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Appraisal Subcommittee

Federal Financial Institutions Examination Council

December 15, 2000

Alfred Hall, Director
Bureau of Business and Design Professions
Department of Regulation and Licensing
1400 E. Washington Avenue
PO Box 8935
Madison, WI 53708

Dear Mr. Hall:

Thank you for your cooperation and your staff's assistance in the October 17-19, 2000 Appraisal Subcommittee ("ASC") review of Wisconsin's appraiser regulatory program ("Program").

First, we take this opportunity to acknowledge the Department of Regulation and Licensing ("Department") and the Wisconsin Real Estate Appraisers Board's ("Board") diligence in addressing our concerns regarding Wisconsin's complaint investigation and resolution procedures identified during our 1997 field review. We appreciate the efforts extended by your staff and the Board to improve the enforcement program. The fact that most new complaints of appraiser misconduct are thoroughly investigated and fairly and equitably resolved within an average of six months demonstrates the program's effectiveness.

As a result of our current review, we identified the following issues that need your attention to further improve your program and bring it into compliance with the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI").

- **Wisconsin needs to implement a process to validate education claimed on appraiser licensing and certification applications.**

Presently, Wisconsin accepts affidavits attesting to education hours. Applicants must list on the affidavits the courses taken for pre-licensing, per-certification, or continuing education. Applicants, however, are not required to provide supporting documentation, such as course completion certificates, as proof that courses were successfully completed. Further, Wisconsin does not audit claimed education at any time.

The Appraisal Subcommittee ("ASC") does not endorse any particular validation method. However, we do require, as provided in ASC Policy Statement 10, that States have a reliable means to validate education credits claimed for certification or licensure. The lack of a verification program is an invitation to potential fraud and a threat to the integrity of the State's appraiser regulatory program.

Wisconsin, therefore, needs to establish a process to validate appraiser education claimed on licensing and certification applications. At a minimum, this process should consider submission

of completion certificates or transcripts received from appraisal course providers, or the random audit of a meaningful sample of the education courses claimed by an appraiser via affidavit.

- **Wisconsin awards education credit for substantially similar courses.**

Our file review revealed that, in some cases, the Department awarded credit toward fulfilling an applicant's education requirement for two or more courses that are substantially similar in content. Appraisers received credit for two or more variations of appraisal principles, standards, and procedures courses. Department staff stated that substantially similar courses generally were not rejected because it did not appear to violate Wisconsin law or regulation.

The Appraiser Qualifications Board's ("AQB") criteria interpretations state, "Courses taken in satisfying the qualifying education requirements should not be repetitive in nature. Each course credited toward the required number of qualifying education hours should represent a progression in which the appraiser's knowledge is increased." For certified appraisers, refer to Interpretation #2, following subparagraph (7) in the **Education** section of the AQB criteria.

For certified appraisers, the Department must conform to AQB criteria by ensuring that the Department does not award qualifying education credit to an individual applicant for courses that are substantially similar in content.

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,

Thomas E. Watson, Jr.
Chairman