

Appraisal Subcommittee

Federal Financial Institutions Examination Council

January 5, 2007

Ms. Celia Jackson, Secretary
 Wisconsin Department of Regulation and Licensing
 1400 East Washington Avenue
 P.O. Box 8935
 Madison, Wisconsin 53708-8935

Dear Ms. Jackson:

Thank you for the cooperation and assistance of the Wisconsin Real Estate Appraisers Board (“Board”) and the Department of Regulation and Licensing (“Department”) during the October 18-19, 2006 Appraisal Subcommittee (“ASC”) review of Wisconsin’s real estate appraiser regulatory program (“Program”). Based on our review, Wisconsin needs to address three concerns to bring the Program into substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (“Title XI”). One of these concerns, investigating and resolving complaints in a timely manner, has been a long-standing weakness in the Program. We addressed this concern in our 1993, 1997, and 2004 field review letters. Because of Wisconsin’s inability to resolve this concern, we will return to your State in 2007 for our next field review. Should Wisconsin not demonstrate substantial progress toward resolving this weakness, the ASC will consider initiating a non-recognition proceeding against the State under § 1118 of Title XI, 12 U.S.C. 3347.

- **Wisconsin’s complaint investigation and resolution program does not comply with Title XI and ASC Policy Statement 10.**

Wisconsin’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. During this field review, we found many complaints outstanding for more than one year. Title XI requires that States effectively supervise their appraisers. An effective and timely complaint investigation and resolution program is a key element to effective appraiser supervision. ASC Policy Statement 10 provides that States need to process complaints in a timely manner and that, absent special documented circumstances, final State administrative decisions regarding complaints should occur within one year of the complaint filing date.

The chart below summarizes statistics from current and previous field reviews.

Field Review Cycle	Complaints Received	Complaints outstanding	Complaints outstanding more than 1 year
Nov 1992 – Sep 1997	~20-25 per year	Unknown	20
Sep 1997 – Sep 2000	182 (~60 per year)	54	Unknown
Oct 2000 – Sep 2003	144 (~ 50 per year)	97	48 (49%)
Oct 2003 – Oct 2006	326 (~ 110 per year)	141	54 (38%)

The Department and Board have implemented a number of changes to the complaint investigation process over the past several years. While those changes have had some beneficial effect, they have not been adequate to resolve our concerns. The numbers of outstanding complaints and complaints outstanding for more than one year continue to increase. The failure to investigate and resolve complaints in a timely manner is a long-standing weakness in Wisconsin's Program, and has been addressed in multiple field review letters. To address this concern, the Department and Board need to:

1. Develop and implement a plan to eliminate the backlog of outstanding complaints and to ensure that new complaints are investigated and resolved in a timely manner consistent with ASC Policy Statement 10; and
 2. Provide a copy of this plan to the ASC within 60 days from the date of this letter.
- **The Department reinstated appraiser credentials in a manner inconsistent with Appraiser Qualifications Board ("AQB") criteria.**

In September 2005, the AQB issued an Interpretation stating that, prior to reactivation of an Inactive credential, the credential holder must complete all continuing education that would have been required if the credential had been Active, including the most recent edition of the 7-hour National USPAP Update Course, or its equivalent. The Department recently amended § RL87.02 of its regulations, effective December 1, 2006, to conform to the Interpretation.

Prior to this amendment, the Department's regulations required that Inactive appraisers returning to Active status demonstrate only 28 hours of continuing education, notwithstanding the length of the inactive period. As a result, appraisers reinstating their credentials after more than two years of inactivity would not have been required to obtain the amount of continuing education required by the AQB Interpretation.

Ten appraisers, eight certified and two licensed, reinstated their expired credentials on or after September 1, 2005, the effective date of the Interpretation. Of the eight certified appraisers, one reinstated his or her certification within two years of lapse and properly demonstrated 28 hours of continuing education. The other appraisers with reinstated credentials that had been Inactive more than two years and did not have the necessary amount of continuing education as required by the Interpretation.

To address this concern, the Department needs to:

1. Within five days from receipt of this letter, notify the appraisers that they must submit to the Department, within 60 days, evidence of having completed the necessary continuing education hours;
2. Within 75 days from receipt of this letter:
 - a. Begin the process to downgrade to a non-certified credential any certified appraiser failing to provide such evidence under to step one, or recall the appraiser's certified credential and reissue that credential with the phrase, "Not

Eligible to Appraise Federally Related Transactions” conspicuously overstamped on its face; and

- b. Change the “AQB Compliant” field in the State’s National Registry data submission from “Yes” to “No,” for any licensed appraiser who fails to document completion of the necessary continuing education hours; and
 3. Within 90 days from receipt of this letter, provide the ASC a written report identifying each appraiser and confirming that steps one through three have been completed.
- **Wisconsin issued a credential to a certified appraiser that was supported by an outdated examination.**

Following a November 17, 2004 ASC letter to all States, the Department discovered that its credential issuance procedures were not in compliance with the AQB’s Interpretation regarding the 24-month examination validity period, which became effective July 1, 2000. The Department revised its application instructions to specify that appraisers must receive their credentials within two years of examination, or retake the exam. The staff implemented the necessary application processing procedures to ensure compliance.

The Department audited the examination records of all appraisers credentialed on or after July 1, 2000. The audit concluded with a February 14, 2006 letter from the Director of the Office of Education and Examinations to the ASC. In that letter, the Department reported that it had determined that no certified appraisers had been improperly credentialed.

While on site, ASC staff reviewed the material supporting the State’s determination and identified one appraiser who received a credential based on an outdated examination. That individual passed the exam in April 1999, and received his residential certification in December 2003. Department staff mistakenly believed that he was not covered by the Interpretation because he took the examination before the Interpretation’s July 1, 2000 effective date. The Interpretation, however, governed credentials issued on or after its effective date.

To cure this situation, the Department needs to:

1. Require the certified appraiser who failed to meet the AQB Interpretation to complete the appropriate examination successfully within 90 days from the Department’s receipt of this letter; and
2. Take the necessary steps expeditiously to downgrade the appraiser’s certification to the licensed level, if the appraiser fails to take or pass the appropriate examination within 90-day period.

Please respond to our findings and recommendations within 60 days from the date of this letter. Until the expiration of that time 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.

Please contact us if you have any questions.

Sincerely,

Virginia M. Gibbs
Chairman

cc: Ruby Jefferson-Moore, Board Attorney