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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

September 17, 2009

Carlos Colon Fortuna, Chairman  
Board of Examiners of Professional  
Real Estate Appraisers  
P.O. Box 9023271  
San Juan, Puerto Rico 00902-3271

Dear Mr. Fortuna:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Puerto Rico Appraiser Regulatory Program (Program) on December 8-9, 2008. The ASC has considered the deficiencies noted in the Review's preliminary findings and Puerto Rico's responses. The ASC acknowledges that Puerto Rico has made efforts to address some of the deficiencies documented in the Review. However, these efforts do not bring the Program into substantial compliance.

The ASC has determined that the Program is not in compliance with Title XI of the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989, as amended (Title XI) for the following reasons:

- Puerto Rico issued appraiser certifications based on outdated examination results.
- Puerto Rico issued appraiser certifications without ensuring compliance with AQB Real Property Appraiser Qualification Criteria governing qualifying experience.
- Puerto Rico renewed appraiser credentials without ensuring compliance with AQB Real Property Appraiser Qualification Criteria regarding continuing education.
- Puerto Rico did not have an examination available to individuals seeking State certified residential and certified general credentials.
- Temporary practice was not administered in a manner consistent with Title XI and ASC Policy Statement 5.
- Puerto Rico did not submit National Registry data to the ASC in accordance with ASC Policy Statement 9.
- Puerto Rico's complaint investigation and resolution program did not comply with Title XI and Policy Statement 10.

Puerto Rico must implement the "Required State Actions" listed in the attached ASC Compliance Review Report within 180 days from receipt of this letter. Puerto Rico's failure to comply will result in more significant action being taken by the ASC.

The ASC staff will schedule periodic conference calls and conduct in-person meetings with the Puerto Rico Board or its designee(s) to answer questions and monitor Puerto Rico's progress. The ASC staff will issue periodic written assessments of Puerto Rico's progress.

The ASC staff will be in contact within five business days to schedule an in-person meeting with the Puerto Rico Board.

Sincerely,

Virginia M. Gibbs  
Chairman

Attachment

ASC Compliance Review Report						Finding: Not In Compliance		
Puerto Rico Appraiser Regulatory Program (Program)								
Puerto Rico Board of Examiners of Professional Real Estate Appraisers (Board)			ASC Compliance Review (Review) Date: December 8-9, 2008		Review Period: 12/07 - 12/08			
Umbrella Agency: Department of State (Department)			Number of Puerto Rico credentialed appraisers on National Registry: 320		Issue Date: September 17, 2009			
Requirement/Guidance	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
Application Process:		X						
1. States must ensure applicants' examination pass dates are within 24 months of issuing a credential. (Title XI, SEC. 1118 (a), [12 U.S.C. 3347]; SEC 1116 (a), [12 U.S.C. 3345]; AQB Real Property Appraiser Qualification Criteria)				<p>The Board issued certifications based on outdated examinations.*</p> <p>Puerto Rico was cited for violating this AQB Criteria in the ASC's 2004 and 2005 Reviews. In response, Puerto Rico re-examined or downgraded 32 appraisers credentialed between July 2000 and December 2004.</p> <p>During the current Review, ASC staff found, beginning 1/01/2008, Puerto Rico issued appraiser credentials based on outdated examinations. The Board takes on average two years to approve the applications for certification due to significant delays in the work product review process. Because of these delays, once a determination is made to approve the applicant, the exam is often outdated.</p>	<p>During the on-site Review, the Board stated that the delay in work product review is the result of no staff to perform these duties.</p> <p>In its 3/09/2009 letter, the Board proposed to write and administer a new examination to conform to the criteria in effect at the time the appraisers applied for certification. It was proposed that the examination would be administered by the Board to the appraisers to take in lieu of the AQB approved examination.</p>	<ol style="list-style-type: none"> <li>1. Cease issuing credentials to applicants whose examination is outdated.</li> <li>2. Adopt written policies and procedures that ensure, on an on-going basis, that applicants examination pass dates are within 24 months of issuing a certified credential in compliance with AQB Criteria.</li> <li>3. Provide an updated list of all appraisers to whom a certified residential or certified general credential has been issued based on an examination that was passed two years or more before the credential was issued.</li> <li>4. Develop and implement a plan to ensure individuals identified in item 3 above have the opportunity to take the appropriate AQB approved certified residential or certified general examination.</li> <li>5. Downgrade to the appropriate non-certified classification all certified appraisers who fail to meet this requirement.</li> <li>6. Submit a list of appraisers who have been downgraded for removal from the National Registry.</li> </ol>	None	<p>The Board's proposal to write its own examination to conform to the criteria in effect at the time the appraisers applied for certification is unacceptable. The only acceptable examination for certification is an AQB approved qualifying Uniform National Examination. That examination is free to an AQB approved examination provider.</p> <p>Neither the Board nor the Department Secretary have proposed an acceptable solution to correct the deficiencies in the Program which caused the examinations taken and submitted with otherwise timely applications to become outdated.</p>
* ASC Preliminary Findings Letter dated 2/04/2009								

