

□   □   □   □   □   □

# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

October 10, 2012

Ms. Lisa Brooks, Executive Director  
Alabama Real Estate Appraisers Board  
P O Box 304355  
Montgomery, AL 36130-4355

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

Dear Ms. Brooks:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Alabama appraiser regulatory program (Program) on January 17-19, 2012. 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. The ASC identified the following area(s) of non-compliance:

- States should resolve all complaints filed against appraisers within one year, except for special documented circumstances.<sup>1</sup>
- States must appropriately document enforcement files and include rationale.<sup>2</sup>
- Enforcement dispositions must be consistent, appropriate and equitable.<sup>3</sup>

ASC staff will confirm corrective actions have taken place and are appropriate during the Follow-up Review in 6 to 12 months. Alabama will remain on a two-year Review Cycle.

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,



Peter Gillispie  
Chairman

#### Attachment

---

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

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

<sup>3</sup> Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.

### ASC Compliance Review Report

ASC Finding: Not In Substantial Compliance

Final Report Issue Date: October 10, 2012

**Alabama Appraiser Regulatory Program (Program)**

<b>Alabama Real Estate Appraisers Board (Board) / Decision Making</b>	PM: K. Klamet	ASC Compliance Review Date: January 17-19, 2012	Review Period: November 2009 to January 2012
Independent		Number of State Credentialed Appraisers on National Registry: 1,305	Review Cycle: Two Years with Follow-up

Requirement/Guidance	Compliance (YES/NO)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
<b>Alabama Statutes, Regulations, Policies and</b>			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.)				<p>A review of Alabama's State Regulations revealed the following inconsistency with the Appraiser Qualifications Board's (AQB) Real Property Appraiser Qualification Criteria (AQB Criteria) regarding Uniform Standards of Professional Appraisal Practice (USPAP) instructor requirements.</p> <p>Credit may only be awarded for USPAP qualifying and continuing education when the course is instructed by at least one AQB certified USPAP instructor who is also a State certified appraiser. Alabama regulations 780-X-3-.06 (a), (c), (d) and (e); 780-X-5-.04 (5); and 780-X-12-.02 (1) (a) require instructors of USPAP courses to be approved through the AQB's instructor certification program, but do not reference the AQB Criteria requirement that at least one of the approved instructors must also be a State certified appraiser. However, all of the USPAP courses reviewed included verification that at least one of the course instructors was an AQB certified USPAP instructor and also a State certified appraiser.</p>	<p>On May 30, 2012, the Board reported to ASC staff that amendments to the Alabama Real Estate Appraisers Board Administrative Code Sections 780-X-3.06 and 780-X-12-.02 have been initiated through the rule making process of the Alabama Administrative Procedures Act. In addition, the Board advised that regulation 780-X-5-.04(5) does not need revision as the AQB Criteria does not require that a USPAP instructor hold a State certified appraiser credential in order to be approved as a USPAP instructor.</p>	None	<p>To strengthen the Program, Alabama should continue the process of amending its regulations to reflect what is required in practice and in AQB Criteria.</p>	<p>Upon adoption, please provide ASC staff with copies of these regulation changes.</p>
<b>Temporary Practice:</b>	X							
States should rely on the National Registry to verify license history on applicants for temporary practice. (Title XI § 1118, 12 U.S.C. 3347; ASC Policy Statement 5.)				<p>Program staff utilizes the National Registry to verify the license history on applicants for temporary practice. However, Program staff failed to use an assigned username and password. Therefore, Program staff did not access a complete license history prior to approving an application for a temporary practice permit.</p>	<p>During the on-site Review, Program staff obtained a username and password for the employee assigned to process temporary practice permits, and ASC staff provided training. Program staff now uses their assigned username and password when verifying the license history on the National Registry for all temporary permit applications.</p>	None	None	None

