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**Appraisal Subcommittee**  
*Federal Financial Institutions Examination Council*

September 21, 2015

Ms. Laura L. Smith, Administrator  
Real Estate Appraisers Board  
South Carolina Department of Labor, Licensing and Regulations  
110 Centerview Drive  
Columbia, SC 29211-1847

Re: Request for Reconsideration of Compliance Review ASC Finding

Dear Ms. Smith,

This is in response to your letter dated September 1, 2015, requesting reconsideration of the ASC Finding awarded the South Carolina real estate appraiser regulatory program (Program) following the Appraisal Subcommittee (ASC) Compliance Review of May 12-15, 2015. Given the thorough investigation carried out by ASC staff and the process afforded to States during the Compliance Review, ASC Findings reflect the ASC's assessment of the Program for that particular Review Period. Absent some error, which fortunately to date has not occurred, ASC Findings are not subject to reconsideration.

As part of every Compliance Review, an ASC Preliminary Compliance Review Report (Preliminary Report) is provided each State following completion of the ASC on-site staff review and consideration of information gathered during that review. A State then has 60 days from the date of the Preliminary Report transmittal letter in which to respond to the ASC staff observations in the Preliminary Report. The State response, if any, is then considered and a recommended final Compliance Review Report and ASC Finding is issued.

Again, ASC Findings reflect the ASC's assessment of the Program for that particular Review Period. During the State's next Compliance Review, an ASC Finding will be based on the new Review Period. We recognize that South Carolina continues to make improvements in their Program and fully support those continued efforts.

Sincerely,



Arthur Lindo  
Chairman

cc: Jim Park, ASC Executive Director  
Denise Graves, ASC Deputy Executive Director  
Jake Knight, Chairman SC Real Estate Appraisers Board



Nikki R. Haley  
Governor

Richele Taylor  
Director

South Carolina  
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Real Estate Appraisers Board



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September 1, 2015

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Arthur Lindo  
Chairman  
Appraisal Subcommittee  
1401 H Street, NW, Suite 760  
Washington, DC 20005

**Re: ASC Compliance Review of the South Carolina Real Estate Appraisers Board**

Dear Mr. Lindo:

We have received your letter dated August 11, 2015 concerning the rating of "Needs Improvement" for the SC Real Estate Appraisers Board program. The purpose of this letter is to ask the Appraisal Subcommittee (ASC) to reconsider the findings and upgrade the rating to "Good". Based on the ASC definitions of "Needs Improvement" and "Good", we feel that the minimal issues found in our May 2015 audit does not justify a rating of "Needs Improvement". In no way do we feel that this program is at moderate risk of failure. It appears the main issue in the audit was concerning the way mass appraisal experience was being reviewed when a licensee is upgrading their mass license to a federally recognized license. In this letter I will answer to each of the bullet points listed in your letter and to explain in detail what has happened in the past and what will be done for future applications.

• **States must, at a minimum, adopt and/or implement all relevant AQB Criteria:**

In our audit in 2013, we reviewed with the ASC auditors what our plans were for changes in our statute and regulations and nothing was noted as to the one error concerning SC requiring points and not actual hours in our regulations. However, it clearly states in our statute under Section 40-60-33 (2)(b), (3)(b) and (4)(b) the number of hours, not points, required as experience for each license level. Our procedure for upgrade applications was questioned about points vs. hours previously and I have tried to make sure that the log is filled in correctly. I am the one that reviews the logs and reports for upgrade and have attempted to make sure the appraisers are filling out both columns on our experience log, which is in compliance with the requirements. I have gone back and reviewed the list of upgrades between the 2013 and 2015 audit. We had a total of 63 upgrades during this time, I found 4 upgrades where the experience log did not include hours and obviously I missed it on these 4. One found by the auditors during our review was sent to the appraiser and corrected. The other 3 I have found were sent to the appraisers to be corrected. This is a total of 6% of our applications that were not in full compliance and this has been corrected and I will take extra care to make sure it does not happen again. As for the scope of review and supervision, it is included on our logs and is

completely filled out by apprentice appraisers upgrading to licensed or certified. The only time these columns are not filled out is when an appraiser is upgrading from licensed to certified or certified residential to certified general, which does not require supervision unless the assignment is above their current license level of licensing. As for the length of time it takes to make the correction in the regulations, that is beyond our control. However, the process will be done correctly. I have had 5 upgrades since May 21, 2015 and have verified that all the documents are correct and meet all requirements.

