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## Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

December 28, 2007

Mr. Thomas Andolfo, Chair  
Rhode Island Real Estate Appraisers Board  
Mr. Michael Marques, Director  
Department of Business Regulation  
223 Richmond Street, Suite 230  
Providence, RI 02903-4230

Dear Mr. Andolfo and Mr. Marques:

Thank you for your letters of October 3 and 25, 2007, responding to our September 12, 2007 letter. In our September 12<sup>th</sup> letter, we acknowledged Rhode Island's curative actions responding to the Appraisal Subcommittee's ("ASC") findings in its June 27, 2007 field review letter. We also noted that the State still had to complete several additional steps to bring the State's real estate appraiser regulatory program ("Program") into compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Action of 1989, as amended, ("Title XI").

- **Rhode Island's complaint investigation and resolution process did not comply with Title XI and ASC Policy Statement 10.**

In our June 27th field review letter, we noted that Rhode Island's complaint investigation and resolution process did not comply with Title XI and ASC Policy Statement 10 E because complaints were not investigated and resolved in a timely fashion and the entire system for processing and investigating complaints was not administered in a well-documented manner. We also cited Rhode Island for not investigating and resolving complaints in a timely manner in our August 25, 2004 field review letter. In that letter, the ASC required the State to:

1. Within 30 days of receiving that letter, develop and implement specific plans to reduce the backlog of outstanding complaints and to process all complaints on a timely basis, and provide the ASC a copy of those plans;
2. Implement and maintain an effective complaint tracking system to ensure that all complaints and outstanding consent orders are tracked accurately and provide a copy of that log to the ASC quarterly; and
3. Maintain copies of all documentation supporting all activities, including Board decisions, regarding all appraiser-related complaints in accordance with ASC Policy Statement 10 E, State record retention requirements, and, at a minimum, until the next full ASC field review.

As noted in our September 12, 2007 letter, the State took the following steps to address our concerns by providing us:

1. A "Plan to Reduce Case Backlog and Process Complaints" (with your July 30, 2007 letter);

2. A revised complaint tracking report (with your July 30, 2007 letter);
3. An amended State Records Retention Schedule (with July 30, 2007 letter); and
4. Further confirmation in your August 22, 2007 letter that the Board will maintain well documented copies of complaint records, including Board decisions.

Based on your recent complaint tracking report (October 25, 2007 letter, Exhibit I), it appears that Rhode Island has continued to make progress towards remedying this situation. At the time of our April 2007 field review, Rhode Island did not have an effective complaint tracking system and had an estimated 16 complaints outstanding, with at least 13 of those complaints outstanding for more than one year. The tracking report shows that Rhode Island has reduced the number of open cases from 16 to nine and the number of aged cases from 13 to six.

We appreciate your efforts to comply with ASC Policy Statement 10 E. and expect that you will continue your effective efforts to investigate and resolve all appraiser-related complaints in a timely manner.

We again stress the importance of maintaining an effective system for accurately tracking complaints. We look forward to receiving your quarterly complaint logs and will continue to use them to monitor your progress toward resolving our concerns. In the future, please provide the ASC the *entire* complaint-tracking report that identifies all appraiser-related complaints received by the Rhode Island Real Estate Appraisers Board ("Board") from 1999 to present and the status of each case. We are planning a follow-up review in January 2008, and expect to see significant improvement in all areas of Rhode Island's complaint investigation and resolution process.

- **Rhode Island approved continuing education courses that are inconsistent with AQB criteria.**

In our June 27, 2007 field review letter, the ASC stated that Board regulations provided that an appraiser could receive up to one hour of continuing education credit for attending a Board meeting, provided that the meeting for which credit is sought was at least one hour long. The regulations also allowed appraisers to obtain a maximum of 12 hours of continuing education credit per year from attending Board meetings. In August 2004, the AQB determined that a State could award continuing education credit to appraisers who attended a State Board/Commission meeting under certain circumstances. The Board's regulations did not conform to the AQB's criteria. The ASC required the State to:

1. Immediately review all currently approved continuing education courses to ensure their conformance to AQB criteria and rescind approval for any nonconforming courses;
2. Within 15 days from the date of our field review letter, provide ASC staff with a revised list of approved continuing education courses;
3. Within 30 days from the date of our field review letter, determine whether each appraiser whose credential was renewed from July 1, 2004, to present, relied on any continuing education course that did not conform to AQB criteria;
4. Within 45 days from the date of our field review letter, for each appraiser who did not have sufficient AQB-compliant continuing education to support renewal of his/her credential, advise the appraiser in writing of the number of hours of unacceptable continuing education and that he/she must take the necessary education within 60 days to

maintain his/her appraiser credential. NOTE: This "make up" education cannot be used to meet the requirements for another continuing education cycle;

5. Within 10 days after the close of the 60-day period to obtain the necessary education, determine which appraisers have not earned the necessary hours of education:
  - a. For certified appraisers, promptly downgrade the appraisers to a non-certified classification or recall their certifications and reissue them over-stamped with the phrase, "Not Eligible to Appraise Federally Related Transactions." Appraisers choosing over-stamped credentials will be removed from the National Registry; and
  - b. For licensed appraisers, modify the State's National Registry data submissions to reflect that these appraisers are not AQB Compliant. This non-AQB Compliant status will be reflected on the ASC's Web site.
6. Within 20 days after the close of the 60-day period to obtain the necessary education, provide the ASC with a spreadsheet identifying:
  - a. Each appraiser who renewed his/her credential during the target time period;
  - b. The results of each appraiser's continuing education audit, including the number of unacceptable hours of education, if any;
  - c. Whether the appraiser has taken the necessary "make up" education; and
  - d. What disciplinary action, if any, is being taken for each non-compliant appraiser.

