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Appraisal Subcommittee

Federal Financial Institutions Examination Council

February 22, 2010

Mr. Jerry Farrell Jr., Commissioner
Connecticut Department of Consumer Protection
165 Capitol Avenue
Hartford, Connecticut 06016

Dear Mr. Farrell:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of Connecticut's appraiser regulatory program on July 7-8, 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 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. Connecticut must:

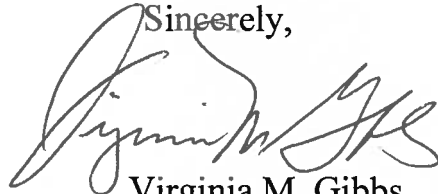
- Adopt and/or implement all the relevant AQB Real Property Appraiser Qualification Criteria;¹
- Submit all disciplinary actions for inclusion on the National Registry;²
- Use a reliable means of validating experience claims on all initial applications, including tax assessors;³
- Complete the continuing education affidavit audit within 60 business days from the date the renewal credential was issued;⁴
- Ensure continuing education courses are consistent with AQB Criteria;⁵ and
- Ensure that the processing and investigating of complaints and the sanctioning of appraisers are administered in an effective, consistent, equitable, and well-documented manner.⁶

The State's response indicated it has taken corrective actions, which are 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,

A handwritten signature in black ink, appearing to read "Virginia M. Gibbs". The signature is fluid and cursive, with the first name being the most prominent.

Virginia M. Gibbs
Chairman

Attachment

cc: Mr. Christopher Italia, Chairman

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 § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 9A

³ 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

⁴ Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10F 5(c)

⁵ Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria

⁶ 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: February 22, 2010				
Connecticut Appraiser Regulatory Program (Program)								
Connecticut Real Estate Appraiser Commission (Commission)			ASC Compliance Review (Review) Date: July 7-8, 2009			Review Period: 07/07 - 07/09		
Umbrella Agency: Connecticut Department of Consumer Protection (Department)		PM: N. Fenochietti		Number of State credentialed appraisers on National Registry: 1543		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					
Connecticut Statutes, Regulations, Policies and		X						
States must adopt and/or implement all the relevant AQB Real Property Appraiser Qualification 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.)				<p>The following sections of State regulations and statute are not compliant with AQB Real Property Appraiser Qualification Criteria (AQB Criteria) and/or ASC Policy Statements.</p> <p><u>Regulations:</u> Section 20-504-4(e) does not provide for scope of supervision, or supervising appraiser State certification number to be included on the experience log; Section 20-504-7(3) does not limit non-student activities to 50% of the requisite 14 hours of continuing education each year; and Section 20-504-9(1) does not include State Licensed level as eligible for temporary practice permit.</p> <p><u>Statute:</u> Section 512 of Connecticut statute states approval is not required for instructors of appraisal education.</p>	Although not mentioned in Connecticut's response to the ASC, proposed revisions were reviewed by ASC staff while on-site. The proposed revisions addressed all deficiencies cited.	Connecticut must amend the cited regulations and statute to bring them into compliance with AQB Criteria.	None	Upon adoption, please provide ASC staff with copies of adopted regulation and statute changes.

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Temporary Practice:								
States must issue temporary practice permits within five business days. (Title XI § 1118 (a), 12 U.S.C. 3347; Title XI § 1122 (a), 12 U.S.C. 3351; ASC Policy Statement 5.)			X	<p>Connecticut did not issue temporary practice permits within five business days of receiving a complete application.</p> <p>In more recent months, the timely issuance of temporary practice permits improved. However, when the Department receives a temporary practice application, it is routed through another department for deposit of the fee before the application is sent back to the Department for processing. This sometimes added an additional two weeks to the process. Once returned to the Department, the permit was issued either same day or the next day.</p>	<p>On December 11, 2009, the Commission reported they have taken steps to correct the deficiencies. Temporary permits are now issued within five days of receipt of the application being received.</p>	None	None	During the next Review, the ASC will pay particular attention to this area for compliance with ASC Policy Statement 5.
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		<p>One appraiser credential suspension was not reported to the ASC for inclusion on the National Registry. The Commission's practice was not to report consent or settlement agreements for inclusion on the National Registry.</p> <p>The suspension noted was reported to the ASC for inclusion on the National Registry while ASC staff was onsite. The Department agreed to report all consent and settlement agreements to the ASC for inclusion on the National Registry.</p>	<p>On December 11, 2009, the Department reported it will report all consent agreements to the ASC for inclusion on the National Registry.</p>	<p>Within 60 days of the date of this report, the Commission must submit to the ASC a list of all discipline taken against certified appraisers, including consent, stipulation, and settlement agreements since the previous Compliance Review of July 10-11, 2007.</p>	<p>To strengthen the Program, the Commission should implement an effective process to ensure all disciplinary actions are reported to the ASC for inclusion on the National Registry timely.</p>	<p>The ASC will conduct a Follow-up Review in 2010 and will pay particular attention to this area for compliance with Policy Statement 9A.</p>

