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Appraisal Subcommittee

Federal Financial Institutions Examination Council

December 19, 2008

Mr. Andrew Metcalf, Jr., Director
Bureau of Commercial Services
Department of Labor & Economic Growth
P.O. Box 30018
Lansing, MI 48909

Dear Mr. Metcalf:

Thank you for the cooperation of the Department of Labor and Economic Growth, Bureau of Commercial Services (Department) and the Michigan Board of Real Estate Appraisers (Board) in the September 22-24, and December 2, 2008 Appraisal Subcommittee (ASC) review of Michigan's real estate appraiser regulatory program (Program). As discussed below, Michigan needs to address two concerns to bring its Program into compliance with Title XI of the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989, as amended (Title XI). We plan to monitor your progress toward resolving these issues when we return in 2009 for our priority contact visit.

- **The Department's complaint investigation and resolution process do not comply with Title XI and ASC Policy Statement.**

Michigan's complaint investigation and resolution process do not comply with Title XI and ASC Policy Statement 10E because not all complaints are investigated and resolved in a timely manner. ASC Policy Statement 10E provides that state agencies need to process complaints on a timely basis, and that, absent special circumstances, final state administrative decisions regarding complaints should occur within one year of the complaint filing date.

We have cited the state for this deficiency on every review since 2000. In general, during previous field reviews, we found that the Department's lack of resources, in addition to significant increases in the number of complaints filed, contributed to these delays.

During this review, we found that Michigan continued to make substantial progress in improving its complaint investigation and resolution program. Over the past year, the Department made significant progress in lowering the number of complaints outstanding more than one year, notwithstanding the increase in the number of complaints received. Department staff attributes the progress towards alleviating complaint processing delays to the positive changes made over the last two years and allowing enough time to obtain meaningful results. Based on the Department's actions described below, we believe the state is making substantial progress towards attaining compliance with Title XI and ASC Policy Statement 10. Further, we believe that given the state's objective actions and its cooperative attitude, the state is making progress towards attaining full compliance with ASC Policy Statement 10 by addressing the following:

- In August 2007, the Department hired a contract investigator who is also a certified general appraiser, for a total of three investigators dedicated to the Program. This was the first year that the contractor had a full year to help with appraiser cases for the Enforcement Division.
- Department staff streamlined the complaint investigation process by:
 - Requesting a copy of the subject report and file from the responding appraiser upon receiving the complaint;
 - Requiring a response from the appraiser within 20 days, with one 15-day extension;
 - Shortening the investigation report by only citing allegations, facts and conclusions;
 - Keeping Board members current on their reviews of complaints; and
 - Constantly evaluating process for possible improvements.

We are encouraged by the state's actions to remedy the longstanding concern in this area; however, more time is needed to see whether the new changes will fully address our concerns. We ask that you continue providing quarterly complaint logs to the ASC. We expect to see a significant decrease in the number of complaints over one year old when we return in the fall of 2009.

- **Some of Michigan's statutes and regulations did not comply with Appraiser Qualifications Board (AQB) Criteria.**

A review of the state's statutes and administrative rules revealed some inconsistencies with AQB Criteria. We noted that Michigan, in practice, was generally in compliance. Nevertheless, amendments to the statutes and regulations are necessary to avoid conflicts between its rules and practice.

We understand that Michigan is in the process of drafting proposed statutory and regulatory changes aimed at curing those inconsistencies. Please keep us informed about the status and provide ASC with copies of the adopted amendments.

Please respond to our findings and recommendations within 60 days following the receipt of this letter. Until the expiration of that period or the receipt of your response, we consider this field review to be an open matter. After receiving your response or the expiration of the 60-day response period, whichever is earlier, this letter, your response and any other correspondence between you and the ASC regarding this field review become releasable to the public under the Freedom of Information Act and will be made available on our Web site.

Please contact us if you have further questions.

Sincerely,

Virginia M. Gibbs
Chairman

cc: Joyce Carr, Licensing Division Director