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Appraisal Subcommittee

Federal Financial Institutions Examination Council

June 16, 2003

Bart Bryson, Chairman
North Carolina Appraisal Board
P.O. Box 20500
Raleigh, NC 27619-0500

Dear Mr. Bryson:

Thank you for your cooperation and your staff's assistance in the April 21-22, 2003 Appraisal Subcommittee ("ASC") review of North Carolina's real estate appraiser regulatory program ("Program"). Based on our review, most aspects of the Program function effectively and in compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI"). We identified two areas needing your attention.

- **The Board renewed certified credentials for appraisers who did not meet the Appraiser Qualifications Board's ("AQB") continuing education criteria.**

Section 93E-1-7 of North Carolina's statute provides that members of the General Assembly are exempt from continuing education requirements during their term of office. We questioned Board staff regarding whether any appraiser had invoked this provision. We were told of two appraisers who are long-standing members of the General Assembly. Our review of their files revealed that both had repeatedly exercised this exemption and chose not to submit proof of continuing education credits. Both are practicing certified general appraisers and are on the National Registry. Their certifications are due to expire on June 30, 2003.

This exception is unacceptable for certified appraisers. The AQB's Real Property Appraiser Qualification Criteria require certified appraisers to complete the equivalent of 14 hours of continuing education courses or seminars for each year of the continuing education cycle preceding credential renewal. Under Title XI, State law may not impose certification qualifications that are less stringent than the corresponding requirements established by AQB Criteria.

To address this situation, the Board needs to:

- Refrain from renewing the certification of any appraiser who does not meet AQB Criteria regarding continuing education, including members of the North Carolina General Assembly;
- Exclude any certified appraiser who fails to meet AQB Criteria from the State's submission to the ASC for inclusion on the National Registry; and
- Initiate the necessary procedures to amend this portion of the statute to comply with Title XI and AQB Criteria regarding certified appraisers.

- **Credentials issued to appraisers opting not to perform appraisals in Federally related transactions do not clearly and conspicuously disclose this fact to users of appraisal services.**

North Carolina allows certified and licensed appraisers to choose whether they will appraise properties in connection with federally related transactions (“FRTs”). Appraisers choosing to perform such appraisals must pay a \$25 annual National Registry fee. In 1995, North Carolina did not provide any method for users of appraisal services to identify which appraisers were authorized to appraise in FRTs. This led to potential confusion in the marketplace and to the possibility of regulated financial institutions retaining North Carolina certified and licensed appraisers who, unknown to the financial institutions, were not on the National Registry.

In correspondence exchanged between the ASC and the Board from December 4, 1995, through March 25, 1996, the Board agreed to overstamp the pocket card issued to non-Registry appraisers with the caption, “Not eligible for appraisals in connection with federally related transactions.” We have a letter signed by the then Board chair agreeing to this language. Moreover, ASC Policy Statement 8 directs States to “place a conspicuous notice directly on the face of any evidence of the appraiser’s authority to appraise stating, ‘Not Eligible to Appraise Federally Related Transactions’.”

During our current review, we found that the Board places a “Y” or “N” above a line entitled “National Registry,” instead of using the agreed language. The incorporated “Y” or “N” designation does not make a clear and conspicuous disclosure to users of appraisal services as provided in ASC Policy Statement 8, nor does it implement the agreement reached between the ASC and the Board in 1996.

For appraisers opting not to appraise properties in connection with FRTs and not to pay the National Registry fee, the Board needs to place a conspicuous notice directly on the face of any credential evidencing an appraiser’s authority to appraise stating, “Not Eligible to Appraise Federally Related Transactions,” as provided in ASC Policy Statement 8. Please provide the ASC a copy of the revised documents (*e.g.*, certifications and pocket cards) evidencing the appropriate disclosure language.

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,

Steven D. Fritts
Chairman

cc: Mel Black, Executive Director