

Appraisal Subcommittee

Federal Financial Institutions Examination Council

June 27, 2007

Mr. Hugh Hogue, Chairman
 Mississippi Real Estate Appraiser
 Licensing and Certification Board
 2506 Lakeland Drive, Suite 300
 Flowood, MS 39232

Dear Mr. Hogue:

Thank you for your cooperation and your staff's assistance in the April 10-11, 2007, Appraisal Subcommittee ("ASC") field review of Mississippi's real estate appraiser regulatory program ("Program").

Mississippi needs to address five concerns to bring its Program into substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, ("Title XI"). As discussed below, these concerns relate to the State's failure to: (1) investigate and resolve complaints in a timely manner; (2) approve education courses in a manner consistent with Appraiser Qualifications Board ("AQB") criteria; (3) report all disciplinary actions to the ASC; (4) code National Registry data correctly; and (5) take adequate steps to implement the 2008 AQB criteria.

- **Mississippi's complaint investigation and resolution process does not comply with Title XI and ASC Policy Statement 10 E.**

Mississippi's complaint investigation and resolution process does not comply with Title XI and ASC Policy Statement 10 E because complaints are not investigated and resolved in a timely manner. Failure to investigate and resolve complaints in a timely manner is a key element to effective appraiser supervision. ASC Policy Statement 10 E provides that States need to process complaints on a timely basis, and that, absent special documented circumstances, final State administrative decisions regarding complaints should occur within one year of the complaint filing date. We previously cited this concern in our April 15, 2005 field review letter. The complaint investigation and resolution program, however, deteriorated since our 2005 review. During our 2007 field review, we found that the numbers of complaints received, outstanding, and outstanding for more than one year increased significantly. The chart below summarizes the statistics.

Field Review Cycle	Complaints received in preceding 3 years	Complaints outstanding	Complaints outstanding more than 1 year
2002	40(~13/year)	Unknown	Unknown
Jan 2002 - Feb 2005	52 (~17/year)	9	5 (56%)
Mar 2005 – Mar 2007	98 (~49/year)	68	20 (29%)

To address this concern, the Board needs to:

1. Ensure that all complaints are investigated and resolved in a timely manner, as required by ASC Policy Statement 10 E; and
2. Within 30 days from the date of this letter, provide ASC staff a detailed plan regarding how the Board will reduce the complaint-processing backlog and process newly received complaints on a timely basis.

- **Mississippi approved education courses that failed to conform to AQB criteria.**

The Board approved qualifying, distance, and USPAP education courses that failed to conform to AQB criteria in several respects. Mississippi's approved course listing included 15-hour and 7-hour USPAP courses that were not AQB National USPAP courses or their equivalents, and those courses were not taught by an AQB-certified USPAP instructor who holds a State certified appraiser credential. In addition, not all approved online and correspondence courses had their delivery methods approved by the International Distance Education Certification Center ("IDECC"). Finally, the Board approved some non-real property related appraisal courses for qualifying education.

To remedy these deficiencies, the Board needs to:

1. Within 30 days from the date of this letter, review **all** approved education courses to ensure conformance to AQB criteria and rescind approval for any courses that do not conform. And, provide ASC staff with a listing of all courses with notations for each course regarding the results of the Board review;
2. Within 45 days from the date of this letter, identify all appraisers who received initial or renewed credentials based on a 15-hour or 7-hour USPAP course that did not conform to AQB criteria, as discussed above;
3. Within 45 days from the date of this letter, for each appraiser who did not have acceptable USPAP education to support the credential or renewal granted, notify him/her in writing of the number of hours of unacceptable education and that he/she must take the necessary education within 60 days of the notice. NOTE: This "make up" education cannot be used to meet the requirements for another continuing education cycle;
4. Within 10 days after the close of the 60-day period to obtain the necessary education, determine which appraisers failed to earn the necessary hours of education:
 - a. For certified appraisers, either promptly downgrade the appraisers to a non-certified classification or recall their certifications and reissue them over stamped with the phrase, "Not Eligible to Appraise Federally Related Transactions." Appraisers choosing over stamped credentials will be removed from the National Registry; and
 - b. For licensed appraisers, report the appraisers as "non-AQB compliant" in the State's monthly National Registry data submissions; and

5. Within 20 days after the close of the 60-day period for appraisers to obtain the necessary education, provide the ASC with a spreadsheet identifying:
 - a. Each appraiser identified as having non-conforming USPAP education in Step 2;
 - b. The results of each appraiser's education audit, including the number of unacceptable hours of education, if any;
 - c. Whether the appraiser has taken any necessary "make up" education; and
 - d. What disciplinary action, if any, is being taken against each non-compliant appraiser.
- **Mississippi does not provide information regarding all disciplinary actions taken by the State for inclusion on the National Registry.**

ASC Policy Statement 9A requires States to report expeditiously to the ASC any disciplinary action taken against an appraiser. When we checked the State's disciplinary action information on the National Registry, we found that it did not reflect 15 disciplinary actions that should have been reported to the ASC. All of these were actions resolved by consent agreements between 2001 and 2006.

To remedy this situation, the Board needs to:

1. Provide ASC staff with a listing of every disciplinary action that Mississippi has taken to date to ensure that the National Registry is up-to-date; and
 2. Establish and implement the necessary procedures to ensure that all future disciplinary actions are reported to the ASC expeditiously, and to forward to us a copy of those procedures.
- **Mississippi miscoded credential changes, causing the erroneous submission of disciplinary actions for inclusion in the National Registry.**

Mississippi allows appraisers to hold multiple appraiser credentials. For example, an appraiser can choose to hold both a certified residential and a certified general credential. When an appraiser holding an existing credential applies for a credential in a different classification, Board staff ask the appraiser whether he/she would like maintain two credentials or only the "new" credential. Board staff improperly coded records for appraisers changing appraiser classifications but not wishing to retain the "old" credential. As a result, the State erroneously reported approximately 258 non-public disciplinary actions for inclusion in the National Registry.

To resolved this concern, the Board needs to:

1. Within 30 days of the date of this letter, identify all instances of miscoding and provide a listing of errors to ASC staff. The listing needs to include the appraiser's name, credential type, credential number, and identification of the erroneous data that needs to be corrected; and

2. Implement written procedures designed to ensure that such errors will not recur, and provide a copy of those procedures to ASC staff.
- **Mississippi has not adequately prepared to implement the 2008 AQB criteria changes.**

The Board voted to implement the 2008 AQB criteria changes using the “firm date” scenario. Significant changes to the Board’s regulations will be needed. According to Board meeting minutes, staff intends to present draft regulatory changes to the Board for review in November 2007. In the view of the ASC staff, this would be too late to effectively implement the 2008 AQB criteria changes using the firm date scenario.

In addition, the Board currently reviews and approves all qualifying and continuing education courses for three-year periods. While on-site, ASC staff noted that the Board had approved qualifying education courses beyond January 1, 2008, and that the Board did not appear to evaluate those courses for conformance to 2008 AQB criteria.

To address this concern, the Board needs to:

1. Within 30 days from the date of this letter, provide the ASC with a specific action plan regarding implementation of the 2008 AQB criteria;
2. Within 30 days from the date of this letter, review all qualifying education courses approved beyond January 1, 2008, to determine if they conform to the 2008 criteria; and
3. Within 45 days from the date of this letter, provide ASC staff with the results of the course review.

Unless indicated otherwise above, please respond to our findings and recommendations within 60 days from the date of this letter. Until the expiration of that time or the receipt of your response, we consider this follow-up 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 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,

Virginia M. Gibbs
Chairman