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Appraisal Subcommittee

Federal Financial Institutions Examination Council

August 20, 2009

Mr. Dorsey Hall, Chair
Kentucky Real Estate Appraisers Board
Spindletop Administration Building
2624 Research Park Drive, Suite 204
Lexington, Kentucky 40511

Dear Mr. Hall:

The Appraisal Subcommittee (ASC) conducted a Compliance Review (Review) of the Kentucky Real Estate Appraisers Board regulatory program (Program) on March 25-27, 2009. This is the final ASC Compliance Review Report (Report) on that Review.

The ASC has considered the staff's preliminary findings regarding the Review and the State's response. The ASC has determined that the Program is in substantial compliance with Title XI of the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989, as amended (Title XI). Details regarding the ASC staff observations, the State response, and recommended State actions are included in the attached Report. The ASC identified the following concerns:

- ASC Policy Statement 3 - States must require that appraisals be performed in accordance with the latest version of the Uniform Standards of Professional Appraisal Practice. The ASC's recommended action relative to this concern is included in the attached Report.
- ASC Policy Statement 2 - States must adopt and implement Appraiser Qualifications Board certification criteria. The ASC's recommended action relative to this concern is included in the attached Report.

In the response, the State indicated it has taken some corrective actions, which are detailed in the attached Report. Please also be advised that this letter and the attached Compliance Review Report are public record and available on the ASC website in accordance with the Freedom of Information Act.

Please contact us if you have any questions.

Sincerely,

Virginia M. Gibbs
Chairman

Attachment

cc: Larry Disney, Executive Director

ASC Compliance Review Report

Kentucky Appraiser Regulatory Program (Program)				ASC Compliance Review (Review) Date: March 25-27, 2009		Review Period: 01/07 - 03/09	
Kentucky Real Estate Appraisers Board (Board)				Number of Kentucky credentialed appraisers on the National Registry: 1474		Issue Date: 08/20/09	
Independent Agency						Page 1 of 2	

Requirement/Guidance	Compliance (YES/NO) Area of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
Statutes, Regulations, Policies and Procedures:	X		X	See below.	See below.	N/A	See below.	N/A
States must require that appraisals be performed in accordance with the latest version of the Uniform Standards of Professional Appraisal Practice (USPAP). <i>(ASC Policy Statement 3 and AQB Criteria)</i>				Current Board regulations refer to the 2006 version of USPAP. In practice, the Board is appropriately requiring the 2008-2009 version of USPAP.	On March 27, 2009, the Board voted to accept language for a proposed rule change to bring their regulations into compliance with ASC Policy Statement 3. The Board filed the proposed regulation changes with the Kentucky Legislative Research Committee (LRC) on April 15, 2009.	No further action required.	To strengthen the Program, Kentucky should continue the process of amending its regulations to reflect what is required in practice and in AQB Criteria. Due to the LRC requirements, the USPAP reference in the regulations will require amendment every two years or each time there is a USPAP revision.	Please provide us a copy of the statute and/or rule as finally adopted.
States must adopt and/or implement AQB Real Property appraiser certification criteria. <i>(AQB Criteria)</i>				Current Board regulations allow 100% continuing education credit for non-student activities. In practice, the Board is correctly allowing no more than 50% in accordance with AQB Criteria.	On April 24, 2009, the Board voted to accept language for a proposed rule changes to bring this area into compliance with AQB Criteria. The Board filed the proposed regulation changes with the LRC on April 15, 2009.	No further action required.	To strengthen the Program, Kentucky should continue the process of amending its regulations to reflect what is required in practice and in AQB Criteria.	Please provide us a copy of the statute and/or rule as finally adopted.
Temporary Practice:	X			No compliance issues noted.	N/A	N/A	N/A	N/A
National Registry:	X			No compliance issues noted.	N/A	N/A	N/A	N/A
Application Process:	X			No compliance issues noted.	N/A	N/A	N/A	N/A
Reciprocity:	X			No compliance issues noted.	N/A	N/A	N/A	N/A
Education:	X			No compliance issues noted.	N/A	N/A	N/A	N/A

Kentucky Appraiser Regulatory Program								
Kentucky Real Estate Appraisers Board				Compliance Review Date: March 25-27, 2009		Review Period: 01/07 - 03/09		
Independent Agency				Number of Kentucky credentialed appraisers on the National Registry: 1474		Issue Date: 08/20/09		
Requirement/Guidance	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions		
	YES	NO	AC				Recommended State Actions	General Comments
Enforcement:	X			See below.	See below.	See below.	N/A	See below.
States must resolve complaints within 1 year, except for special documented circumstances. (ASC Policy Statement 10E)				During the on-site Review, ASC staff found that the Board had 83 outstanding complaints. Of those complaints, 30 were over one year old. Of the 30 aged cases, 12 cases were exempted under special documented circumstances, as discussed in ASC Policy Statement 10E. Therefore, during the Review Period, a total of 18 outstanding complaints were over one year old. All cases were in process.	Since the on-site Review, the Board made progress in resolving the outstanding complaints. On June 12, 2009, the Board reported that they had resolved 15 of the 30 aged cases with an additional 12 cases pending a hearing or settlement. On July 14, 2009, the Board reported that an additional 12 cases over one year old were resolved. Therefore the Board had only 2 remaining cases over one year old. On June 12th the Board reported that to assist the Board in expediting the scheduling of hearings, the Kentucky Board entered into a contract for legal and hearing officer services with vendors outside of State government for the first time in the Board's existence.	N/A	N/A	During the next Review, the ASC will pay particular attention to this area for compliance with ASC Policy Statement 10E.