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Appraisal Subcommittee
Federal Financial Institutions Examination Council

December 18, 2009

Mr. Steven McSwain, Chair
Board of Certified Real Estate Appraisers
Division of Corporations, Business, and
Professional Licensing
Department of Commerce, Community and
Economic Development
PO Box 110806
Juneau, AK 99811-0806

Dear Mr. McSwain:

The Appraisal Subcommittee (ASC) conducted an ASC Compliance Review (Review) of Alaska's appraiser regulatory program (Program) on May 27-29, 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 not in substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (Title XI). The ASC identified the following concerns:

- Alaska must adopt and/or implement Appraisal Qualifications Board real property appraiser certification criteria.¹
- Alaska must use a reliable means of validating experience claims on all initial applications, including tax assessors.²

In the response, the State indicated it has taken corrective actions, which are detailed in the attached Report. During the next Review, ASC staff will confirm that these corrective actions have taken place and are appropriate. Please also be advised that this letter and the attached 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: Cori Hondolero, Records and Licensing Supervisor

¹ Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria.

² Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 10G.

ASC Compliance Review Report						Finding: Not in Substantial Compliance		
Alaska Appraiser Regulatory Program (Program)								
Alaska Real Estate Appraiser Board (Board)			Compliance Review Date: May 27-29, 2009		Review Period: 5/2007 - 5/2009			
Umbrella Agency: AK Division of Corporations, Business, and Professional Licensing (Division)			Number of Credentialed Appraisers on National Registry: 203		Issue Date: FINAL			
					PM: N. Fenschietti			
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					
Education:			X					
States must ensure the delivery mechanism for distance education courses offered by a non-academic provider has been approved by an AQB approved organization providing approval of course design and delivery. Currently this organization is the International Distance Education Certification Center (IDECC), (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria.)				The Board does not require the approval of the course delivery mechanism by any organization; nor do they review this aspect of the distance education offering. Although the Board does not require design and delivery mechanism approval, files of courses requiring such approval included IDECC approval letters.	No response given.		To strengthen the Program, Alaska should implement an effective process to ensure and document that appropriate delivery mechanism approval has been obtained on all approved distance education courses.	During the next Review, the ASC will pay particular attention to this area for compliance with AQB criteria.
Relevance:	X							
Enforcement:	X			No compliance issues noted.	None	None	None	None
				No compliance issues noted.	None	None	None	None

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Alaska Appraiser Regulatory Program (Program)								
Alaska Real Estate Appraiser Board (Board)			Compliance Review Date: May 27-29, 2009		Review Period: 5/2007 - 5/2009			
Umbrella Agency: AK Division of Corporations, Business, and Professional Licensing (Division)			Number of Credentialed Appraisers on National Registry: 203		Issue Date: FINAL			
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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					
National Registry:								
States must submit all disciplinary actions for inclusion on the National Registry. (Title XI § 1118 (a), 12 U.S.C. 3347, ASC Policy Statement 9A.)								
	X			Three disciplinary actions that resulted from a continuing education compliance audit were not reported for inclusion on the National Registry.	During the Review, the State Division staff corrected the reporting deficiency.	None	To strengthen the Program, the Board should implement an effective process to ensure all disciplinary actions are reported to the ASC for inclusion on the National Registry timely.	None
Application Process:								
States must use a reliable means of validating experience claims on all Initial applications, including tax assessors. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 10G.)								
		X		<p>As a result of the 2007 Review, Alaska was required to notify three appraisers that they needed to submit experience logs for review, and if their experience was insufficient or they did not respond, credentials would be downgraded. The initial letter was sent out as required by the ASC. However, only one appraiser submitted a log that was compliant. Alaska did not follow up with the other two credential holders.</p> <p>The current experience log does not include a space for the supervising appraiser to report the scope of supervision. Of the 30 files that were reviewed, one applicant reported blocks of hours rather than reporting each property separately. These hours are needed to qualify for certification. In addition, experience valuing real estate as a Real Estate Broker was allowed without being reviewed.</p> <p>All applicants were allowed to select the appraisal to be reviewed and only one appraisal was selected. Two files showed that the Board would select a second appraisal only if there was a USPAP compliance issue with the first. The files did not contain any documentation that the USPAP compliant reports were reviewed and found to be compliant.</p>	<p>The Board reported the following:</p> <p>As a result of the 2007 Review, on October 15, 2008, certified letters were mailed to the two appraisers requesting a revised work log within 15 days that verifies sufficient appraisal work experience. Neither appraiser responded to the October 15, 2008 letter and both still hold an active license.</p> <p>The Board will discuss with the Division Operations Manager and the Records & Licensing Supervisor what steps are needed to downgrade the two appraisers to registered trainee.</p> <p>The Board adopted a work experience log for both general and residential real estate appraiser applications. The Board also amended the application process to have the Board or Board Designee select the applicants work products for review.</p>	<p>The Board must continue to pursue the two appraisers who have not responded to the Board's request for work logs and take appropriate actions.</p> <p>Within six months from the issue date of this Report, the Board must:</p> <p>(1) Downgrade certified appraisers who cannot or refuse to provide acceptable experience documentation to a non-certified status;</p> <p>(2) Submit the names of the downgraded appraisers to the ASC for removal from the National Registry; and</p> <p>(3) Reissue certified appraiser credentials with corrected effective dates to appraisers who did not have the experience at the time the certified credential was issued and now have obtained the requisite experience.</p>	None	<p>ASC staff will monitor the progress and determine if an on-site follow-up review for Alaska is necessary.</p> <p>ASC staff will verify if the steps taken and the experience logs provided are appropriate during the next on-site review.</p>

