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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

January 27, 2003

C. Marie Meahl, Chair  
Arizona Board of Appraisal  
1400 W. Washington, Suite 360  
Phoenix, AZ 85007

Dear Ms. Meahl:

Thank you for your cooperation and your staff's assistance in the October 15-18, 2002 Appraisal Subcommittee ("ASC") review of Arizona's real estate appraiser regulatory program ("Program"). We were pleased to see that, since our previous review, the Board and staff made great strides in improving the complaint investigation and resolution process. As a result, the Board has been able to resolve a large number of cases. During our current review, we identified several areas that need your attention.

- **The Board had not yet begun to address the 2003 Appraiser Qualification Board ("AQB") Changes.**

On October 27, 2000, the AQB adopted revisions to its Criteria that became effective on January 1, 2003. Many of these revisions require State statutory and/or regulatory amendments. At the time of our review, the Board had not begun the process of amending its rules to address the 2003 AQB Criteria changes. We understand that you have agreed to initiate the necessary changes to conform to the revised Criteria by April 2003. Please keep us informed of your progress to adopt and implement the revised Criteria.

- **The Board is not reporting all disciplinary actions to the ASC as specified by Policy Statement 9, Information Sharing.**

As provided in ASC Policy Statement 9, it is important for States to report expeditiously to the ASC any disciplinary action taken against licensed or certified appraisers. While Arizona regularly provides information on disciplinary actions taken as a result of hearings and consent agreements, sanctions imposed via Due Diligence Letters have not been reported to the ASC. During our field review, we noted that sanctions such as probations and additional education requirements were imposed and appraisers notified via Due Diligence Letters.

The Board, therefore, needs to provide to the ASC information regarding disciplinary actions taken via Due Diligence Letters. Within 60 days of your receipt of this letter, please submit a report to the ASC identifying disciplinary actions taken via Due Diligence Letters since you began using this form of disciplinary notification. Also, please ensure that future actions are included in subsequent disciplinary action reports submitted for inclusion on the National Registry.

- **The Board and staff are not properly monitoring disciplinary sanctions.**

Through its disciplinary process, the Board often requires appraisers to work under the supervision of a mentor. Some mentors, however, do not appear to completely understand their responsibilities and are not properly screened before permitting them to be mentors. In fact, some appraisers serving as mentors were themselves the subject of disciplinary actions. Also, it does not appear that anyone reviews the appraisers' logs and the mentors' reports. Similarly, it does not appear that probationary sanctions are tracked to ensure that appraisers meet the terms of their probations. We encourage the Board and staff to:

1. Review and revise the mentoring program to screen and select mentors to assure that they have not been subject to disciplinary actions that might impair their ability to function effectively and that they are fully aware of their responsibilities;
2. Review the logs and work samples provided in response to consent agreements to ensure that the terms of the agreements have been met; and
3. Establish procedures to track probationary sanctions.

- **The Board needs to correct several inaccurate references in its regulations.**

The Board's regulations contain several inaccurate references. For example, they state that the ASC establishes standards and criteria for appraisers. In fact, the Appraisal Standards Board and Appraisers Qualifications Board establish standards and criteria, respectively. ASC staff discussed these inconsistencies with the Board and its staff during the review. The Board needs to initiate the necessary regulatory amendments to correct the inconsistencies. ASC staff are available to review proposed amendments to assist in this effort.

- **The Board should use the License History Report from the ASC Web site in processing temporary practice applications.**

We encourage the Board to use the ASC Web site's License History Report feature for processing temporary practice and reciprocal applications from out-of-State appraisers. While your staff routinely obtains License History Reports from our Web site, it does not rely on those reports to approve or not approve the application. Our review revealed several lengthy delays caused by waiting for letters of good standing.

License History Reports provide a more complete record of an appraiser's standing in all States and in a more timely manner than other verification methods, including letters of good standing from individual States. The National Registry provides a complete record of an appraiser's standing in every jurisdiction in which he or she holds, or has ever held, a credential. Use of the License History Report should expedite the decision-making process.

Please respond to our findings and recommendations within 60 days from the date of this letter. Until the expiration of that time 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.

If you have any questions, please contact us.

Sincerely,

Steven D. Fritts  
Chairman

cc: Edward Logan, Executive Director  
Arizona Board of Appraisal