In your October 25<sup>th</sup> letter you provided the ASC with a list (Exhibit II) of 81 real estate appraisers identified by the Board as not having sufficient AQB-compliant continuing education to support renewals of their credentials. You indicated that 60 of these appraisers have taken the necessary "make-up" continuing education and now comply with AQB criteria. Nineteen appraisers, however, remained in non-compliance and their credentials were changed to "Inactive" status on the National Registry. Finally, two appraisers were identified as "status pending."

While we appreciate your efforts to resolve our concerns, it appears that further action may be needed. If any of the 19 non-compliant appraisers hold certified credentials, the State still needs to recall those credentials and reissue them with the necessary over stamp discussed in item 5.a. above. And, if any of these appraisers hold licensed level credentials, please change their AQB-compliant field on the National Registry to "No." Please provide us with the final status of the two pending appraisers and your additional efforts to remedy this situation as soon as possible.

- **Rhode Island regulations allowed continuing education credit that did not conform to AQB criteria.**

In our June 27<sup>th</sup> letter, the ASC noted that Board regulations provided that an appraiser could receive up to one hour of continuing education credit for attending a Board meeting, provided that the meeting for which credit is sought was at least one hour long. The regulations also allowed appraisers to obtain a maximum of 12 hours of continuing education credit per year from attending Board meetings. In August 2004, the AQB determined that a State could award continuing education credit to appraisers who attended a State Board/Commission meeting under certain circumstances. The Board's regulations did not conform to the AQB's criteria.

The Board provided the ASC with a list (October 25, 2007 letter, Exhibit III) of five credentialed real estate appraisers who relied on continuing education credit granted for attending more than one Board meeting during a continuing education cycle. One appraiser apparently has taken the necessary "make-up" education and is in compliance with AQB criteria. The other four appraisers, however, failed to obtain the necessary "make-up" continuing education and have been placed on the National Registry as "Inactive."

While we appreciate your efforts to resolve our concerns, it appears that further action may be needed. If any of the four non-compliant appraisers hold certified credentials, the State still needs to recall those credentials and reissue them with the necessary over stamp discussed above. And, if any of these appraisers hold licensed level credentials, please change their AQB-compliant field on the National Registry to "No." Please provide us with the final status of these four appraisers as soon as possible.

- **Rhode Island did not remit payment for invoices within 45 days in accordance with Policy Statement 8, and did not report all disciplinary actions pursuant to Policy Statement 9 A.**

As noted in our September 12, 2007 letter, the State completed all but one of the curative steps set out in our June 27<sup>th</sup> field review letter – the State needed to forward to ASC staff a copy of the procedures that have been implemented to assure that National Registry payments will be made within 45 days. We have received a copy of those procedures. We appreciate your efforts to remedy this situation and hope that you will continue your efforts to ensure compliance with ASC Policy Statements 8 and 9 A.

- **2008 AQB criteria changes**

As noted in our field review letter, Rhode Island approved qualifying and continuing education courses for three-year periods. Some of these course approvals extended beyond the January 1, 2008 effective date of the revised AQB criteria. Many of these courses will not conform to 2008 AQB criteria or will require substantial modification. To ensure proper implementation of the 2008 AQB criteria changes, the Department and Board needed to take the following actions:

1. Within 30 days from the date of the field review letter, provide the ASC with a specific plan of action regarding implementation of the 2008 AQB criteria;
2. Review all qualifying education courses that have been approved with an expiration date beyond January 1, 2008, to determine whether the courses will comply with the 2008 criteria; and
3. Within 60 days from the date of the field review letter, provide the ASC with the results of the course review.

In response, the State:

1. Provided the ASC with an "Action Plan Regarding the Implementation of the 2008 AQB Criteria" (with your July 25, 2007 letter);
2. Notified the ASC in your July 11th letter that correspondence has been sent to each

affected course provider, indicating that if the provider does not reply or resubmit a new course approval application, their courses will be removed from the list of approved courses; and

3. Notified the ASC in your August 22nd letter that the Board plans to review all courses to assure compliance with the 2008 criteria.

To ensure that qualifying education courses approved in Rhode Island meet the 2008 AQB criteria, the Board contacted all approved qualifying education providers requiring them to resubmit the course or courses to the Board to determine compliance with the 2008 criteria (October 3, 2007 letter, Exhibit II). Based on your October 25<sup>th</sup> letter (Exhibit V), it appears that the Board has reviewed and approved 48 qualifying courses that meet the 2008 AQB criteria. The list also identifies 18 courses that are pending Board review.

We appreciate your efforts to remedy this situation. Please provide us with the final results of your course review as soon as possible. Kristi Klamet will be contacting your Program administrator, Ms. Valerie Voccio, to coordinate the exact date and time of our follow-up review in January 2008.

Please contact us if you have any questions.

Sincerely,

Marc L. Weinberg  
Acting Executive Director &  
General Counsel

cc: Richard W. Berstein, Executive Counsel  
Valerie Voccio, Program Administrator