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Appraisal Subcommittee

Federal Financial Institutions Examination Council

March 25, 2010

Mr. Brent E. Adams, Secretary
Department of Financial and Professional
Regulation
100 West Randolph, Suite 9-300
Chicago, IL 60601

Dear Mr. Adams:

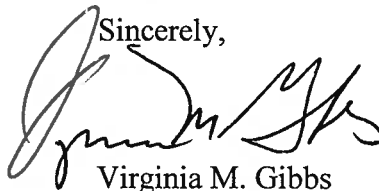
The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of Illinois' appraiser regulatory program (Program) on June 8-10, 2009. This is the final ASC Compliance Review Report (Report) on that Review.

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:

- Illinois must require that appraisals be performed in accordance with the latest version of the Uniform Standards of Professional Appraisal Practice (USPAP).¹
- Illinois should resolve complaints within 1 year, except for special documented circumstances.²

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,

Virginia M. Gibbs
Chairman

Attachment

cc: Mr. Daniel Bluthardt, Director
Mr. Brian Weaver, Appraisal Coordinator

¹ Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 3; AQB Real Property Appraiser Qualification Criteria

² Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E

ASC Compliance Review Report

Finding: Not In Substantial Compliance

Illinois Real Estate Appraiser Regulatory Program (Program)

Illinois Board of Real Estate Appraisers (Board)

ASC Compliance Review (Review) Date: 6/8-10/2009

Review Period: 4/2008 to 6/2009

Umbrella Agency: Dept. of Financial and Professional Regulation, Div. of Prof. Regulation (Division)

PM: V. Ledbetter

Number of State credentialed appraisers on National Registry: 4736

Issue Date: March 25, 2010

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					
Illinois Statutes, Regulations, Policies and Procedures:		X						
States must require that appraisals be performed in accordance with the latest version of the Uniform Standards of Professional Appraisal Practice (USPAP). (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 3; AQB Real Property Appraiser Qualification Criteria)				Illinois adopted regulatory changes effective May 14 , 2009, including the adoption of the 2008-2009 version of the Uniform Standards of Professional Appraisal Practice (USPAP). This version of USPAP should have become effective on January 1, 2008.	On January 22, 2010, the Department reported the process by which Illinois' administrative rules are adopted is unavoidably lengthy. This process is mandated by State law and includes multiple publication notices and public comment periods reviewed by a committee of the legislature.	Illinois must: (1) provide to the ASC a copy of the draft regulations to adopt the 2010-2011 version of USPAP; (2) provide quarterly status reports on the progress toward adoption; and (3) provide the ASC a copy of the regulations when finalized.	To strengthen the Program, Illinois should continue the process of amending its regulations to adopt USPAP in a timely manner. Failure to adopt USPAP timely may lead to confusion among appraisers, consumers, regulators, and users of appraisal services.	None

ASC Compliance Review Report

Finding: Not In Substantial Compliance

Illinois Real Estate Appraiser Regulatory Program (Program)			
Illinois Board of Real Estate Appraisers (Board)		ASC Compliance Review (Review) Date: 6/8-10/2009	Review Period: 4/2008 to 6/2009
Umbrella Agency: Dept. of Financial and Professional Regulation, Div. of Prof. Regulation (Division)		PM: V. Ledbetter	Number of State credentialed appraisers on National Registry: 4736
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	YES	NO	AC					
Illinois Statutes, Regulations, Policies and Procedures continued:			X					
The ASC shall monitor State agencies for the purpose of determining whether policies, practices and procedures are consistent with Title XI. (Title XI § 1118 (a), 12 U.S.C. 3347)				<p>It appears the Illinois Program does not have sufficient dedicated resources to perform its Title XI-related duties. The Program has three individuals dedicated to its administration. One staff person is dedicated to each of the staff functions:</p> <ul style="list-style-type: none"> (1) issuing and renewing licenses; (2) investigating complaints; and (3) facilitating the legal imposition of sanctions against appraisers. <p>In addition, the Board Coordinator, who also serves as the Program's only investigator, is a political appointee whose employment is unclear with the recent change in the State's Governor. The Division recently hired three law clerks who will be assisting in the complaint resolution process.</p> <p>While the State is currently in compliance with Title XI in this area, the lack of sufficient dedicated resources could negatively affect the Program's future compliance. We note the Program generated approximately \$600,000 annually in fees. However, at least one-half of that amount was "borrowed" for other State funding needs.</p>	On January 22, 2010, the Department reported that while Illinois continues to face financial challenges, the Administration has approved the hiring of two additional investigators and two additional attorneys/prosecutors.	None	To strengthen the Program, Illinois should explore ways to achieve and maintain the necessary resources, and/or policies and procedures to perform its Title XI-related duties. More specifically, Illinois should focus on:	None

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	YES	NO	AC					
Temporary Practice:	X							
				No compliance issues noted.	N/A	None	None	None
National Registry:	X							
States must reconcile and pay National Registry invoices timely. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 8C)				Illinois had invoices that were not paid within 45 days of receipt, as specified in Policy Statement 8. At the time of review, four invoices issued in 2008 remained outstanding, specifically invoice numbers: 1. 08-117 dated 2/4/08 for \$6,200; 2. 08-119 dated 4/2/08 for \$900; 3. 08-121 dated 6/3/08 for \$500; and 4. 08-123 for \$400.	Illinois accepts the finding that some invoices were not paid within 45 days of receipt. However, the payment process has been amended and Illinois is current with all outstanding invoices.	None	None	None
Application Process:	X							
				No compliance issues noted.	N/A	None	None	None
Reciprocity:	X							
				No compliance issues noted.	N/A	None	None	None
Education:	X							
				No compliance issues noted.	N/A	None	None	None

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	YES	NO	AC					
Enforcement:		X						
States should resolve complaints within 1 year, except for special documented circumstances. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E)				<p>Of the 266 outstanding complaints, 99 were in process for over one year. Of the 99 aged complaints, one was received in 2005, 11 in 2006, 33 in 2007, and 54 in 2008. All were in various stages of the investigative/resolution process, but none were found to be awaiting disposition based on special documented circumstances.</p> <p>The Board Coordinator is responsible for investigating all complaints received and facilitating their resolution with the staff attorney and law clerks. It was noted that the number of complaints received per year is increasing.</p>	<p>The Department reported in their January 22, 2010 response Illinois has taken the following steps:</p> <p>(1) the use of law clerks to augment the prosecution staff;</p> <p>(2) the Appraisal Board has participated in large-scale, single-day settlement conferences in order to alleviate the unresolved caseload; and</p> <p>(3) the Administration has approved the hiring of two additional investigators and two additional attorneys/prosecutors.</p> <p>These additional resources are expected to decrease processing time. The Department will continue to explore ways to improve its complaint process.</p>	<p>Illinois must provide ASC staff quarterly status reports on the progress toward hiring the two additional investigators and two additional attorney/prosecutors, beginning April 1, 2010.</p>	None	<p>The ASC is pleased to learn of the actions taken to address this concern. ASC staff will continue to monitor Illinois' progress when conducting the next Review of the Program on October 13-15, 2010.</p>