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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

August 24, 2001

Jack Rose, Chair  
New York Board of Real Estate Appraisers  
and  
Keith W. Stack, Deputy Secretary of State  
NYS Department of State  
84 Holland Avenue  
Albany, NY 12208-3490

Dear Mr. Rose and Mr. Stack:

Thank you for your cooperation and assistance in the June 19-22, 2001 Appraisal Subcommittee (“ASC”) review of the New York real estate appraiser regulatory program (“Program”). We are pleased with the Program’s improvement since our last review. 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, three areas need your attention.

- **Retention of complaint files, file documentation, and use of the current USPAP edition.**

The enforcement section had received 202 complaints since 1998. Only 20 were unresolved at the time of our review, and none had been open for more than one year. These statistics reflect an improvement in New York’s complaint investigation and resolution process. Before arriving in Albany, we requested that 77 complaint cases be available for review. Upon arrival, we were informed that 32 of the requested files were not available. Twenty-eight of the files were missing or could not be found. After reviewing the available files, we concluded that many of the files did not contain sufficient documentation to support the conclusions or reasons for their final resolution. After discussions with New York staff, we understand that New York agrees that its documentation should be improved.

Until recently, the enforcement section had been using the 1991 edition of the Uniform Standards of Professional Appraisal Practice (“USPAP”). The reason appears to result from a New York statute regarding reproduction of copyrighted material. Recently, the Board entered into a memorandum of understanding with The Appraisal Foundation regarding reproduction and use of the 2001 USPAP. While this action has addressed this issue temporarily, the issue will resurface with the Foundation’s release of the next USPAP edition (probably prior to the end of this year).

To address these issues, the Department needs to ensure that:

- It can locate all complaint files, and that all files can be made available for our review;
- Complaint files contain adequate documentation to support final resolutions; and
- The necessary memorandum of understanding with The Appraisal Foundation is maintained to ensure that the State can use the most recent version of USPAP. Additionally, New York

needs to seek a long-term solution to this issue that does not involve a new written agreement with the Foundation each time USPAP is revised.

- **A number of approved educational courses do not appear to conform to Appraiser Qualifications Board (“AQB”) criteria.**

Our review of 74 continuing education courses revealed that a significant number of these courses might not contain enough appraisal-related content to meet AQB criteria. The Board or Department, as appropriate, needs to review all educational courses and disallow those that do not conform to AQB criteria. Additionally, the Board or Department needs to improve the education review process to ensure that courses approved in the future meet AQB criteria. Not later than October 31, 2001, the Board needs to inform us of the results of this review.

- **Board regulations permit appraisers to obtain credit for appraisal experience when teaching an appraisal course.**

Board regulations allow an appraiser to obtain experience credit when he or she teaches an appraisal course. The AQB removed this provision from its criteria in March 1991. While there is no indication that any appraiser used the provision to qualify for an appraiser credential, the Board needs to amend its regulations to conform with AQB criteria. Additionally, the Department needs to remove this provision from the appraiser application.

Please respond to our findings and recommendations by October 31, 2001. 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,

Thomas E. Watson, Jr.  
Chairman