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Appraisal Subcommittee

Federal Financial Institutions Examination Council

October 12, 2007

Mr. Paul Morgan, Chairman
Idaho Real Estate Appraiser Board
1109 Main Street, Suite 220
Boise ID 83702-5642

Dear Mr. Morgan:

Thank you for your cooperation and the assistance of the Idaho Real Estate Appraiser Board ("Board") and the Bureau of Occupational Licensed ("Bureau") in the August 27-29, 2007 Appraisal Subcommittee ("ASC") review of Idaho's appraiser regulatory program ("Program"). Based on our review, Idaho needs to address one area to bring its Program into substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI").

- **The Board and Bureau did not have a reliable means of verifying continuing education.**

We first identified this weakness during our August 2006 field review and cited it in our October 10, 2006 field review letter. The Bureau informed us in a March 5, 2007 letter about the preliminary findings from its continuing education affidavit audit of appraisers renewing credentials between January 1, 2006, and January 10, 2007. The Bureau stated that 18% of those appraisers were unable to support their continuing education claims.

In our April 13, 2007 follow-up review letter, the ASC directed the Bureau and Board to:

1. Publish on its Web site the names and sanctions of non-compliant appraisers;
2. Distribute a letter to all appraisers, informing them of the continuing education requirements;
3. Revise its renewal applications to identify the specific continuing education hours required for renewal;
4. Identify a single point of contact to streamline the process for appraisers to obtain relevant information and help to meet their renewal requirements;
5. Audit, at a minimum, 10% of renewing appraisers monthly; and
6. Provide the ASC with quarterly reports summarizing the monthly continuing education audit results regarding certified appraisers.

The ASC also notified the Board and Bureau that if, after six months, the State continued to experience audit failure rates exceeding 10%, the ASC would require the Board and Bureau to audit all renewing appraisers or abandon the affidavit process to ensure compliance with ASC Policy Statement 10.

The Board and Bureau began taking curative measures in mid-April 2007, shortly after our follow-up field review. At the time of our current field review, the Bureau and Board had completed the six curative steps specified in our April 13th letter. The Board and Bureau, however, did not believe that enough time had passed since their April 2007 corrective actions to see the results of their efforts.

During the continuing monthly audit process, the Board and Bureau discovered that more than half of appraisers failing the continuing education audits were credentialed through reciprocity. While these appraisers appropriately obtained their continuing education in their home States, the appraisers failed to conform to Idaho's continuing education requirements. The Bureau and Board were exploring whether State law would permit them to renew reciprocal credentials by relying on whether renewing appraisers met their home States' continuing education requirements. If so, the percentage of appraisers failing the continuing education audit would be reduced to 8%.

To address this concern, the Board and Bureau need to continue:

1. Monitoring the monthly continuing education audit results;
2. Providing the ASC with monthly reports summarizing the monthly continuing education audit results; and
3. Exploring the possibility of relying on home State continuing education compliance findings to renew reciprocal credentials and advising us of any decisions on this matter.

If the State continues to experience audit failure rates exceeding 10% during the next six months, we will revisit this issue and necessary corrective actions, including possible 100% audits or abandoning the affidavit process.

Please respond to our findings and recommendations within 60 days following the receipt of this letter. Until the expiration of that 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 further questions.

Sincerely,

Virginia M. Gibbs
Chairman

cc: Tana Cory, Bureau Chief