

Appraisal Subcommittee

Federal Financial Institutions Examination Council

August 9, 2007

Mr. Steven MacSwain, Chair
Alaska Certified Real Estate Appraisers Board
P.O. Box 110806
Juneau, Alaska 99811-0806

Dear Mr. MacSwain:

Thank you for the cooperation of the Department of Commerce and Economic Development (“Department”) and the Alaska Certified Real Estate Appraisers Board (“Board”) in the May 22-23, 2007 Appraisal Subcommittee (“ASC”) review of Alaska’s real estate appraiser regulatory program (“Program”). Based on our review, the Department and Board need to resolve two concerns to bring the Program into substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (“Title XI”).

- **The Department and Board failed to ensure that applicants for appraiser credentials met Appraiser Qualifications Board (“AQB”) experience and education criteria.**

Based on our review, we found that the State’s application review process failed to ensure that all applicants met AQB criteria. ASC staff reviewed all 42 applications received by the State since our previous field review.

- ***The Department and Board failed to ensure that certified applicants met the AQB’s minimum time period requirements during which experience must be earned.***

AQB criteria require applicants for certified residential and certified general credentials to earn their experience over at least 24 or 30 month periods, respectively. ASC staff found that the State issued a certified residential credential to an appraiser on the basis of an experience log that failed to support that the appraiser’s experience was earned over at least 24 months. ASC staff also found that another certified residential appraiser was issued a credential on the basis of an experience log that failed to include any performance dates, thus making it impossible for the Board and Department to determine whether the applicant met the AQB’s 24 month experience requirement.

To address this concern, the Department and Board need to:

1. Immediately stop issuing certified credentials to persons who cannot support that they conform to AQB criteria;
2. Review all application processing policies and procedures to determine how the two appraisers discussed above were improperly qualified for certification and implement changes to those policies and procedures to remedy any deficiencies found during your review;

3. Within 15 days from the date of this letter, notify the two appraisers who obtained certified credentials improperly and request appraisal logs or other documentation to support their experience claims;
 4. Within 30 days from the date of this letter, review the appraisal logs or other documentation from those appraisers to determine whether they conform to AQB criteria;
 5. Reissue the appraisers' certified credentials, with corrected effective dates, if one or both did not have the necessary experience at the time the certified credential was issued, but now have obtained the needed appraisal experience; and
 6. Within 90 days from the date of this letter, downgrade the credential to the registered trainee classification, if one or both fail to have sufficient experience to support their certified credentials. Alternatively, the Department and Board could conspicuously overstamp existing credentials with the wording "Not eligible to appraise federally related transactions." The Department will need to forward to the ASC changes to their National Registry entries. National Registry entries for appraisers with over stamped credentials need to be marked inactive and non-AQB compliant, and entries for appraisers downgraded to the registered trainee classification need to be placed on inactive status and noted as expired.
- ***The Department and Board failed to ensure that applicants for certification met the AQB's minimum experience hour requirements.***

Applicants for certification must meet the AQB's minimum hourly experience requirements. Certified residential and certified general applicants, respectively, must document 2,500 and 3,000 experience hours of USPAP-compliant appraisal experience. The Department and Board issued a certified general credential to one applicant whose experience log contained only clerical and administrative work. This applicant had no appraisal experience.

To remedy this deficiency, the Department and Board need to:

1. Immediately stop issuing certified credentials to applicants who fail to meet the AQB's minimum experience requirements for certification;
2. Immediately review all application processing policies and procedures to determine how the appraiser noted above was improperly qualified for certification and implement changes to those policies and procedures to remedy any deficiencies found during the review;
3. Within 15 days from date of this letter, notify the certified general appraiser who improperly received a certified credential and request an appraisal log (or other documentation) and work samples to support the experience claimed on the application;
4. Within 45 days from date of this letter, review the appraisal log, or other

documentation, and work samples to determine whether the appraiser's experience was USPAP compliant and met AQB criteria;

5. Reissue the certified credential with a corrected effective date, if the appraiser is unable to document the appropriate experience as of the date of application, but can currently document having the appropriate experience; and
6. Within 90 days from the date of this letter, downgrade the credential to the registered trainee classification if the appraiser fails to have sufficient experience to support the certified credential. Alternatively, the Department and Board could conspicuously overstamp the existing credential with the wording "Not eligible to appraise federally related transactions." The Department will need to forward to the ASC changes to this appraiser's National Registry entry. National Registry entries for appraisers with overstamped credentials need to be marked inactive and non-AQB compliant, and entries for appraisers downgraded to the registered trainee classification need to be placed on inactive status and noted as expired.

