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Appraisal Subcommittee

Federal Financial Institutions Examination Council

February 17, 2006

Gregory Syphax, Chairperson
District of Columbia Board of Appraisers
Department of Consumer and Regulatory Affairs
941 North Capitol Street, N.E., Suite 7W50
Washington, DC 20002

Dear Mr. Syphax:

Thank you for your December 27, 2005 letter describing your continuing efforts to address concerns regarding the District of Columbia's ("District") appraiser regulatory program ("Program"). We originally notified you of our concerns in a January 5, 2005 field review letter and again in an August 18, 2005 follow-up field review letter and our November 17, 2005 letter responding to your October 3, 2005 letter. Our correspondence identified serious weaknesses in the Program that, if not cured, will require the ASC to initiate a non-recognition proceeding against the District under § 1118 of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, ("Title XI"), 12 U.S.C. 3347, and 12 C.F.R. part 1102, subpart B (2005).

While the actions you described in your December 27th letter appear promising, we will be determining whether they effectively address our concerns when we conduct our next full field review on March 13-15, 2006. If your Program at that time still fails to comply with Title XI, as stated in our January 2005 field review letter, the ASC will initiate a non-recognition proceeding against the District.

Because the following discussion is complex, we organized it using the bulleted items in our field review letter and subsequent emails and conversations. Under each of those bullets, we provide the current status of each item based on your response. We then identify any actions that the District needs to take. We conclude the letter by detailing the items needed for our upcoming field review of the Program.

As discussed in more detail below, the Department and Board need to complete the following actions:

1. Continue to update Vicki Ledbetter of our staff via email regarding the status of the proposed legislation and regulatory amendments;
2. Provide Ms. Ledbetter copies of the temporary practice application and other printed materials reflecting the change in the temporary practice fee;
3. Forward to Ms. Ledbetter via email immediately upon receipt of this letter and again on March 2nd a log reflecting the status of all complaint cases; and
4. Send the information requested in preparation for the field review by March 2, 2006.

DISCUSSION of CONCERNS and NECESSARY ACTIONS

- 1. The D.C. Real Estate Appraisers Board (“Board”) has been unable to attain a quorum on a regular basis, which has seriously undermined substantive portions of the District’s Program.**

Current Status: One of the Board and Department’s planned actions to resolve this concern is to restructure the Board to facilitate achieving a quorum. This restructuring requires amendment to the Board’s enabling statute. You submitted the statutory amendment to the Council in late October/early November 2005. Our November 17, 2005 letter expressed concern regarding the rate at which the adoption of this amendment was progressing. We encouraged you to solicit the assistance of Office of Boards and Commissions Director Ron Collins to facilitate movement of the amendment. We also required Department staff to provide weekly email updates to Ms. Vicki Ledbetter to monitor its progress.

While those weekly updates were not provided, your December 27th letter reported that, on December 6, 2005, the proposed amendment was introduced and referred to the Committee on Consumer and Regulatory Affairs chaired by Councilmember Jim Graham. You also reported that, as of December 22nd, Councilmember Graham requested that all three pieces of the legislation (emergency, temporary, and permanent) be placed on the January 4th legislative agenda. In a January 9, 2006 email sent by Branch Chief Cheryl Randall-Thomas to Ms. Ledbetter, she advised us that, on January 4th, the Council approved the temporary and emergency legislation containing the amendment. As a result, the curative amendment now is effective. The permanent version of the amendment, we understand, will be adopted following routine methods.

Because the legislation now is in effect, we expect the Board to begin immediately the process of drafting, proposing, and adopting amendments to the District’s regulations to implement the statutory changes. As stated in our November 17th letter, we expect the Department and the Board to adopt these regulations on an emergency basis.

Necessary Action: Provide Ms. Ledbetter with weekly email updates regarding the status of the implementing regulations, and provide her with monthly updates regarding the status of the legislation permanently adopting the curative amendments.

- 2. The District does not investigate and resolve complaints against appraisers in a timely manner:**
 - a. Most, if not all, complaints submitted within the past five years were unresolved, and complaint file documentation was incomplete; and**
 - b. Investigative reports lacked substance.**

Current Status: As directed in our August 18th follow-up review letter, the Board/Department has been providing us monthly with complaint logs. Your December 27th letter provided a detailed discussion of the Board/Department’s actions to address our concerns regarding the complaint resolution process. Based on our review of your current log and conversations among your staff and Ms. Ledbetter, it appears that some progress is being made. We understand that

two disciplinary hearings were conducted in January and that a third should be completed this month.

Necessary Action: Continue to provide monthly complaint logs.