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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					
<p>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.)</p>		X		<p>The Commission issued credentials without properly validating all experience claims.</p> <p>Three certified appraiser application files did not include experience logs.</p> <p>Two of these applicants were given experience credit for work as an assessor, apparently without the work being reviewed for USPAP compliance, and without submitting a log for the assessor or appraisal work.</p>	<p>On December 11, 2009, the Commission reported the Program now uses an appraisal experience form which includes all the information required by AQB Criteria Guide Note 6.</p>	<p>The Commission must:</p> <ol style="list-style-type: none"> 1. immediately cease awarding certified credentials to applicants whose appraisal experience does not conform fully to the AQB Criteria and ASC Policy Statement 10F; 2. identify all individuals who were issued certified credentials relying upon improperly validated experience; 3. downgrade certified appraisers who cannot provide acceptable experience documentation to a non-certified credential; 4. 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 subsequently obtained the requisite experience; and 5. provide ASC staff with the final results. 	None	<p>The processes and procedures put into place with the AQB Criteria should ensure that the same issues do not reoccur. The ASC will monitor this required action and conduct a Follow-up Review in 2010 to confirm compliance with ASC Policy Statement 10G.</p>

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	YES	NO	AC					
Application Process Continued:		X						
States must adopt and/or implement all the relevant AQB Real Property Appraiser Qualification 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.)				The Commission issued one certified credential applying 60 hours of "teaching" to the applicant's qualifying education hours. AQB Criteria does not allow teaching of courses to be used for qualifying education. In addition, the file contained no experience logs or other documentation verifying the applicant's experience. The appraiser's credential expired on April 30, 2008.	At the Commission meeting, the subject case was discussed. The Commission members were surprised the credential was issued because they were under the impression these types of requests were always denied. In fact, specific instances were recalled where they did deny such requests. The Commission agreed to contact and inform the applicant he does not have the requisite education to qualify for the credential. Department staff placed a notation of the deficiency into the individual's application file.	Within 60 days of the date of this Report, the Commission must: 1. send written notice to this particular individual notifying him he does not qualify to hold the credential, and the credential may not be reinstated (allowed by CT regulation sec. 20-511(d) until 04/30/2010); and 2. a copy of this notice must be submitted to the ASC.	None	During the next Review, the ASC will pay particular attention to this area to ensure compliance with AQB Criteria.
Application Process Continued:		X						
States must complete the continuing education affidavit audit within 60 business days from the date the renewal credential was issued. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10F 5(c)).				Audits of continuing education claims for certification renewal were not completed within the required 60 days from the date the credential was issued.	During the July 2009 Review, the Commission stated they mistakenly thought the audit was to be started within 60 days of the renewal issuance.	The Commission must complete each continuing education compliance audit within 60 days of the date the credential was issued.		During the next Review, the ASC will pay particular attention to this area for compliance with Policy Statement 10F 5(c).
Reciprocity:	X			No compliance issues noted.	None	None	None	None

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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					
Education:		X						
States must ensure continuing education courses are consistent with all the relevant AQB Real Property Appraiser Qualification 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.)				<p>The Commission approved three courses that did not appear to be related to real property appraisal.</p> <p>Two continuing education course files did not contain sufficient documentation on the hours and/or subject to determine conformance with AQB Criteria.</p> <p>The records of nine individuals were reviewed who were granted education equivalency for courses not pre-approved by the Commission. Of these, one was granted three credits in a subject not related to real estate appraisal; one was granted equivalency for offerings not sufficiently reviewed by the Commission, and containing insufficient documentation of the subject matter; and one was granted more than 50 percent of the requisite hours for teaching courses in real estate appraisal.</p>	<p>On December 11, 2009, the Department reported the education courses that should not have been approved will be revoked and the individuals' files have been noted.</p> <p>At the July 2009 Commission meeting, the Commission agreed to review the continuing education equivalencies granted since the previous Compliance Review and take appropriate steps to correct any instances found to be inappropriately approved. They also agreed the list of approved continuing education courses would be reviewed, and courses not related to real estate appraisal would be removed.</p>	<p>The Commission must:</p> <ol style="list-style-type: none"> 1. review all Connecticut approved continuing education courses; 2. rescind approval of any courses deemed not to be real estate appraisal related; 3. identify any certified appraisers who were granted continuing education credit for a course which had the approval rescinded; 4. notify all appraisers identified in step three directing the credential holders to complete an approved course within 60 days of the date of such notice; and 5. provide to the ASC a list of appraisers identified in step three, including each appraiser's status relative to this action plan. 	None	The ASC Policy Manager will monitor this required action and conduct a Follow-up Review in 2010 to confirm compliance in this area of the Program.
Enforcement:		X						
States must ensure that the processing and investigating of complaints, and the sanctioning of appraisers is administered in an effective, consistent, equitable, and well-documented manner. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)				<p>A complaint was processed and the file included a consent agreement wherein the respondent agreed to complete 15 hours of education in resolution of the complaint. However, the matter was closed when the respondent submitted a course completion certificate that indicated he completed a 7-hour course.</p>	<p>During the Commission meeting, the Commission deemed this incident an oversight and agreed to re-open the matter and require the respondent to complete the agreed upon education.</p>	<p>The Commission must:</p> <ol style="list-style-type: none"> 1. re-open the matter as discussed during the Review; 2. require the appraiser to complete the agreed upon education; and 3. within 120 days of the date of this Report, notify the ASC of the final disposition of the matter. 	None	The ASC Policy Manager will monitor this required action and conduct a Follow-up Review in 2010 to confirm compliance in this area of the Program.