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Appraisal Subcommittee

Federal Financial Institutions Examination Council

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

October 16, 1998

John W. Peck, Chairman
Ohio Real Estate Appraiser Board
77 S. High Street, 20th Floor
Columbus, Ohio 43266-5047

Dear Mr. Peck:

Thank you for your cooperation and your staff's assistance in the September 17-18, 1998 Appraisal Subcommittee ("ASC") review of the Ohio Real Estate Appraiser Board ("Board") and appraiser regulatory program ("Program"). The Board and staff were most helpful during our review, and we appreciated their assistance. We discovered that Ohio addressed satisfactorily nearly all of the issues from our 1993 review and has developed a competently administered Program. In particular, your enforcement program is carried out by your investigative staff in a highly effective, professional manner. Nevertheless, as discussed below, we found one critical problem and several other problems.

- **Ohio has not adopted the Appraiser Qualifications Board's ("AQB") revised certification criteria for education and experience that became effective on January 1, 1998.**

Ohio has not adopted the AQB's revised criteria ("Criteria") for education and experience that became effective on January 1, 1998. During an Association of Appraiser Regulatory Officials ("AARO") conference in March 1997, the Board Administrator told us that Ohio had not implemented the Criteria. We then wrote a letter to the Administrator notifying her of the upcoming effective date. In April 1997, Ohio reported to us that the necessary legislation had been drafted but required sponsorship. In December 1997, we notified the Board and the Governor's office of the imminent changes to the Criteria and presented several options to Ohio.

In early 1998, we had several telephone conversations with the Board Administrator regarding the status of Ohio's statute. The Board Administrator advised us that the statute had not been changed, and that none of our alternatives had been implemented. We wrote to Ronald Rotaru, Superintendent of the Division of Real Estate, in March 1998, but did not receive a response. In April 1998, we sent another letter to Mr. Rotaru by certified mail, return receipt requested. Mr. Rotaru responded that Ohio would continue to certify appraisers in accordance with Ohio law. Given our then-upcoming on-site review, we delayed further discussions until that time.

This situation is very serious. From a list provided by the Board Administrator, we estimate that Ohio has certified over 100 appraisers since January 1, 1998. Most, if not all, of these appraisers have been performing appraisals in connection with federally related transactions, even though they do not meet Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989's ("Title XI") certification requirements.

To resolve the problems associated with your failure to implement the Criteria, the Board must:

1. Initiate the necessary actions to amend Ohio's statute to adopt the 1998 Criteria as quickly as possible.
2. Correct invalid certifications that have been issued since January 1, 1998. Within 30 days of the receipt of this letter, the Board must:
 - (a) Identify all appraisers who have been newly certified or upgraded to certified status from January 1, 1998 to the present time;
 - (b) Using the 1998 Criteria, determine the level of certification or licensure for which each appraiser qualified at the time of application;
 - (c) Using the 1998 Criteria, identify those appraisers who did not qualify for the credential level awarded;
 - (d) Notify each affected appraiser and provide the opportunity for the appraiser to document additional experience and/or education qualifications; and
 - (e) After considering the additional documented experience and/or education qualifications, for each appraiser who does not meet the 1998 Criteria for his or her current certification, either:
 - A. Downgrade the appraiser's status to the licensure or certification level consistent with AQB Criteria; or
 - B. Overstamp the appraiser's current Ohio certificate with the words "Not eligible to appraise for Federally Related Transactions requiring a Certified Appraiser."
3. Ask future applicants to meet the 1998 Criteria voluntarily pending the change of Ohio's statute or regulations. If an appraiser insists on certification under Ohio's current statutory provisions, the Board must overstamp the certificate with the words "Not eligible to appraise for Federally Related Transactions requiring a Certified Appraiser."

- **Ohio's temporary practice fees are excessive.**

Ohio, on average, receives 60-70 temporary practice requests per year. Temporary practice permits often are issued the same day requests are received. The fee for temporary practice is \$100 per property appraised, with a limit of two permits per year. The permit is valid until the appraisal is complete. If appraisers need to appraise more than two properties in Ohio in one year, they must obtain an Ohio license or certificate for \$250.

ASC Policy Statement 5 specifies that temporary practice permits be awarded on an assignment basis and that fees above \$150 are excessive. The Board must limit temporary practice fees to not more than \$150 per assignment, instead of per property, in accordance with Policy Statement 5.

- **To increase communication and to better educate its members, the Board should be informed about the enforcement process.**

The Board functions only as a hearing venue, dealing with the most troublesome cases at the time of the hearing. Prior to hearing, Board members know little about the cases that are coming to hearing. The Board is not informed about complaints that are closed by the staff without further action. To assist the Board in its hearing deliberations and other enforcement decisions, the staff should prepare a reading file for the Board summarizing cases being prepared for hearing and complaints that have been closed without further action. This summary also may prove useful in educating new Board members.

- **The Board should ensure that the enforcement cases are always processed in a timely manner.**

The Board and staff generally process enforcement cases in a timely manner, and statutory timetables for enforcement case processing are followed. A few cases, however, have been delayed for up to a year. The Board should take appropriate steps to avoid these delays.

Unless specified otherwise, 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 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,

Herbert S. Yolles
Chairperson