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Appraisal Subcommittee

Federal Financial Institutions Examination Council

September 14, 2001

Vince Coan, Chairperson
Alaska Certified Real Estate Appraisers Board
P.O. Box 110806
Juneau, AK 99811-0806

Dear Mr. Coan:

Thank you for your cooperation and your staff's assistance in the August 6-8, 2001 Appraisal Subcommittee ("ASC") review of Alaska's appraiser regulatory program ("Program") and Board of Certified Real Estate Appraisers ("Board").

In most respects, Alaska operates an effective Program. Disciplinary complaints were thoroughly investigated, equitably resolved, and files well documented. However, Alaska needs to revise its temporary practice regulations to comply with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI"). The Board also needs to implement a more meaningful experience verification process for certified residential applicants, such as the one used for certified general appraisers.

- **Alaska's Courtesy License (*i.e.*, temporary practice) regulations and procedures do not comply with Title XI and ASC Policy Statement 5.**

We acknowledge the regulatory and policy changes that the Board and the Department of Community & Economic Development ("Department") implemented in response to our September 14, 1998 field review letter. Nonetheless, the following three areas still must be addressed for Alaska's courtesy license program to comply with Title XI and the ASC's implementing Policy Statement 5.

Definition of "assignment"

The courtesy license application requests applicants to identify the "legal description (singular piece of property) of the real estate to be appraised." This requirement reflects the Board's historical policy of defining assignment as one property. As provided in ASC Policy Statement 5, an assignment means one or more real estate appraisals and written appraisal reports that are covered by a contract to provide an appraisal. Although the Board was unable to schedule a meeting to coincide with our August review, ASC staff were able to meet with several Board members. These Board members indicated that Alaska's position regarding assignment changed after our 1998 field review. However, we did not find any reference in the Board's meeting minutes reflecting a revised position. Additionally, the courtesy license application form continues to indicate that approval applies to a single piece of property, instead of all properties covered by a temporary practice assignment.

The Board needs to clarify its policy regarding the definition of "assignment" for courtesy license purposes to conform to ASC Policy Statement 5.

Limiting appraisers to one courtesy license (i.e., temporary practice permit) per calendar year

Alaska limits appraisers to a single courtesy license per calendar year. ASC Policy Statement 5 identifies as a prohibited burdensome requirement the limiting of appraisers to a single temporary practice permit per year. Although we discussed the need to correct this provision in our previous field review letter, Alaska has not corrected it. The Board still needs to amend its regulations so that appraisers are not restricted to a single courtesy license per year.

Fee Requirement

In March 2001, the Department issued proposed regulations to increase its courtesy license fee from \$100 to \$250. In a March 21, 2001 letter commenting on the proposed regulatory change, we notified the Department that such a change would be in conflict with Title XI as implemented by ASC Policy Statement 5. In her June 12th letter, Division of Occupational Licensing Director Catherine Reardon advised us that the Department adopted the increased fee, that she did not believe Alaska was in violation of Title XI, and that the ASC should reconsider Policy Statement 5. In our August 3rd response, the ASC offered the Department the opportunity to provide clear and convincing evidence that the fee increase was warranted and why we should not consider the fee excessive.

In addition to the information provided in our August 3rd letter, we offer the following comments based on information gained during our field review. Based on the Department's FY 2001 annual report of fees charged in various professions, it does not appear that the temporary practice fee charged appraisers is consistent with similar fees charged in other professions. The temporary practice fee charged in other professions of similar size or smaller was \$150 or less. The report also indicated that the appraisal profession was the only one selected for a FY 2002 fee change for the temporary practice classification.

The following information was extracted from the Department's annual report.

Profession	Number of licensees	Biennial Fee for Permanent licensees	Temporary Practice Fee	Percent of Annual Permanent Fee
Appraisers	174	\$515*	\$250*	97%
Chiropractors	196	\$400	\$75	38%
Marital & Family Therapist	124	\$775- License \$415- Associate License	\$100	26% or 48%
Naturopaths	20	\$310	\$50	32%
Psychologists	192	\$975	\$150	15%

*After FY 2002 fee change effective July 1, 2001

In our August 3rd letter to Director Reardon, we stated, "To assist with our evaluation and to support your claim that your new temporary practice fee is not excessive, please provide us written documentation to support your analysis of Alaska's appraiser fee structure and the need to assess a temporary practice fee of \$250. Your analysis should be as detailed as possible and should include the rationale for your decisions, including a breakdown of all costs associated with providing temporary practice." We are awaiting Director Reardon's response to our letter.

