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Appraisal Subcommittee

Federal Financial Institutions Examination Council

March 19, 2007

Ms. Rita Knapp, Administrator
Vermont Board of Real Estate Appraisers
Office of Professional Regulation
81 River Street
Heritage Building, Drawer 9
Montpelier, Vermont 05609-1104

Dear Ms. Knapp:

Thank you for your January 19, 2007 response to the Appraisal Subcommittee's ("ASC") October 16, 2006 field review letter regarding Vermont's appraiser regulatory program. In your letter you responded to each of the five concerns outlined in our letter.

- **Vermont's temporary practice procedures do not conform to Title XI and ASC Policy Statement 5 because completed applications are not processed within five business days of receipt.**

Our October 16, 2006 field review letter stated that the Vermont Board of Real Estate Appraisers ("Board") complied with ASC Policy Statement 5, with one exception. The Board, at times, failed to issue temporary practice permits within five business days of receipt of a completed application. Vermont issued 169 temporary practice permits between August 2003, and September 2006. The State took more than five business days to process 34 (20%) of these applications.

To comply with Title XI and ASC Policy Statement 5, the Board needed to revise its procedures to ensure that temporary practice applications are processed and permits issued within five business days of receipt of a completed application and to provide us a copy of those written procedures.

In your letter, you stated that you will ensure that regular office staff will process and issue temporary practice permits relating to completed temporary practice applications within five business days of their receipt. Moreover, when regular office staff is absent, you personally will review incoming mail and ensure that temporary practice applications will be processed on a timely basis.

We appreciate that you will be providing personal attention to temporary practice processing. We hope that your focus will result in the timely processing of completed temporary practice applications. Please continue to monitor compliance with ASC Policy Statement 5 and take further curative steps, if necessary.

- **National Registry data and fees are not submitted promptly in accordance with ASC Policy Statement 8.**

ASC Policy Statement 8 requires that States submit appraiser data to the ASC no less frequently than monthly and pay invoices within 45 days from the invoice date. Vermont submitted Registry data only three times in 2004, six times in 2005, and three times in 2006. Also, Vermont was delinquent in remitting Registry fees for five of 13 invoices issued since our 2003 field review.

To address this concern, the Board needed to implement procedures to ensure that National Registry data is submitted to the ASC at least monthly and that invoices are reviewed promptly and paid within 45 days of the invoice date.

In your letter, you stated that the Board and staff are making a determined effort to submit all data on a timely basis, and that you will be working with the State's Business Office to ensure the prompt remittance of Registry fees.

We hope that these changes will ensure Vermont's prompt submission of National Registry data and fees consistent with ASC Policy Statement 8. We will continue to monitor your data and fee submission performance to determine whether these changes are effective.

- **Vermont does not submit disciplinary action data to the ASC for inclusion in the National Registry in accordance with ASC Policy Statement 9.**

ASC Policy Statement 9A requires States to report disciplinary actions to the ASC at least monthly. Vermont failed to report disciplinary actions to the ASC during this field review period.

To address this concern, the ASC directed the Board to: (1) provide ASC staff a listing of every disciplinary action that Vermont has taken to date; (2) establish and implement the necessary procedures to ensure that future disciplinary actions are reported to the ASC on a timely basis; and (3) notify us in writing about the nature of those procedures.

In your letter, you stated that Board staff will be submitting all future disciplinary actions to the ASC within two weeks of a final action. You, however, did not include the requested listing of every disciplinary action that Vermont has taken to date. Please forward that list immediately upon receipt of this letter to Lori Schuster at lori@asc.gov or to her attention at the address at the bottom of this letter.

- **Vermont's complaint investigation and resolution program does not comply with Title XI and ASC Policy Statement 10 because complaints are not investigated and resolved in a timely manner.**

Under Title XI and ASC Policy Statement 10E., States need to investigate and resolve complaints in a timely manner, and complaint resolution generally should occur within one year of complaint receipt. At the time of our field review, six cases, involving three appraisers, were very old. Three cases were more than two years old, and three cases were more than four years old.

To address this concern, the Board needed to: (1) complete the investigations and resolutions of the six aged cases as quickly as possible; (2) take the necessary steps to ensure that it investigates and resolves complaints in compliance with ASC Policy Statement 10E.'s requirement that the State must investigate and resolve complaints in a timely manner, generally within one year of receipt; and (3) within 60 days of the date of this letter, provide us with a specific plan regarding how the Board plans to resolve the six aged cases.

Thank you for providing the current status of the six aged cases and the copy of your complaint handling procedures. In your letter, you stated that two cases from 2003 are scheduled for hearing this February and March, and all of the cases from 2005 have been closed or will be resolved within the next six months.

These facts appeared inconsistent with information gathered during our field review. In a March 13, 2007 email to Jenny Tidwell of our staff, you provided the following updated information. Fourteen cases now are outstanding. One case is over three years old, two cases are over two years old, and six cases are over one-year old. Hearings were held in the three-year old and one of the two-year old cases on March 7, 2007. Those cases should be resolved shortly. The other two-year old case is with the prosecutor, pending additional charges. All, but one, of the other aged cases are in various stages of the resolution process. The single remaining case is still in the investigation stage. Please keep us informed regarding your progress for each of these cases.

It appears that the State is taking necessary steps to ensure that complaints are investigated and resolved in compliance with ASC Policy Statement 10 E. We anticipate that you will continue your efforts to reduce your case backlog and to process current and newly received complaints on a timely basis.

- **Vermont has not amended its regulations to reflect Appraiser Qualifications Board (“AQB”) criteria changes that became effective January 1, 2003.**

At the time of our field review, Vermont had yet to formally adopt the AQB criteria changes that became effective January 1, 2003. These changes required applicants for certified status to take the 15-hour National USPAP Course, or its equivalent, taught by an AQB Certified USPAP Instructor who is a State certified appraiser, and to pass the related examination. The changes also required renewing appraisers to take the 7-hour National USPAP Update Course every two years.

In practice, Vermont implemented the revised criteria on January 1, 2003. The Board needed to amend its regulations to bring the regulations into compliance with the January 1, 2003 AQB criteria changes and to avoid conflicts between the Board's regulations and practice.

In your letter, you advised us that the Board is working with legal counsel to amend its rules and plans to file them within the next three months. Please forward to us a copy of the proposed rules, when drafted, and the final rules when they are adopted.

Again, thank you for your prompt response. 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 further questions.

Sincerely,

Ben Henson
Executive Director

cc: Lawrence Martin, Chair