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Application Process (Continued):		X						
2. States must use a reliable means of validating experience claims on all initial applications; including tax assessors. (Title XI, SEC. 1118 (a), [12 U.S.C. 3347]; SEC 1116 (a), [12 U.S.C. 3345]; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 10G)				<p>Puerto Rico issued certified appraiser credentials without ensuring compliance with AQB Criteria governing qualifying experience. *</p> <p>Puerto Rico was cited for this same deficiency in the 2004, 2005, and 2006 field reviews. The Board took remedial steps to validate the experience claimed by the applicants.</p> <p>During our December 2007 Review, ASC staff found that some work logs revealed that the qualifying experience did not span a period of at least 24 or 30 months, as applicable. Our 2/28/2008 letter detailed the actions necessary to address this concern. The Board failed to respond or take the necessary corrective actions.</p> <p>During the June 2008 follow up Review, ASC staff emphasized the need for the Board to respond to our letter and address this concern specifically. The Board failed to respond or take appropriate corrective actions.</p> <p>During the current Review, ASC staff found the Board ceased issuing credentials to appraisers whose qualifying experience did not conform to AQB Criteria.</p> <p>* ASC Preliminary Findings Letter dated 2/04/2009</p>	<p>In its 3/09/2009 letter, the Board stated that they had contacted seven of the eight appraisers identified by ASC staff. The seven appraisers provided experience logs to support their claimed experience. The Board was trying to locate the eighth person.</p> <p>The Board failed to address the other concerns as detailed in our 2/28/2008 letter.</p>	<ol style="list-style-type: none"> <li>1. Identify all appraisers issued a certificate between 11/15/2006 and 12/31/2007.</li> <li>2. Determine if each applicant's file contains supporting documentation for qualifying experience.</li> <li>3. Request an appraisal log from all applicants whose experience did not conform.</li> <li>4. Review appraisal logs to determine if applicants' experience conforms to AQB Criteria.</li> <li>5. Downgrade certified appraisers who cannot provide acceptable experience documentation or who fail to submit supporting documentation to a non-certified credential.</li> <li>6. Submit a list of downgraded appraisers for removal from the National Registry.</li> <li>7. Reissue certified appraiser credentials with corrected effective dates to appraisers who did not have the necessary experience at the time the certified credential was issued and now have obtained the requisite experience.</li> <li>8. Adopt written policies and procedures that ensure future compliance for validating experience credit claims.</li> </ol>	None	<p>The Board reviewed seven of the eight appraiser files that ASC staff identified; however, they failed to ensure that these were the only affected appraisers.</p> <p>ASC staff will verify the steps taken and the experience logs provided are appropriate during the next on-site Review.</p>

