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Appraisal Subcommittee

Federal Financial Institutions Examination Council

May 19, 2006

Mr. Joseph Ibach, Chair
North Dakota Real Estate Appraiser
Qualifications and Ethics Board
P.O. Box 1336
Bismarck, ND 58502

Dear Mr. Ibach:

Thank you for your March 30, 2006 letter, as supplemented by an April 28, 2006 email from Jody Campbell, Executive Secretary of the North Dakota Real Estate Appraiser Qualifications and Ethics Board (“Board”), responding to our December 20, 2005 field review letter concerning the State’s real estate appraiser regulatory program (“Program”). In that letter, we advised the 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”). Further, we raised a third point with your staff concerning the Program’s transition from a three-year to a two-year continuing education cycle. As discussed below, the Board is in the process of sufficiently addressed these three items.

- **North Dakota issued certified appraiser credentials supported by examination results that were more than two years old, which is inconsistent with AQB criteria.**

As noted in our December 20th field review letter, we found that two certified appraisers were issued credentials in 2004 based on examination results that were over two years old, contrary to an April 2000 AQB Interpretation to its criteria specifying that examination results were not valid for more than two years. We also noted that your regulations require applicants “successfully [complete] the appraisal board approved uniform state certification examination or its equivalent within two years of making the application.” Using the application date, rather than certificate issuance date, to measure the end of the validity period for examination results, is inconsistent with the AQB Interpretation.

To resolve this concern, the Board needed to:

1. Require the two appraisers identified during the field review to retake the appropriate examination within 90 days from the Board’s receipt of this letter;
2. Take the necessary steps to downgrade to the licensed level either of the two certified appraisers who failed to take or pass the appropriate examination within the 90-day period. Alternatively, the Board could recall existing certifications and overstamp them with wording similar to “Not eligible to appraise federally related transactions.” In this case, the appraiser’s record on the National Registry would be changed from “Active” to “Inactive;”
3. Within 120 days from the Board’s receipt of this letter, notify the ASC in writing of the status of the two appraisers identified during the field review;
4. Amend its regulations to conform to the AQB Interpretation to its certification criteria specifying that examination results were not valid for more than two years; and
5. Refrain from issuing appraiser certifications that rely on outdated examination results.

The Board has ceased issuing certified (and licensed) appraiser credentials supported examination results that are more than two years old. The Board also has sent a letter to the two appraisers stating that, if they do not provide evidence that they have taken and passed the appropriate certification examination by May 20, 2006, their certificates will be recalled and subsequently reissued with the overstamp noted above. Please advise us regarding the status of these two appraisers as soon as possible after the May 20th date.

Finally, you have informed us that the Board is in the process of amending its regulations to conform to the AQB Interpretation regarding stale examination results. Please keep us informed about the status of that amendment.

- **North Dakota's regulations regarding distance education do not conform to AQB criteria.**

In your March 30th letter, you advised us that, to conform to the findings in our December 20th field review letter, Board staff is making appropriate revisions to the Board's regulations to remove the reference to the American Council on Education and to add the International Distance Education Certification Center. Please keep us informed about the status of this amendment.

- **Appraiser Credential and Continuing Education Cycles**

In our December 20th letter, we noted that North Dakota historically has issued appraiser credentials with expiration dates one year from the date of issuance, and annually thereafter. Recently, the State amended its statute to make all credentials expire annually on December 31st. The Board was in the process of implementing the changes necessary to reflect this statutory change and expects that the transition should be completed by December 31, 2006.

We also noted in that letter that North Dakota has a three-year continuing education cycle, and that the Board was considering amending its regulations to change that cycle to two years to dovetail with the AQB requirement that certified appraisers take the 7-hour National USPAP Update Course every two years. In your March 30th letter, the Board stated its intentions to make this change and that it will be forwarding draft statutory or regulatory language to us for our review and comment. We stand ready to assist you in any way to ensure the prompt adoption of any needed statutory or regulatory changes to accomplish the desired result.

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

Please contact us if you have any questions.

Sincerely,

Ben Henson
Executive Director

cc: Jodie Campbell, Executive Secretary