- **States must use a reliable means of validating appraiser experience claims:**

This point has been answered in the previous paragraph concerning the experience points vs. actual hours. Again, I am assuring that this process is done correctly for future applications for upgrade. As indicated in our initial review, our experience logs are correct and require everything based on AQB criteria and our regulations are in the process of being updated.

- **States may not accept an affidavit for experience credit claimed from applicants for any federally recognized credential:**

SC has always licensed mass appraisers in the same manner as federally recognized licensed or certified appraisers as far as education, exam and experience. The only difference is the appraiser can use all mass experience for a mass license. If a mass appraiser chooses to upgrade to a federally recognized license or certification, they are allowed to use 40% mass appraisal experience towards their upgrade, which required a letter from the supervisor indicting the validity of the experience. This has been our process and in our statute and regulations since the beginning of the SC Appraisers Board. Many states do not license their mass appraisers in this manner and there has never been a problem with this in the past from the ASC. In July 2008 our previous Compliance Coordinator left our Agency. This individual was involved in all the changes that were required by the AQB effective January 1, 2008. In October 2008, when I officially took the compliance position, I continued to conduct upgrades how I was familiar with the process since there was no one to "train" me on any differences that I had assisted with prior to the changes in 2008. I have kept a list of every upgrade that I have done since October 2008 and have personally pulled every license up to verify how many of our upgrades fell in to the category of using mass experience to upgrade to a federally recognized license or certification. We have had a total of 412 upgrades since October 2008 and 30 (5 of these upgrades have been through the upgrade process twice) of those appraisers used mass experience towards their upgrade, which equates to 7% of the applications. I did notice that 5 of these appraisers in 2008 did correctly report their mass experience on an approved log, so they would have obviously been told this by our previous compliance coordinator. Subtracting these 5 upgrades leaves a total of 6% of the upgrades that used mass experience that were not on our "approved experience log". In the time frame since our last audit, only 5 of the 63 upgrades used mass experience, which is still only 7% of our upgrade applications. We have had no upgrades since the audit that have used mass experience, but for future upgrades the appraisers will be made to individually list every address for every mass appraisal they have conducted on our approved experience log.

- **States must select and analyze a representative sample of work product for USPAP compliance on all initial or upgrade applications for appraiser credentialing:**

Most of this issue has been addressed in previous paragraphs and we will from this day forward require a sampling of mass experience as part of the upgrade process. However, we have always in our upgrade process required a minimum of 5 reports randomly chosen from the

appraiser's experience log to be submitted and reviewed for upgrade. It does not matter which level they are upgrading to, the same process is used for all upgrade applications. Even though we are only selecting appraisals from the 60% non mass experience, mass appraisers are going through the same review as other appraisers. We are verifying that the appraiser is adequately meeting USPAP standards in their appraisal reports before upgrading them to a federally recognized license or certification.

I completely understand the requirements now and will assure that all SC appraisers are reviewed for upgrade as indicated by the ASC. However, in reviewing the non-compliant issues it appears the 4 issues stated by the ASC are basically concerning our upgrade process where mass appraisers are concerned or points vs. actual hours of experience. We have always used a point system and always allowed appraisers to use 40% mass experience for upgrades. We have had 4 audits since 2008 and this is the first time there has been a question about how we handle mass appraisal experience.

To further prove the point that these mass appraisers are meeting requirements based on laws and standards for appraisers, only 2 of the upgrades have ever had a complaint filed against them. One was during his apprenticeship (in 2003 when working with a fee appraiser before going to work for the county) and the other is a current complaint being investigated that is based on an homeowner not liking the outcome of their appeal with the county.

Thank you again for the opportunity to demonstrate our dedication to remaining in compliance with the AQB standards and guidelines and for your consideration of our written response to upgrade our rating from "Needs Improvement" to "Good". Again, based on the issues discussed above, this Board does not believe we are at risk of failure and we will continue to work diligently to assure that we remain in compliance. Please do not hesitate to contact me at 803-896-4446 or [Laura.Smith@llr.sc.gov](mailto:Laura.Smith@llr.sc.gov) if you have any questions or concerns.

Respectfully,



**Laura L. Smith**  
Administrator

cc: Jim Park, ASC Executive Director  
Denise Graves, ASC Deputy Executive Director  
Jake Knight, Chairman SC Real Estate Appraisers Board