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Appraisal Subcommittee

Federal Financial Institutions Examination Council

November 30, 2006

Earl M. Worsley, Jr., Chairman
North Carolina Appraisal Board
P.O. Box 20500
Raleigh, NC 27619-0500

Dear Mr. Worsley:

Thank you for your October 5, 2006, letter responding to our September 26, 2006 field review letter concerning the North Carolina real estate appraiser regulatory program (“Program”). In that letter, we advised the North Carolina Appraisal Board (“Board”) that it had to address two 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”). As discussed below, the Board has resolved these items. In addition, we noted that the Board had not adopted the 2008 AQB criteria changes.

- **The Board renewed certified credentials for appraisers who did not meet the Appraiser Qualification Board’s (“AQB”) continuing education criteria.**

As discussed in our September 26, 2006 field review letter, the Board issued and renewed the certified credentials of two North Carolina legislators who failed to meet the AQB’s continuing education criteria. One of the appraiser/legislators documented sufficient continuing education (28 hours in the two-year CE cycle) to qualify for certification renewal on June 30, 2005. This individual chose to pay the National Registry fee and be listed as Active on the National Registry.

The other appraiser/legislator continued to rely on North Carolina’s legislative exemption. This individual initially qualified as a certified residential appraiser in 1991, and upgraded to the certified general level in 1992. Since 1993, the Board has renewed the certified general credential each cycle.

In our September 26, 2006 field review letter, we directed the Board to take certain actions to address this situation. Based on your response, we understand that the Board recalled the credential and reissued a new certificate prominently stating the individual’s ineligibility to appraise property for federally related transactions. At your direction, the appraiser is now identified as “Inactive” on the National Registry. You provided a copy of the letter sent to the appraiser describing the situation and the actions necessary for placement on the National Registry. You assured us that the Board will be vigilant in future renewal periods to ensure that individuals failing to meet the continuing education requirements are not submitted for inclusion on the National Registry.

As a result, the Board has resolved our concern regarding these two appraisers.

- **The Board approved online continuing education course offerings that do not conform to AQB criteria.**

AQB criteria require that the delivery method of education courses offered via distance education be approved by the International Distance Education Certification Center (“IDECC”) or by a college or university that offers courses via distance education methods. During our field review, we identified several continuing education courses on the State’s approved education listing that did not contain evidence of the necessary approval. Our file review and discussions with staff confirmed that distance education delivery method approval was not a part of the Board’s course evaluation process.

In our field review letter, we directed the Board to take certain actions to address this concern. In your October 5th response, you advised us the Board reviewed all approved distance education courses and identified those that did not conform to the AQB criteria in this respect. You stated that the Board withdrew its approval of the few courses that did not conform to AQB criteria. Also, you provided a copy of the proposed regulatory amendment which clarifies that distance education courses must have IDECC approval, if it is not offered by a college or university.

We appreciate your prompt action to address this concern. Please send us a copy of your final regulation, when adopted.

- **Adoption of the 2008 AQB criteria changes.**

In your October 5th letter, you stated that, in 2007, the Board plans to seek a statutory amendment to facilitate implementation of the 2008 AQB criteria changes. We understand that the Board will institute the necessary rulemaking activities once the statutory amendments are adopted.

As stated in our field review letter, please keep us updated regarding your progress in this area. We would also appreciate an opportunity to comment on any proposals.

Our field review letter, your response, and any other previous correspondence between us regarding the field review now will become publicly available on our Web site.

Please contact us if you have any questions.

Sincerely,

Ben Henson
Executive Director

cc: Phillip W. Humphries, Executive Director