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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

February 15, 2005

Mr. Frank A. Willis, President  
New Jersey Board of Real Estate Appraisers  
124 Halsey Street, 3<sup>rd</sup> Floor  
Newark, NJ 07102

Dear Mr. Willis:

Thank you for your cooperation and assistance in the December 13-14, 2004 Appraisal Subcommittee (“ASC”) review of New Jersey’s real estate appraiser regulatory program (“Program”). In most respects, the Program functions in a manner consistent with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (“Title XI”). However, the two following areas need your attention.

- **The Board does not process temporary practice applications in accordance with Title XI and ASC Policy Statement 5.**

ASC staff reviewed 26 temporary practice application files and found that, for 15 applications, the Board failed to take appropriate action within the five business days specified in Policy Statement 5. In one case, the Board took 25 days to process an application. Title XI prohibits burdensome practices involving temporary practice. ASC Policy Statement 5 specifies that taking more than five business days to act on a completed temporary practice application is burdensome.

Board staff explained that most of the delays were caused by a Treasury Department requirement that prohibits issuing permits until permit fees are received by the department. The department takes several days to process and clear the funds and to notify the Board that the permit may be issued. The Board needs to work with the Treasury Department to determine a method of processing temporary practice applications within the five-business day time frame required by Policy Statement 5.

The Program also failed to comply with Title XI’s and ASC Policy Statement 5’s requirement that temporary practice permits be issued on an assignment basis where assignment is defined as one or more real estate appraisal reports covered by a single contract. Board regulations limit to three the number of properties that may be appraised per permit. Although the regulations provide an exception for federally related transactions, ASC staff found that the restriction was being applied to all temporary practice permits. The temporary practice application does not ask if the property to be appraised is part of a federally related transaction; it only asks for each property’s location and provides only three lines to list locations.

To address these deficiencies, the Board needs to amend its temporary practice policies and practices to:

1. Approve or reject temporary practice applications within five business days of receiving a completed application; and
  2. Issue temporary practice permits on an assignment basis.
- **National Registry fees are not submitted promptly in accordance with ASC Policy Statement 8.**

New Jersey routinely fails to remit National Registry fees to the ASC in a timely manner. ASC Policy Statement 8 requires invoices be paid within 45 days of invoice date. The ASC issued 30 invoices to New Jersey since our previous field review in 2001. New Jersey did not remit payment for any of the 30 invoices within the 45-day requirement. On seven occasions, payment did not occur for more than six months. At the time of the review, four invoices were outstanding, the oldest dating from March 2004. The Board needs to implement procedures to ensure that National Registry invoices are reviewed promptly and paid within 45 days of the invoice date.

Please respond to our findings and recommendations within 60 days. 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,

Virginia M. Gibbs  
Chairman