If the Department is unable to provide satisfactorily analysis and documentation to support the increased courtesy license fee, the Department must reduce the fee to not more than \$150 per assignment, in accordance with Title XI and ASC Policy Statement 5. We would prefer that Department and Board comply voluntarily.

- **Alaska’s affidavit validation process for certified residential applicant work experience is not meaningful.**

Alaska allows applicants for residential certification to submit affidavits attesting to the required 2,500 hours of qualifying experience, but the Board does have a meaningful method for validating the claimed experience. Most often, States use some form of random audit to ensure validity. Alaska’s regulations (12 ACC 70.110) provide that an applicant’s qualifying work experience must be verified by a combination of at least three different individuals, on forms provided the by the Department. The Board accepts verifications from: a licensed construction contractor; a Federal or State regulated lender; a present or former employer; an officer of a State or Federal agency; or an officer of a company that customarily uses the services of a real estate appraiser who has recent knowledge of the applicant’s experience on the company’s behalf.

We have concerns regarding the persons who submit verifications and the verification form itself. The individuals verifying the applicant’s experience may not be knowledgeable of appraisal practice or USPAP. For example, it is doubtful that a licensed construction contractor would have such knowledge. Additionally, the verification form is structured such that the individual is required to pledge that the applicant has at least the requisite 2,500 hours of experience, even though the individual may not have been associated with the applicant for the entire 2,500 hours. We reviewed one verification form signed by a loan officer in which the loan officer certified that the appraiser had at least 2,500 hours of experience in real property appraisal, and that he was associated with the appraiser from June 1998 through June 1999. Effectively, the loan officer certified that the appraiser obtained at least 2,500 hours of acceptable experience in a one-year period. This is questionable because the typical work year has less than 2,100 hours. The Board or Department required no further verification.

Additional concerns include: the affidavit does not include a description of the type of appraisal work performed by the applicant; persons verifying the experience are not required to explain what appraisal activity they observed, supervised, or otherwise had knowledge of the appraiser performing; nor do these persons attest to the fact that all work was prepared in accordance with USPAP.

We encourage the Board to require experience logs from certified residential applicants, just as it does for certified general applicants. If the Board wishes to continue to accept experience affidavits from certified residential applicants, the Board must amend its regulations and procedures to require a meaningful verification process, such as random audits of claimed experience.

- **Alaska’s initial licensing cycle could exceed two years, thereby requiring that the State collect and remit \$75 in National Registry fees to the ASC.**

Alaska issues appraiser credentials with expiration dates set at June 30th of the next odd year (*e.g.*, 1999, 2001, 2003). For credentials issued within 90 days of the end of the biennial cycle, the Department issues credentials expiring the next biennium. For example, credentials issued in

April, May, and June 2001, would have June 30, 2003 expiration dates. This creates the potential for 25-27 month initial licensing cycles. We discussed this issue with Director Reardon. She stated that this provision is tied to the Department's uniform regulations and cannot be changed. The Board and Department should be aware that National Registry fees are \$25 for each year or portion of a year. Appraiser credentials issued for 25-27 months require three-year, \$75 Registry fees. If the Department issues credentials for such periods, the Department needs to collect and remit the correct Registry fees.

In closing, we also encourage the Department to use the ASC License History Report for processing applications from out-of State appraisers. We found that most of the 35 courtesy licenses issued between July 1998 and July 2001 were delayed awaiting receipt of a letter of good standing from another jurisdiction. As our staff demonstrated during their visit, the License History Report feature of our Web site provides comprehensive information about appraisers much faster than waiting for letters of good standing.

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 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.

If you have any questions, please contact us.

Sincerely,

Thomas E. Watson, Jr.
Chairman

cc: Catherine Reardon, Director
Division of Occupation Licensing
Deborah B. Sedwick, Commissioner
Department of Community & Economic Development