3. The District's temporary practice fee is not consistent with ASC Policy Statement 5.

Current Status: According to your December 27th response, effective January 1, 2006, the temporary practice fee was reduced to \$150. As you know, under Title XI and ASC Policy Statement 5, temporary practice fees above \$150 are excessive and burdensome. At the time of our 2004 field review, the District had increased its temporary practice fee from \$150 to \$165. Since our 2004 field review, the District again increased its temporary practice fee from \$165 to \$215.

Necessary Action: Provide us a copy of the temporary practice application and other documents supporting the reduction of the temporary practice fee to \$150.

4. The Statute and/or regulations do not conform to the AQB certification criteria changes.

Current Status: According to your October 3, 2005 response, curative language was included in the proposed amendments submitted on September 27, 2005, to the Mayor's office. From your December 27th letter, we understand that the newly adopted temporary and emergency legislation on January 4th will enable the Board to proceed with adoption of implementing regulations.

Necessary Action: Provide Ms. Ledbetter with weekly email updates regarding the status of the implementing regulations, and provide her with monthly updates regarding the status of the legislation permanently adopting the curative amendments.

5. The District experienced problems with automated credential renewals, relying on appraiser affidavits for continuing education.

Current Status: In its December 27th letter, the Board stated that it has implemented new renewal procedures to ensure that renewing appraisers meet the AQB continuing education criteria. Those procedures included:

- a. Assigning each appraiser a personal identification number;
- b. Including on an instruction sheet a notice regarding the District's continuing education requirements;
- c. Issuing hardcopies of credentials only after the Department receives the necessary continuing education certificates; and
- d. Auditing the continuing education claims of renewing appraisers within 60 days of the end of the renewal period.

In addition, the Board noted that on-line renewals generally were going "very well."

Your December 27th response failed to bring us up to date regarding the status of the one certified general appraiser and the two licensed appraisers who failed the continuing education affidavit audits. You stated in your October 3rd letter that the Board would be seeking a consent order against the certified appraiser and that the Board would be taking disciplinary action against the two licensed appraisers.

Necessary Actions: During our March 2006 field review, we will closely analyze how the District's renewal procedures worked during the February 2006 renewal cycle, and we will evaluate your actions regarding the three appraisers who failed the continuing education audit.

- **March 2006 Field Review**

ASC Policy Managers Vicki Ledbetter and Denise Graves will begin our next field review of your Program on March 13th at 10:00 a.m. in your office with an opening conference. We request that all key personnel attend this meeting. Ms. Ledbetter and Ms. Graves will continue the review at 9:00 a.m. on March 14th in Promissor's office in New Carrollton, MD, and will conclude the field review on March 15th when they attend that day's Board meeting. They will conduct an exit conference to discuss preliminary review findings at the end of the Board meeting.

As in previous field reviews, Ms. Ledbetter and Ms. Graves will spend most of their time reviewing selected files and records for the period under review (June 2004, through March 2005). Please have available for their review complete files of all appraiser-related complaints; approved and disapproved education courses and providers or instructors; and approved and disapproved resident, temporary practice, and reciprocal applications. If you have any questions regarding the availability of any of these records, or questions regarding our authority to review such records, please notify us at your earliest convenience before the review dates. We also might need access to additional records and/or information during the course of the review.

To assist in our preparation for the field review, please send us two copies of the following information by March 2, 2006, for our review prior to arriving on site:

- Current and proposed real estate appraiser-related statute and regulations;
- Blank copies of current real estate appraiser applications (including those for resident licensure /certification, temporary practice, reciprocity, and education provider/instructor approval);
- Official Board and committee meeting minutes issued during the review period;
- For open complaint cases on the most recent complaint log that have been referred to other governmental departments, divisions, offices, and any private third party processors, obtain a log or other written document updating the following information regarding each referred case: case number; respondent; complainant; date referred; present location; and current status;
- List of temporary practice permit applications received during the review period, identifying the applicant, date of application, date of issuance, and date of expiration, if any;
- List of all approved real estate appraiser-related education course offerings and course providers or instructors; and

- An organizational chart, including the names and phone numbers of employees involved in, or part of, the management of your Program.

In addition to the two printed copies of this information, please provide any of this information that is easily available in Microsoft Excel or Word format on a computer diskette or CD-ROM.

Again, thank you for your efforts to address our concerns. We look forward to meeting with you in March.

Please contact us if you have further questions.

Sincerely,

Ben Henson
Executive Director

cc: Honorable Anthony A. Williams, Mayor
Ronald Collins, Director, Office of Boards and Commissions
Cheryl Randall-Thomas, Branch Chief
Clifford Cooks, Applications Officer