**ASC Compliance Review Report**

**Findings: Not In Compliance**

Puerto Rico Appraiser Regulatory Program (Program)				Puerto Rico Board of Examiners of Professional Real Estate Appraisers (Board)			ASC Compliance Review (Review) Date: December 8-9, 2008		Review Period: 12/07 - 12/08	
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	YES	NO	AC							
Application Process (Continued)		X								
3. States must require the 7-hour National USPAP Update Course on renewals consistent with AQB Criteria. (Title XI, SEC. 1118 (a), [12 U.S.C. 3347]; SEC 1116 (a), [12 U.S.C. 3345]; AQB Real Property Appraiser Qualification Criteria)				<p>Puerto Rico renewed appraiser credentials without ensuring compliance with AQB Criteria regarding continuing education. *</p> <p>During the December 2007 Review, ASC staff found that the Board inappropriately accepted the 15-hour National USPAP Update Course in lieu of the 7-hour National USPAP Update Course for continuing education credit. Our 2/28/2008 letter set forth specific steps needed to correct this concern. The Board did not respond; nor did they take the corrective actions set forth therein.</p> <p>During the current review, ASC staff found the Board verified that renewing appraisers completed two 7-hour National USPAP Update Courses within the appropriate two-year intervals. However, the Board had not audited the continuing education claims of those who renewed between 1/01/2005 and 12/31/2007, as required in our 2/28/2008 letter.</p>	<p>During the on-site Review, the Board acknowledged that they erroneously told renewing appraisers the 15-hour National USPAP Course was interchangeable with the required 7-hour National USPAP Update Course.</p> <p>In its 3/09/2009 letter, the Board attributed this error to "professors [who] were telling students that either one of the courses would be accepted."</p> <p>The Board imposed a \$500 fine on the appraisers that relied on the incorrect course to fulfill the AQB required 7-hour National USPAP Update Course for renewing appraiser credentials.</p> <p>On 8/05/2009, the Board provided ASC staff a status report on those appraisers who paid the fine.</p>	<ol style="list-style-type: none"> <li>1. Identify all appraisers who renewed their credentials between 1/01/2005 and 12/31/2007. This is a carryover of the corrective actions required as part of our 2/28/2008 field review letter.</li> <li>2. Determine and document which appraisers did not take the required 7-hour National USPAP Update Course required by the AQB as of 1/01/2005.</li> <li>3. Notify those appraisers who did not take the appropriate course and request verification that subsequent to 1/01/2005, they have completed the 7-Hour National USPAP Update Course.</li> <li>4. Downgrade to a non-certified credential all certified appraisers who fail to meet this requirement.</li> <li>5. Adopt written policies and procedures that ensure, on an on-going basis, that the Board renews appraiser credentials in compliance with AQB Criteria.</li> </ol>	None	<p>The Board offered no corrective measure to ensure that the affected certified appraisers now meet the AQB Criteria by having completed the 7-hour National USPAP Update Course.</p>		
				* ASC Preliminary Findings Letter dated 2/04/2009						

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	YES	NO	AC					
Application Process (Continued):		X						
4. States must administer an appropriate AQB endorsed examination. (Title XI, SEC. 1118 (a), [12 U.S.C. 3347]; SEC 1116 (a), [12 U.S.C. 3345]; AQB Real Property Appraiser Qualification Criteria)				<p>Puerto Rico did not have an examination available to individuals seeking State certified residential and certified general credentials.*</p> <p>After 1/01/2008, the Board no longer had a contract with an approved AQB examination provider to administer the AQB approved qualifying Uniform National Examination for applicants seeking certified credentials. The Board also had not secured an alternative approach to ensuring an examination is available.</p> <p>* ASC Preliminary Findings Letter dated 2/04/2009</p>	In its 3/09/2009 letter, the Board acknowledged that they have been unable to secure a contract with an approved examination provider.	The Board must adopt written policies and procedures to ensure, on an on-going basis, that an appropriate AQB examination is available from an AQB approved vendor for applicants seeking State certified credentials.	None	The Board offered no corrective measure to ensure that appraisers applying for a certified credential have access to an AQB approved examination.
Temporary Practice:		X						
5. States must issue Temporary Practice Permits within five business days. ((Title XI, SEC. 1118 (a), [12 U.S.C. 3347]; SEC 1122 (a), [12 U.S.C. 3351]; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 5)				<p>Temporary Practice was not administered in a manner consistent with Title XI and ASC Policy Statement 5.*</p> <p>Puerto Rico was cited for this concern numerous times – 6/7/2004, 4/12/2005, 11/5/2005, 1/22/2007, and 2/28/2008 Reviews and follow-up Review letters. Puerto Rico failed to respond to our 2/28/2008 letter, which emphasized our concern regarding this issue.</p> <p>During the current Review, ASC staff found Puerto Rico did not issue temporary practice permits within five business days of receiving completed temporary practice applications.</p> <p>* ASC Preliminary Findings Letter dated 2/04/2009</p>	The State Department Secretary provided written confirmation to the ASC on 2/24/2009 of his direction to the staff and Board to issue permits within five days and has agreed to approve temporary practice permits when the Board Chair is unavailable to do so. The Board provided additional evidence that the Assistant Secretary of State and the Director of Examining Boards are similarly willing to approve temporary practice permits if needed to ensure timely issuance.	The Board must adopt written policies and procedures that ensure, on an on-going basis, that temporary practice permits are issued in compliance with Title XI and ASC Policy Statement 5.	None	The Board has no written policy in place to ensure temporary practice permits are processed within five business days of receiving completed applications as required in ASC Policy Statement 5.

