtained a Certified Residential or Certified General credential, including those upgrading from the Licensed classification, since enactment of these real estate experience credit provisions;

3. For each appraiser identified in the second step, determine whether that appraiser was awarded experience based on his or her real estate broker or agent experience;
  4. Within 60 days of receipt of our letter, provide a listing of appraisers who have obtained a Certified Residential or Certified General credential, including upgrades from the Licensed classification, by using real estate broker or agent experience;
  5. If an appraiser was awarded a Certified credential based on real estate broker or agent experience, determine whether the appraiser now has the requisite appraisal experience for his or her credential;
  6. Promptly downgrade to the appropriate classification appraisers who cannot document the necessary experience; and
  7. Provide written progress reports to us monthly until the above actions have been completed.
- **Temporary practice permits are not issued in compliance with Title XI and ASC Policy Statement 5.**

Under § 1455.80 of its Rules, Illinois issues temporary practice permits for 60 days with one extension for 30 days and charges \$100 for each permit and \$100 for each extension. Title XI, as interpreted in ASC Policy Statement 5, requires States to issue temporary practice permits for at least six months and to provide for one easy extension. Total fees must not exceed \$150. The Board must amend its Rules to conform to Title XI and ASC Policy Statement 5.

- **The Board's complaint investigation and resolution process and the supporting documentation are inadequate.**

The Board was unable to provide complaint logs that accurately identified all complaints. We received three logs: one listed all closed complaints; a second listed all year 2000 complaints; and a third listed all 1999 open complaints. The three combined complaint logs did not appear to contain all open and closed complaints. Documents provided at the May 23<sup>rd</sup> Board meeting stated that 247 complaints received prior to 2000 remained unresolved, including some from 1998, 1999, and possibly 1997.

We reviewed a sample of complaints filed from 1996 through April 2000. Complaint investigation and resolution documentation ranged from incomplete, to inconclusive, to inadequate to support the conclusions reported on the complaint logs. The Board needs to develop and implement a comprehensive complaint investigation and resolution process to eliminate these deficiencies.

Within 60 days of the receipt of this letter, the Board must provide an accurate, up-to-date complaint log listing all complaints received since the beginning of the Program, including the date the complaint was received, the complaint's current status, and what action, if any, was taken. The Board also must implement a process to ensure that there is adequate documentation in each file to support the conclusions reached.

- **The Statute and Rules contain additional provisions that do not conform to AQB criteria and provisions that are inconsistent.**

Section 25(a)(1) of the Statute allows educational credit for Board members for active service on the Board. Section 85(c) of the Statute authorizes continuing education credit for passing an examination “of a licensee’s understanding of this Act.” AQB criteria do not allow educational credit to be earned in either manner. While we found no evidence that Board members or appraisers had obtained educational credit under these provisions, the provisions need to be amended to prevent that possibility.

Section 1455.100(5) of the Rules states that an applicant for renewal is not required to meet continuing education requirements for a credential issued less than 24 months prior to its expiration. In general, Illinois appraiser credentials expire on September 30<sup>th</sup> of each odd-numbered year. The initial renewal of credentials will be for less than 24 months, unless they are issued exactly on September 30<sup>th</sup> of an odd-numbered year. Therefore, under § 1455.100(5), most appraisers applying for their first credential renewal are not required to have any continuing education. AQB criteria require certified appraisers to have at least 14 hours of continuing education for each year of the period preceding the renewal. Therefore, appraisers whose initial certification periods are one year or longer, but less than two years, must document at least 14 hours of continuing education credit to qualify for renewal. AQB criteria do not permit a State to waive continuing education requirements in this manner.

The Statute and Rules are inconsistent in identifying the term “Uniform Standards of Professional Appraisal Practice.” Section 10 of the Statute and § 1455.10 of the Rules define USPAP as the 1998 edition of USPAP. Section 110 of the Statute refers to the current edition of USPAP.

The Statute and the Rules contain other, less significant, inconsistencies. For example, the Statute’s record retention requirements differ from USPAP. Section 115 of the Statute requires the appraiser to maintain his or her records for five years. USPAP requires appraisers to retain records for five years or two years after final disposition of any judicial proceeding in which testimony was given, whichever is longer. These differences could confuse appraisers.

The Board must initiate action to amend its Statute and Rules to eliminate these concerns and inconsistencies, and keep us informed of its progress. We will be happy to assist you in this effort by providing our comments should the Board wish to submit proposed statutory and regulatory changes to us for review to ensure their consistency with Title XI.

Please respond to our findings and recommendations within 60 days from the date of this letter. Until the expiration of that period or the receipt of your response, we consider this field review to be an open matter. 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 field review become releasable to the public under the Freedom of Information Act and will be made available on our Web site.

If you have any questions, please contact us.

Sincerely,

Thomas E. Watson, Jr.  
Chairman

cc: Patrick Brady, Deputy Commissioner  
Michael Brown, Director