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Bob Taft
Governor

Lt. Governor Jennette Bradley
Director

August 26, 2004

Virginia M. Gibbs, Chairperson
Appraisal Subcommittee
Federal Financial Institutions Examination Council
2000 K Street, NW
Suite 310

P-2

Dear Chairperson Gibbs:

The Ohio Real Estate Appraiser Board and I have had an opportunity to review your letter of June 7, 2004, outlining the results of the Subcommittee audit conducted in February of this year. Initially, on behalf of the Board and Division of Real Estate, allow me to express my thanks for the professional and courteous performance of the Subcommittee auditors. Their comments and advice during the audit were truly insightful and helpful in identifying areas for program improvement. You should know that they represent the Subcommittee well.

Pursuant to your request, below please find a description of the measures that either have already been initiated or will be initiated to address the concerns you have provided.

Temporary Practice Permits

As you are well aware, Ohio law provides that temporary practice permits be issued on a per property basis, rather than on a per assignment basis. This has been a concern that both the Division and Subcommittee have been aware of for a number of years. In response, the Division has several times proposed legislation as part of the state's biennial budget process, with no success. Most recently, the Division has proposed the measure be included in expected legislation to make the licensure of appraisers in Ohio mandatory. This measure, which is expected to be introduced by Ohio Representative Blasdel, will not only provide an appropriate vehicle for this needed amendment, but will also provide for a comprehensive modernization of the appraisal program. Your auditors have approved the necessary amendments for the temporary practice permit provisions. It is my hope that the language in your June 7, 2004, letter will assist in characterizing the critical need for this legislation. The Division is committed to aggressively supporting this legislation during the next General Assembly and appreciates your offer of assistance in this regard.

Although you identify concern with the temporary practice permit fees, and claim that applicants are being overcharged, Division records do not support this assertion. A review of application records indicate that in the past year, the number of individuals applying for and receiving duplicative permits to perform an appraisal on a multiple property assignment is negligible. Furthermore, the Division has received no complaints and taken no enforcement measures against any appraiser performing appraisals on a per assignment basis.

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Enforcement Case Backlog

This area of concern was perhaps the primary focus of discussion between the Subcommittee auditors, Board members and Division staff. In 2003, the Division saw a 193% increase in appraisal complaints over 2002. So far, 2004 numbers suggest that complaints will remain at or exceed 2003 levels. In some respects, this is positive in that consumers are becoming aware of appraisal issues and registering their complaints over alleged misconduct. Unfortunately, Ohio is not unique in that it continues to face a tight budget and limitations on staffing. Consequently, the Division is forced to identify creative and unique methods to handle the increased number of complaints while remaining diligent in its enforcement responsibilities.

In response to auditor concerns, I immediately initiated an expeditious review of some 107 outstanding investigations that were more than six months old. This review, conducted by members of the legal staff, assisted in identifying cases that needed additional information and those cases that were ripe for a final decision. Additionally, the Board approved and I implemented a new protocol for processing appraisal enforcement cases, consisting of increased use of subpoenas by investigators to obtain necessary evidence, assignment of a temporary employee to the Cleveland office to assist with administrative functions and the issuance of streamlined investigative reports.

In order to efficiently handle technical violations of license law and USPAP, the Board has initiated the process to draft and adopt the necessary rules to provide for settlement agreements and advisory letters. Although these measures will not reduce the time needed to complete an investigation, they will reduce hearing expenses and Board review time.

A proposal to distinguish between consumer complaints and third party complaints has not been implemented, due to concerns the auditors relayed to the Board. The idea was one of many generated for the purpose of discussion and written input from the auditors as to the suitability of such a method was requested. Upon clarification of the Subcommittee's concerns, the Division has abandoned this portion of the proposal.

Online renewal process

It appears that in the Division's excitement over a new licensure software system and capabilities that will allow licensees to renew online, the auditors misunderstood the methods of credential review and confused this method with an initiative to expedite new applications for licensure. Initially, please know that to date, the Division has not implemented any form of online renewal or credential review. Any discussion with the auditors on this topic was purely prospective.

To date, the Division independently reviews not only each renewal submitted, but obtains course provider certificates for each and every education hour credited to a licensee. A license is not renewed without these educational certificates.

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I believe the misunderstanding occurred over a Division inquiry on Subcommittee suggested methods of verification of pre-licensure experience. The Division was contemplating a program to review only one appraisal or randomly sample the appraisals submitted as experience with an initial application, as opposed to reviewing all of the appraisals referenced on the experience log. It was on this topic that the Division requested input from the Subcommittee. In response to comments received from the auditors, the Board directed the Division to review at least one appraisal provided by each applicant.

That being said, the Subcommittee should be assured that the Division does not randomly sample continuing education claims nor does it intend to, rather the Division obtains from course providers attendance rosters and education certificates for each credit hour submitted. Even after movement to an online renewal, the Division will either receive electronic credentialing information directly from course providers or require licensees to submit paper certificates evidencing their course completion.

It is my hope that the foregoing has provided a suitable response to the auditor's findings. Once again, please accept my thanks for the meaningful input the auditors provided during their visit. The Board and I appreciate the Subcommittee's efforts in assisting the Division in continuing to maintain a strong and effective appraisal program.

Sincerely,

Anne M. Petit
Superintendent

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cc: Lt. Governor Jennette Bradley, Director, Ohio Department of Commerce
Margaret Hambleton, Chairman, Ohio Real Estate Appraiser Board
Sylvia Keberle, Administrative Assistant