

# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

November 10, 2010

Mr. Patrick Murphy, Chair  
Maryland Commission of Real Estate Appraisers  
And Home Inspectors  
500 North Calvert Street, 3<sup>rd</sup> Floor  
Baltimore, MD 21202-3651

RE: ASC Compliance Review of Maryland's appraiser regulatory program

Dear Mr. Murphy:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of Maryland's appraiser regulatory program (Program) on April 12-13, 2010. This is the final ASC Compliance Review Report (Report) on that Review.

The ASC has considered the preliminary findings regarding the Review and the State's response. The ASC has determined 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 area of non-compliance:

- States must have sufficient legal and administrative resources to perform Title XI-related duties, including resolution of all complaints filed against appraisers within one year, except for special documented circumstances.<sup>1</sup>

In its response, the State indicated corrective actions are being taken as detailed in the attached Report. During the next Review, ASC staff will confirm these corrective actions have taken place and are appropriate. Please also be advised 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,



Deborah S. Merkle  
Chairman

## Attachment

cc: Mr. Stanley Botts, Division Commissioner  
Ms. Patricia Schott, Administrator

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<sup>1</sup> Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.

## ASC Compliance Review Report

Finding: Not In Substantial Compliance  
Report Issue Date: November 10, 2010

**Maryland Appraiser Regulatory Program (Program)**

Maryland Commission of Real Estate Appraisers and Home Inspectors (Commission)/Decision Making	PM: K. Klamet	ASC Compliance Review (Review) Date: April 12-13, 2010	Review Period: June 2008 to April 2010
Umbrella Agency: Department of Labor, Licensing and Regulation (Department), Division of Occupational Licensing (Division)		Number of State credentialed appraisers on National Registry: 2,943	Issue: FINAL

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>Maryland Statutes, Regulations, Policies and Procedures:</b>			X					
States must have sufficient legal and administrative resources to perform Title XI-related duties. (Title XI § 1118 (b), 12 U.S.C 3347.)				<p>The Program had only one dedicated staff person. In addition, budget cuts resulted in the abolishment of the Executive Director position. The lack of both adequate funding and staff potentially subjects the Program to increased non-compliance issues in the future.</p> <p>In addition, the lack of sufficient resources has negatively affected the Program's ability to process complaints in a timely manner as discussed below.</p>	<p>On August 12, 2010, the Commission reported to ASC staff the following:</p> <p>(1) the Commission voted to propose legislation to convert the Commission from a general fund agency to a special fund agency, which would allow the Commission greater budget flexibility and fee setting authority to provide necessary investigative and review resources;</p> <p>(2) the Commission is contracting with a third volunteer reviewer to assist with the existing backlog of complaints; and</p> <p>(3) the Division has submitted a request for additional funding to provide resources for expert review services to assist with the elimination of the complaint backlog.</p>	None	To strengthen the Program, the Department, Division and Commission should pursue ways to achieve and maintain the necessary resources to perform Title XI-related duties.	Please keep ASC staff apprised as to the progress of the proposed legislation, as well as the status of the budget request.
<b>Temporary Practice:</b>	X							
				No compliance issues noted.	N/A	None	None	None
<b>National Registry:</b>	X							
				No compliance issues noted.	N/A	None	None	None

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	YES	NO	AC					
<b>Application Process:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>Reciprocity:</b>			X					
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 § 1122 (b), 12 U.S.C. 3351; ASC Policy Statement 6.)				The Commission suspended all reciprocal agreements effective April 2009, until such time as the Commission determines which States have adopted the 2008 AQB Criteria in the same manner as Maryland (firm date).	On September 16, 2010, Commission staff reported to ASC staff that the Commission implemented a policy that, in lieu of a reciprocity agreement, allows a waiver of the examination to an applicant whose credential from another State is deemed equivalent by the Commission.	None	To strengthen the Program, the Commission should pursue reciprocity agreements with all of its neighboring jurisdictions.	During the next Review, ASC staff will pay particular attention to this area for compliance with Policy Statement 6.
<b>Education:</b>	X			No compliance issues noted.	N/A	None	None	None

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	YES	NO	AC					
<b>Enforcement:</b>		X						
States must have sufficient legal and administrative resources to perform Title XI-related duties, including resolution of all complaints filed against appraisers within one year, except for special documented circumstances. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)				<p>The lack of sufficient resources has negatively affected the Program's ability to process complaints in a timely manner. There were 84 outstanding complaints of which 20 were unresolved for more than one year. None of these 20 complaints fall under the exception for special documented circumstances. Of those 20 complaints unresolved for over one year, 17 are pending a technical or pre-charge review. Complaint reviews are conducted by volunteer reviewers, which limits the Commission's ability to enforce timeliness.</p> <p>During this Review Cycle, the Department hired a full-time investigator who is available to the Commission for non-expert investigative services. Also, the Department of Legislative Services recommended that the Commission undergo a full evaluation of the Program's complaint resolution process; the Program's funding sources, allocation and preservation; and reciprocal licensing agreements.</p>	<p>On August 12, 2010, the Commission reported to ASC staff that they agree effective and timely complaint investigation and resolution is critical to the State's effective supervision of appraisers as required by Title XI. They share the desire of the ASC to resolve complaints in a timely manner.</p> <p>It was also reported that:</p> <ol style="list-style-type: none"> <li>(1) the Commission voted for legislation that would convert the Commission to a special fund agency;</li> <li>(2) the Commission is contracting with an additional volunteer to assist with the existing backlog of complaints;</li> <li>(3) the Department will work with the State's Office of Administrative Hearings to more expeditiously schedule the Commission's cases; and</li> <li>(4) the Division is seeking additional funding.</li> </ol>	<p>The Division must submit quarterly complaint logs to ASC staff. Staff will analyze each log. If progress is not made, the ASC may place additional requirements upon the State.</p> <p>The ASC Policy Manager assigned to Maryland will work with the Program staff to determine the timing and content of the complaint log.</p>	<p>To strengthen the Program, the Commission should employ ways to process complaints of appraiser misconduct or wrongdoing in a timely manner to ensure compliance with Policy Statement 10E.</p>	<p>Through off-site monitoring and during the next Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10E.</p>