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Appraisal Subcommittee

Federal Financial Institutions Examination Council

February 9, 2009

Daniel E. Bluthardt, Director
Division of Professional Regulation
Illinois Department of Financial and
Professional Regulation
100 W Randolph, Suite 9-300
Chicago, IL 60601

Dear Mr. Bluthardt:

Thank you for your December 18, 2008 response to the Appraisal Subcommittee's (ASC) June 18, 2008 field review letter regarding our April 2008 field review of the Illinois real estate appraiser regulatory program (Program). In your letter you responded to the three concerns outlined in our letter as follows.

- **Illinois' complaint investigation and resolution program did not comply with Title XI and ASC Policy Statement 10.**

Illinois' complaint investigation and resolution process did not comply with Title XI and ASC Policy Statement 10E because many complaints were not investigated and resolved in a timely manner. We are encouraged by the state's actions to remedy its longstanding concern by filling the vacated investigator positions and temporarily assigning real estate examiners to the appraisal function to aid in complaint dispositions.

We realize that more time is needed to determine if the additional resources enable Illinois to fully address our concerns. We hope that when we return, we will see a significant decrease in the number of complaints over one year old.

- **Illinois accepted affidavits to support continuing education without a reliable means of validation, which is inconsistent with ASC Policy Statement 10F.**

Our June 18th field review letter noted that approximately 10-20% of Illinois' renewing appraiser population was permitted to do so, based on an affidavit attesting to their possession of the required hours of continuing education. Because ASC Policy Statement 10F requires states to employ a reliable means of validating affidavits, we asked that you audit at least 10% of the certified appraisers who renewed on that basis and take disciplinary action against those failing to demonstrate the requisite continuing education.

In your response, you stated that Illinois audited 170 appraisers which represented 15% of those who renewed via affidavit. Of those, 49 (i.e., 29%) failed to comply and were forwarded to the Division's Enforcement Section for possible disciplinary action.

As set forth in ASC Policy Statement 10F, if a state determines that more than 10% of the audited appraisers fail to meet the AQB criteria, the state must take remedial action to address

the apparent weakness of its affidavit process. The 29% failure rate indicated in your letter exceeds the 10% allowed by ASC Policy. Therefore, if upon further investigation by the Enforcement Section, it is found that more than 10% did in fact fail to comply with the continuing education requirement, then the state must work with ASC staff to determine an appropriate remedial action for the 2009 renewals. It may be necessary to revise the renewal process to require proof of education from all certified appraisers.

- **Illinois' Administrative Rules did not reference the most current version of the Uniform Standards of Professional Appraisal Practice (USPAP) and its statute and regulations did not conform to AQB criteria.**

In our June 18th field review letter, we stated that the Administrative Rules and appraiser statute had not been updated. The Administrative Rules continue to reference the 2006 version of USPAP, though the 2008 USPAP version became effective January 1, 2008. This remains unchanged. We recognized that, in practice, Illinois was following the AQB criteria which became effective on January 1, 2008. In addition, Illinois was, in practice, abiding by a January 1, 2007 AQB interpretation regarding the need for those holding a credential for less than a year but for more than 185 days to complete 14 hours of continuing education. The regulations needed to be revised to incorporate what is being done in practice to conform to AQB criteria.

With your response, you provided a copy of the proposed Administrative Rules correcting these concerns and stated that adoption is pending the approval of the Joint Committee on Administrative Rules. You also stated that the State Legislature has yet to act on the proposed statutory amendment required to adopt the new AQB criteria. Please keep us informed of your progress and provide us a copy of the Administrative Rules and legislative bill as finally adopted.

Again, thank you for your response. We plan to perform our next field review of the Program on June 8-10, 2009, at which time we can evaluate: (1) the status of the statutory and regulatory amendments; (2) the progress of your efforts to address the backlog of pending complaints; and (3) status of the continuing education audit. Our field review letter, your response, and any other previous correspondence between us regarding the field review are now publicly available on our Web site. Please contact us if you have further questions.

Sincerely,

Vicki Ledbetter
Acting Executive Director

Cc: Brian Weaver, Appraisal Board Coordinator
Don Seasock, Deputy Director of Statewide Enforcement
Karen Dunlap, Deputy Director of Licensing and Enforcement
Young Brockhouse, Licensing and Education Manager
Robert Gorman, Chair IL Real Estate Appraisal Board