➤ ***The Department and Board approved and accepted qualifying education courses that failed to meet AQB criteria.***

Under AQB certification criteria, qualifying education courses must be at least 15 hours long and must have an examination. (The time to take the examination is included within the 15 hour course length.) ASC staff reviewed all 52 qualifying education courses and found that the following four courses were not 15 hours long, with three not meeting the examination requirement:

1. Course 402 – Introduction to the Income Capitalization Approach (eight hours and no examination);
2. Course 403 – Easement Valuation (seven hours and no examination);
3. Forecasting Revenue (seven hours and no examination); and
4. Business Practices & Ethics (eight hours).

While on-site, ASC staff determined that certified appraisers who had taken these courses for qualifying education hours had sufficient totals of education hours to qualify for their certification levels without the hours related to these four courses.

To address this concern, the Department and Board need to:

1. Immediately cease approving and accepting qualifying education courses that do not conform to AQB criteria;
2. Revoke approval of all education courses that fail to conform to AQB criteria;

3. If additional initial education courses have been approved since our field review, within 30 days from the date of this letter, review the listing of approved qualifying education courses to identify any courses that fail to meet the AQB criteria;
 4. If additional applications for certification have been received since our field review, within 30 days from the date of this letter, review those applications to ensure that those applicants have sufficient education hours to qualify for their certifications without the education hours related to the four courses noted above;
 5. If certifications have been issued to applicants who do not meet the AQB's minimum education requirements because these four courses were improperly accepted as qualifying education, within 30 days from the date of this letter, contact those appraisers and request education certificates or other documentation supporting their education claims;
 6. Within 45 days from the date of this letter, review the education certificates or other documentation from the appraisers identified in step 5 to determine whether the education claimed by the appraisers conform to the AQB's certification criteria;
 7. Within 60 days from the date of this letter, begin the process of downgrading to the appropriate classification those appraisers who cannot support their certified credentials or who fail to submit supporting documentation. Alternatively, the Board could recall existing certifications and over stamp them with wording, "Not eligible to appraise federally related transactions." The Department will need to forward to the ASC changes to these appraisers' National Registry entries. National Registry entries for appraisers with overstamped credentials need to be marked inactive and non-AQB compliant, and entries for appraisers downgraded to the registered trainee classification need to be placed on inactive status and noted as expired.; and
 8. Within 90 days from the date of this letter, report to ASC staff the results of steps three through seven.
- **The Department and Board failed to investigate and resolve two complaints in a timely manner.**

Although complaint files were well documented and actions appeared fair and appropriate, the State failed to investigate and resolve two complaints in a timely manner. The chart below provides summary statistics:

Field Review Cycle	Complaints Received	Complaints outstanding	Complaints outstanding more than 1 year
Aug 2001– May 2004	15 (~ 5 per year)	3	1 (33%)
June 2004 - May 2007	22 (~ 7 per year)	4	2 (50%)

Under ASC Policy Statement 10 E, State appraiser regulatory agencies need to investigate and resolve complaints on a timely basis. That Policy Statement provides that, absent special

documented circumstances, State agency administrative decisions regarding complaints should occur within one year of the complaint filing.

The Department received the first of the two aged cases in 2002. The Department held a hearing in December 2005. The Administrative Hearing Officer, who heard the case in 2005, subsequently left his position without issuing findings of fact and conclusions of law. A new Administrative Hearing Officer was assigned to the case but, at the time of our field review, had not taken any further action.

The second case was received in 2005, and had been on hold while a civil case involving the same circumstances was being heard in State Superior Court. The Department was holding the case open pending resolution of the court case.

The Department and Board need to proceed without regard to the civil case. A pending civil matter arising out of the same facts and circumstances alleged in a complaint filed with the Department does not justify placing the investigation on hold. Under Title XI and ASC Policy Statement 10 E, State agencies have a duty to investigate and make timely determinations regarding each complaint, independent of related civil or criminal matters involving the same respondent.

To address this concern, the Department and Board need to:

1. Take the necessary steps to expedite the resolution of the two aged cases; and
2. Report to ASC staff the status of the two aged cases.

Unless indicated otherwise above, please respond to our findings and recommendations within 60 days from the date of this letter. Until the expiration of that time or the receipt of your response, we consider this 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 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 any questions.

Sincerely,

Virginia M. Gibbs
Chairman

cc: Jan Mays, Licensing Examiner
Cori Hondolero, Licensing Supervisor