## ASC Compliance Review Report

ASC Finding: Not In Substantial Compliance

Final Report Issue Date: October 10, 2012

**Alabama Appraiser Regulatory Program (Program)**

Alabama Real Estate Appraisers Board  
(Board) / Decision Making

PM: K. Klamet

ASC Compliance Review Date: January 17-19, 2012

Review Period: November 2009 to January 2012

Independent

Number of State Credentialed Appraisers on National Registry: 1,305

Review Cycle: Two Years with Follow-up

Requirement/Guidance	Compliance (YES/NO)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
<b>National Registry:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>Application Process:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>Reciprocity:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>Education:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>Enforcement:</b>		X		Alabama had 60 outstanding complaints of which 30 were unresolved for more than 1 year. Of the complaints outstanding for more than 1 year, 3 fall under the exception for special documented circumstances.  Of the remaining 27 cases, 21 were in various stages of the disciplinary process, and 6 were still under investigation.	On May 30, 2012, the Board reported to ASC staff that 19 of the 30 complaints outstanding for more than one year have been resolved, including 1 of the 3 cases identified by ASC staff as a special documented circumstance. Litigation and/or negotiations continue on the remaining 9 cases.	Alabama must submit complaint logs to ASC staff quarterly. Staff will analyze each log. If progress is not made, the ASC may place additional requirements upon the State.  The ASC Policy Manager assigned to Alabama will work with the Board staff to determine the log details.	None	Through off-site monitoring as well as during a Follow-up Review and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10E.
<b>Enforcement Continued:</b>		X		Files lacked the documentation needed to understand the facts and considerations in disciplinary cases and the reasons for determinations.	On May 30, 2012, the Board reported to ASC staff, that at the time of the Compliance Review, Program staff failed to print out case details from the agency database for consideration by the ASC Policy Managers. In addition, the Board advised that reviewing the information from the database along with the investigative reports and discipline committee records contained in the files provides documentation to the files regarding rationale.	Alabama must ensure that the complaint process is well documented and available to ASC staff during the on-site portion of the Review.	None	During a Follow-up Review, and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10E.

**ASC Compliance Review Report**

**ASC Finding: Not In Substantial Compliance**

**Final Report Issue Date: October 10, 2012**

**Alabama Appraiser Regulatory Program (Program)**

Alabama Real Estate Appraisers Board  
(Board) / Decision Making

PM: K. Klamet

ASC Compliance Review Date: January 17-19, 2012

Review Period: November 2009 to January 2012

Independent

Number of State Credentialed Appraisers on National Registry: 1,305

Review Cycle: Two Years with Follow-up

Requirement/Guidance	Compliance (YES/NO)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
<b>Enforcement Continued:</b>		X						
Enforcement dispositions must be consistent, appropriate and equitable. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)				Enforcement files lacked appropriate documentation to support the rationale used by the Board to determine a "Private" vs. "Public" disciplinary action and the methodology used to determine administrative fines. Based on the files reviewed by ASC staff, minor violations were publicized while significant violations were allowed to remain private. As a result, in some cases, serious disciplinary actions were not reported to the ASC for inclusion on the National Registry for sharing with other State appraiser regulatory officials. Other cases with less serious violations and sanctions were made public by reporting the appraisers names and disciplinary actions on the State's website and newsletter, and reporting to the ASC for inclusion on the National Registry.	On May 30, 2012, the Board reported to ASC staff, that discipline files contained as much or more rationale for the discipline imposed than during all previous Reviews and that all disciplinary actions, with the exception of private reprimands, are reported to the National Registry. The Board advised that all disciplinary actions are published on the Board's website and in the Board newsletter. A private reprimand is referenced by case number and not the appraiser's name. In addition, the Board advised that in the recently concluded 2012 Regular Session of the Alabama Legislature, the statute was amended to provide that an appraiser could receive a maximum of two private reprimands.	Alabama must provide, within 60 days of issuance of this Report, a written plan addressing the following:  (1) how the Board will implement an effective process to ensure disposition of case resolution is consistent, appropriate and equitable, and in particular, specify criteria for determining private versus public reprimands; and  (2) how the Board will ensure that the complaint process is well documented and available to ASC staff during the on-site portion of the Review.	None	Through off-site monitoring as well as during a Follow-up Review and the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10E.