

■   ■   ■   ■   ■   ■

# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

August 16, 2007

Mr. Kraig Kosena, Chairperson  
Board of Real Estate Appraisers  
Department of Labor and Industry  
- Business Standards Division  
301 S Park, 4<sup>th</sup> Floor  
Helena, MT 59620-0513

Dear Mr. Kosena:

Thank you for your June 15, 2007 letter responding to our April 20, 2007 field review letter concerning Montana's real estate appraiser regulatory program ("Program"). In that letter, we advised the Department of Labor and Industry, Business and Standards Division ("Department") and the Board of Real Estate Appraisers ("Board") that it needed to address one concern 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"). As discussed below, the Board is in the process of addressing this concern.

- **The Board and Department do not have a reliable means of validating continuing education affidavits used by appraisers to support credential renewal applications.**

Under Appraisal Subcommittee ("ASC") Policy Statement 10 F, State agencies can accept education-related affidavits from appraisers for credential renewal. State agencies, however, must establish a reliable means of validating those affidavits, *e.g.*, selecting a representative sample of the renewing appraiser population and auditing each selected appraiser's continuing education claims.

During our field review, we discovered that the Board failed to conduct continuing education audits during the 2005 and 2006 renewal cycles. File documentation indicated that an audit might have been started for the 2004 cycle, but Department staff did not recall performing that audit. Department staff was unable to locate any documentation supporting that the audit was completed.

The Board and Department staff agreed to conduct continuing education audits of appraisers who renewed their credentials during the 2005 and 2006 renewal cycles. The State also agreed to perform an audit of appraisers who renewed their credentials during the 2004 renewal cycle, if sufficient documentation could not be located to indicate that an audit had been completed. If documentation were found, the Board and staff agreed to provide a spreadsheet on the audit results to the ASC and keep all supporting audit documentation for the ASC's examination during our next field review. To resolve this concern, the ASC directed the Board and Department to take certain corrective actions.

In your June 15<sup>th</sup> letter, you concurred with our findings and proposed compiling a list of all appraisers whose credentials were renewed during the 2004, 2005, and 2006 renewal cycles and

auditing the continuing education claims of 10 percent of those appraisers. While your “proposal” generally corresponded to the first two steps of our corrective action plan, the proposal failed to address steps three through seven. To resolve this concern, the State must comply with those corrective action steps. Because approximately four months have elapsed since the date of our field review letter, the Board and Department should have completed steps one through six. Moreover, you should have made significant progress towards amending the State’s credential renewal procedures to ensure compliance with ASC Policy Statement 10 F. Please provide us, as soon as possible, a written report detailing your progress towards meeting each of the curative steps.

Please contact us if you have any questions.

Sincerely,

Ben Henson  
Executive Director

cc: Grace Berger, Executive Officer  
Barbara McAlmond, Program Manager