

Appraisal Subcommittee
Federal Financial Institutions Examination Council

July 15, 2010

Mr. Bob Clark, Director
Office of Real Estate Appraisers
1102 Q Street, Suite 4100
Sacramento, CA 95814

RE: Appraisal Subcommittee Staff Follow-Up Review

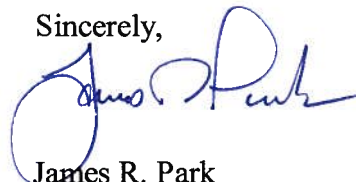
Dear Mr. Clark:

Thank you for your cooperation and your staff's assistance in the April 20-21 Appraisal Subcommittee (ASC) staff Follow-up Review (Follow-up Review). This was a Follow-up Review of the June 2009 ASC Compliance Review of California's appraiser regulatory program (Program).

As detailed in the attached Follow-up Report, California resolved one of the two concerns identified in the January 19, 2010 Compliance Review Report. California also made significant progress toward addressing the second concern identified. In addition, California addressed recommended actions to strengthen the Program. We commend California's Program for its efforts and the progress made.

Please 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,



James R. Park
Executive Director

Attachment

ASC Staff Follow-Up Report: 2009 Compliance Review

California Appraiser Regulatory Program (Program)

California Office of Real Estate Appraisers (OREA)

Follow-Up Review Date: April 19-21, 2010

Follow-Up Report Issue Date: July 15, 2010

Umbrella Agency: Business, Transportation and Housing Agency

Compliance Review Date: June 15-18, 2009

Number of State Credentialed Appraisers on National Registry: 13,787

PM: N. Fenochietti

Requirement/Guidance	Compliance (Yes/No) Areas of Concern (AC)			State Required / Recommended Actions from the June 15-18, 2009 Compliance Review	Status as of April 19-21, 2010 Follow-Up	Further Required Actions/Comments
	Yes	No	AC			
California Statutes, Regulations, Policies and Procedures:			X			
States must adopt and/or implement all 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.)				To strengthen the Program, the ASC recommended that OREA revise their regulations to comply with AQB Real Property Appraiser Qualification Criteria for trainee and licensed level applicants.	OREA filed proposed amendments to their regulations with the California Office of Administrative Law on April 13, 2010. ASC staff reviewed OREA's April 26, 2010 Proposed Revisions to the California Office of Real Estate Appraiser regulations, the Initial Statement of Reasons for Adoption, and the text of the proposed changes. The Statutory 45-day comment period ended on June 7, 2010. The revisions include all the regulations cited during the June 15-18, 2010 Compliance Review.	Further Required Actions: Continue to pursue promulgation of the proposed amendments to the regulations. Comments: Upon adoption, please provide ASC staff with copies of adopted regulation changes.
Temporary Practice:			X			
States must issue temporary practice permits for a minimum of six months and allow at least one easy extension of a temporary practice permit. (Title XI § 1118 (a), 12 U.S.C. 3347; Title XI § 1122 (a), 12 U.S.C. 3351; ASC Policy Statement 5.)				To strengthen the Program, the ASC recommended that OREA revise regulations governing temporary practice permits to allow an extension if needed to complete the assignment. The ASC further recommended that temporary practice permit applicants be notified of the ability to extend the permit if needed.	OREA has pending amendments to the regulations governing temporary practice permits to provide for an extension if needed to complete the assignment. In addition, OREA now includes a statement on each temporary practice permit that notifies the credential holder of the ability to extend the permit.	Further Required Actions: None Comments: Upon adoption, please provide ASC staff with copies of adopted regulation changes.

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Application Process:	X					
States must use a reliable means of validating appraiser experience claims on all initial applications. (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.)				OREA was required to determine the compliance status for certain appraisers and provide ASC staff with the final results. Upon completion, OREA was required to: (1) downgrade certified appraisers to a non-certified credential who could not provide acceptable experience documentation ; and/or (2) 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.	In response to the June 2009 ASC Compliance Review Report, application files of credential holders who obtained their credentials based on affidavits attesting to assessor experience were reviewed to determine their compliance with AQB Criteria. Thirty individuals were identified. OREA determined that the documentation was sufficient for them to have been issued a credential. ASC staff concurs.	Further Recommended Actions: None Comments: None
Education:			X			
States must ensure appraiser continuing education courses are consistent with 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.)				To strengthen the Program, the ASC recommended that OREA implement policy and procedures to ensure documentation used to approve education offerings are properly retained.	While on site, 31 course files were reviewed. All of the files reviewed included appropriate documentation.	Further Required Actions: None Comments: None

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	Yes	No	AC			
Enforcement:		X				
States should resolve 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>OREA was required to continue implementation of the measures that have resulted in improvement of the enforcement program. OREA was required to provide quarterly complaint logs of all cases pending for more than one year to the ASC Policy Manager assigned to California. The log includes: complainant name; respondent name and credential number; brief description of the allegations; complaint receipt date; status; date and description of last action; and other information as determined by the Policy Manager. The Policy Manager provided OREA with the complaint log form to be maintained by the Department. The first quarter 2010 complaint log was due on April 1, 2010.</p>	<p>There were 203 cases pending more than one year that involve 169 respondents. Of these aged complaints: 29 cases are with the District Attorney General (DAG); 30 cases are with OREA Department Counsel who is preparing accusations for some and submitting others to the DAG; 12 cases are pending with the Chief of Licensing and Enforcement to negotiate settlement terms ; 17 cases are pending the statutory 30-day notice period (after a citation has been issued the respondent has 30 days to request a hearing.); and 115 are being investigated.</p> <p>Overall OREA closed 536 cases over the past 11 months compared to the 2009 review period of July 2008 through June 2009 when 373 cases were closed.</p> <p>It is important to note that enforcement has improved despite mandated expenditure reductions. All OREA employees have been required to take 3 days furlough without pay each month. This combined with the addition of AMC licensing have been a considerable strain on resources.</p>	<p>Further Required Actions: Continue to implement new time-saving processes and closely monitor the progress of cases referred to the DAG. Provide quarterly complaint logs of all cases that are or become pending for more than one year to the ASC Policy Manager assigned to California.</p> <p>Comments: OREA staff has been dedicated to improving this area of the program. The most recently implemented new process is the Fast Track Program that prioritizes new complaints and has been responsible for closing 178 complaints without the need for a full investigation. A new expedited process is being developed for cases where the respondent does not respond to OREA. One other program improvement discussed was developing a process to monitor the aged complaints pending with the DAG. In addition to the process changes, one Investigator has been promoted to fill a second Supervising Investigator position, and 3 new Investigators have been hired. Significant improvement was made to the enforcement program and continued improvement is expected as the new process become fully implemented.</p>