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Appraisal Subcommittee

Federal Financial Institutions Examination Council

June 27, 2007

Mr. John C. Harry, III, Chair
Virginia Real Estate Appraiser Board
Department of Professional and Occupational Regulation
3600 West Broad Street
Richmond, Virginia 23230-4917

Dear Mr. Harry:

Thank you for the cooperation and assistance of the Virginia Real Estate Appraiser Board (“Board”) and Department of Professional and Occupational Regulation (“Department”) in the April 30-May 1, 2007 Appraisal Subcommittee (“ASC”) review of Virginia’s real estate appraiser regulatory program (“Program”). Based on our review, Virginia needs to address three concerns to bring its Program into substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (“Title XI”).

- **Board regulations and practices regarding appraiser reinstatement from Inactive status do not conform to AQB criteria.**

The Board’s regulations and practices currently allow an appraiser to place his or her credential into Inactive status for an unlimited amount of time, provided the appraiser pays specified annual fees. The regulations require that, to reactivate a license or certification from Inactive to Active status, the appraiser must take 28 hours of continuing education, including the most recent edition of the 7-hour National USPAP Update Course.

In September 2005, the AQB adopted an Interpretation regarding waivers and deferrals of continuing education. That Interpretation provides that, prior to reactivating an Inactive credential, the credential holder must complete all continuing education that would have been required had he or she not been Inactive, including the most recent edition of the 7-hour National USPAP Update Course.

To resolve this concern, the Board needs to:

1. Review its records and identify all appraisers who reactivated their credentials since September 2005;
2. Within 30 days of receipt of this letter, determine whether the appraisers identified in step one have taken all continuing education that would have been required if the credential holder had been in active status, including the most recent edition of the 7-hour National USPAP Update Course;
3. Within 45 days of receipt of this letter, notify each appraiser who did not obtain the necessary continuing education to successfully complete the appropriate education within 30 days of the Board’s notification letter;

4. Within 90 days of receipt of this letter, initiate appropriate action against any appraiser who fails to document compliance with the AQB Interpretation:
 - a. For certified appraisers, begin the process to downgrade their credentials to a non-certified level;
 - b. For licensed appraisers, modify the State's National Registry data submissions to reflect these appraisers as non-AQB Compliant;
 5. Initiate the necessary amendments to Board regulations, policies, and practice to ensure compliance with AQB criteria regarding reinstatement of Inactive credentials;
 6. Refrain from reinstating appraisers who fail to conform to AQB certification criteria; and
 7. Within 120 days of receipt of this letter, send the ASC a spreadsheet listing each appraiser identified in step one, and include each appraiser's status relative to this action plan.
- **Virginia submits inaccurate disciplinary action data to the ASC for inclusion in the National Registry.**

Under ASC Policy Statement 9A, State agencies must report to the ASC for inclusion in the National Registry any disciplinary action taken against an appraiser. A review of disciplinary actions reported to the ASC by Virginia revealed instances in which reported disciplinary actions were not actually taken by the State. These errors caused the National Registry to reflect inaccurate data regarding these appraisers. We previously cited this deficiency in our 2004 field review letter.

The Board needs to:

1. Identify existing errors in National Registry data and report them to the ASC within 30 days of receiving this review letter; and
 2. Correct its data reporting process to ensure that future data submissions contain accurate data.
- **Virginia needs to ensure implementation of regulatory amendments to conform to a December 2003 AQB Interpretation.**

On December 1, 2003, the AQB amended its criteria by removing ACE/Credit from its authorized distance education approval process, effective April 1, 2004. The State's regulations, however, continue to specify ACE/Credit as an authorized approval source for distance education delivery methods. Notwithstanding this regulatory provision, the Board and staff, in practice, have complied with the AQB criteria since April 1, 2004.

We understand that the Board has drafted a conforming regulatory amendment and included the amendment in a legislative package containing other regulatory amendments relating to the 2008 AQB criteria changes. This package will be submitted to the Governor's office in fall 2007, in a special exemption package. The Board anticipates that these rule changes will be adopted and become effective on January 1, 2008.

The Board needs to take all necessary steps to ensure that the rule proposal removing ACE/Credit, together with the other rule proposals relating to the 2008 AQB criteria changes, is adopted and implemented as soon as possible.

Unless indicated otherwise, please respond to our findings and recommendations within 60 days from the date of this letter. Until the expiration of that time 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

cc: Christine Martine, Executive Director