ASC Compliance Review Report							Findings: Not in Substantial Compliance	
Alaska Appraiser Regulatory Program (Program)								
Alaska Real Estate Appraiser Board (Board)			Compliance Review Date: May 27-29, 2009		Review Period: 5/2007 - 5/2009			
Umbrella Agency: AK Division of Corporations, Business, and Professional Licensing (Division)			Number of Credentialed Appraisers on National Registry: 203		Issue Date: FINAL PM: R. Fenochietti			
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					
Alaska Statutes, Regs, Policies and Procedures: States must adopt and/or implement Appraisal Qualifications Board real property appraiser certification criteria. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria.)		X		A review of the State's statutes & administrative rules revealed several inconsistencies with AQB Criteria. Article 4, Sec. 08.87.300(a) conflicts with the 2008-2009 USPAP Ethics Rule on Record Keeping. In addition, regulations were identified that conflict with ASC Policy Statements and/or AQB Criteria: (1) 12 ACC 70.140; 12ACC 70.210 includes "Business Courses Related to Real Estate Appraisal" as a continuing education topic; (2) 12ACC 70.220 does not require that a credential holder complete fourteen hours of continuing education for a partial year of licensure that is greater than 185 days; and (3) 12ACC 70.920 does not provide for the issuance of a Temporary Practice Permit (Courtesy License in AK) to an out-of-state individual credentialed at the State Licensed level. Despite conflicting provisions in both the statute and regulations, we found no incidents where these statutes or regulations were applied to any aspect of the program.	The Board reported they will discuss the following proposed regulation changes at their January 15, 2010 meeting: (1) 12 AAC 70.140 – provides that a qualifying course be a minimum of two hours; (2) 12 AAC 70.210 – Includes "Business Courses Related to Real Estate Appraisal" as a continuing education topic; (3) 12 AAC 70.220 does not require that a credential holder complete fourteen hours of education for a partial year of licensure that is greater than 185 days; and (4) 12 AAC 70.920 – does not provide for the issuance of a Temporary Practice Permit (Courtesy License in Alaska) to an out-of-state individual credentialed at the State Licensed level.	The Board must amend the cited regulations so that they conform to Title XI and the AQB Real Property Appraiser Qualification and Criteria.	To strengthen the Program, Alaska should amend Article 4, Sec. 08.87.300(a) so that it is consistent with the USPAP Ethics Rule by requiring appraisers to retain the workfile for at least five years after preparation, or at least two years after final disposition of any judicial proceeding in which the appraiser provided testimony related to the assignment, whichever period expires last.	Please provide us a copy of the statute and/or rules as finally adopted.
Temporary Practice:	X			No compliance issues noted.	None	None	None	None