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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

September 5, 2007

Jim Martin, Executive Director  
Arkansas Appraiser Licensing & Certification Board  
101 East Capitol  
Suite 430  
Little Rock, AR 72201

Dear Mr. Martin:

This letter responds to your March 22 and 26, 2007 letters regarding the ASC's findings concerning mass appraisal/*ad valorem* tax appraisal experience in our July 19, 2006 field review letter. In your March 22<sup>nd</sup> and 26<sup>th</sup> letters respectively, you described Arkansas' system for administering property tax laws and clarified factual information regarding the status of several affected appraisers. Those letters were in response to our March 14, 2007 letter that recounted your March 13<sup>th</sup> telephone conversation with Marc Weinberg, ASC General Counsel. We have attached these letters for your information and reference.

In our April 4, 2007 interim response, we stated that we would respond to your letters after the May 2007 Association of Appraiser Regulatory Officials ("AARO") conference because the subject of mass appraisal/*ad valorem* tax appraisal experience was being discussed at that conference.

While attending the AARO conference, you and other Arkansas Appraiser Licensing & Certification Board ("Board") representatives met with Mr. Weinberg and me to discuss the ASC's findings, and how the Board could remedy the situation. We recall that our discussion focused on three areas: (1) State procedures needed to validate certification applicants' *ad valorem*/tax appraisal experience claims under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, ("Title XI") and the Appraiser Qualifications Board's ("AQB") certification criteria; (2) whether Arkansas' *ad valorem*/tax appraisal system provided us with a reasonable factual basis to conclude that the qualifying experience of *ad valorem*/tax appraisers had been verified in an acceptable manner, *i.e.*, whether that experience existed, and whether it was compliant with the Uniform Standards of Professional Appraisal Practice ("USPAP"); and (3) the Board's need to ascertain whether appraisers complied with AQB criteria at this time, not at the time when those appraisers were initially certified.

With respect to the first point, we discussed the ASC findings set forth in its July 19, 2006 field review letter, as explained in more detail in our November 17, 2006 response letter. Since that time, the ASC proposed and adopted new ASC Policy Statement 10 G, which memorialized the essential elements discussed in those two letters. ASC Policy Statement 10 G is relevant because it does not set forth new requirements; it restates and clarifies longstanding requirements. As such, Arkansas' procedures for validating experience claims from *ad valorem*/tax appraiser certification applicants need to conform to that new paragraph. We have enclosed these documents for your information.

Our discussion of the second point centered on whether compliance with the standards of the International Association of Assessing Officers (“IAAO”) ensured compliance with USPAP Standard 6, which was your understanding as stated in your March 22<sup>nd</sup> letter. As we stated in our March 15<sup>th</sup> letter, if Arkansas’ *ad valorem*/tax appraisal system were to ensure that *ad valorem*/tax appraisal work that did not comply with IAAO standards work was rejected, then we might have a reasonable factual basis to conclude that the qualifying experience of certified *ad valorem*/tax appraisers had been verified in an acceptable manner.

After discussion, we, however, concluded that the IAAO standards were not equivalent to USPAP Standard 6. I discussed the issue with the Appraisal Standards Board (“ASB”) in conjunction with an ASB meeting. The general consensus of the ASB was that conformance to IAAO standards does not, in and of itself, ensure compliance with USPAP Standard 6. As a result, Arkansas’ *ad valorem*/tax appraisal system lacked the most fundamental element for reasonably assuming that the system ensured compliance with USPAP.

Regarding the final point, to avoid any misunderstanding, we discussed that, when determining whether *ad valorem*/tax appraisers would have sufficient USPAP-compliant experience to continue to hold their certified credentials, the State would need to determine whether each appraiser had earned sufficient qualifying experience during any period of time, up until today. The Board was *not* required to determine whether qualifying experience existed prior to the date that certifications were issued to the appraisers.

We recall that our meeting ended cordially, and that you pledged to take the necessary steps to alleviate our concerns.

In your previous correspondence regarding this situation, you provided us with details regarding the numbers of affected appraisers, the Board’s steps to assure compliance, and the status of those affected appraisers. In light of our meeting at the AARO conference and the passage of time since that meeting, we would appreciate your providing us with a final status report regarding these appraisers.

Thank you, and please contact us if you have any questions.

Sincerely,

Ben Henson  
Executive Director

Enclosures