**ASC Compliance Review Report**

**Finding: Not in Compliance**

Requirement/Guidance				Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
YES	NO	AC									
<b>National Registry:</b>					X						
<p>6. States must submit all disciplinary actions for inclusion on the National Registry. (Title XI, SEC. 1118 (a) [12 U.S.C. 3347]; ASC Policy Statement 9A)</p>							<p>Puerto Rico did not submit National Registry data to the ASC in accordance with ASC Policy Statement 9.*</p> <p>Puerto Rico was cited for this concern in our January 2007 Review letter. In response, the Board provided the ASC information regarding disciplinary actions taken.</p> <p>During this Review, ASC staff found the Board had not reported all disciplinary actions for inclusion on the National Registry.</p> <p>* ASC Preliminary Findings Letter dated 2/04/2009</p>	<p>On 12/16/2008, after the on-site Review, the Board provided ASC staff a list of the missing disciplinary actions.</p> <p>In its 3/09/2009 letter, the Board provided written assurance that future disciplinary actions will be reported to the ASC on a monthly basis.</p>	<p>The Board must adopt written policies and procedures to ensure, on an on-going basis, compliance with the reporting procedures established by ASC Policy Statement 9.</p>	None	<p>The Board has no written policy in place to ensure reporting of all disciplinary actions for inclusion on the National Registry in a timely manner.</p>
<b>Enforcement:</b>					X						
<p>7. States should resolve complaints within 1 year, except for special documented circumstances. (Title XI, SEC. 1118 (a) [12 U.S.C. 3347]; ASC Policy Statement 10E)</p>							<p>Puerto Rico's complaint investigation and resolution program did not comply with Title XI and Policy Statement 10.*</p> <p>Puerto Rico was cited for this deficiency following our previous 2006 and 2007 Reviews.</p> <p>During the current Review, ASC staff found that of the six outstanding complaints, three were over one year old.</p> <p>ASC staff noted that the primary cause of complaints outstanding for more than one year was lack of resources.</p> <p>* ASC Preliminary Findings Letter dated 2/04/2009</p>	<p>In its 3/09/2009 letter, the Board acknowledged that three complaints from 2007 were still in process.</p> <p>In its 2/24/2009 letter, the Department stated that there are "limited resources" and that "the Board is composed of ad honorem members who serve without compensation, and cannot devote their full attention to these matters."</p>	<p>The Board must adopt written policies and procedures to ensure, on an on-going basis, that complaints of appraiser misconduct or wrong doing are processed in a timely manner in compliance with ASC Policy Statement 10E.</p>	None	<p>The Board offered no corrective measure to ensure that the complaints of appraiser misconduct or wrong doing will be processed in a timely manner in compliance with ASC Policy Statement 10E.</p>

**ASC Compliance Review Report**

**Finding: Not in Compliance**

Requirement/Guidance				Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
YES	NO	AC									
<b>Reciprocity:</b>				X							
8. States are encouraged to develop reciprocity agreements that readily authorize appraisers who are licensed or certified in one State (and who are in good standing with their State appraiser regulatory agency) to perform appraisals in other States. (Title XI, SEC. 1122 (b) [12 U.S.C. 3347(b)]; ASC Policy Statement 6)							The Board does not have reciprocity agreements with any other jurisdiction. Puerto Rico's statutes provide for reciprocity with another jurisdiction that has "similar qualifications." Historically, Puerto Rico's qualifications for appraisers to become credentialed included a college degree. Until 1/01/2008, there were no other jurisdictions that were similar to Puerto Rico in this regard.	None	None	The Board should consider developing reciprocity agreements with other jurisdictions.	None
<b>Puerto Rico Statutes, Reg's, Policies and Procedures:</b>				X			No compliance issues noted.	None	None	None	None
<b>Education:</b>				X			No compliance issues noted.	None	None	None	None