

■ ■ ■ ■ ■ ■ ■

Appraisal Subcommittee

Federal Financial Institutions Examination Council

May 2, 2008

Mr. Jerome Farrow, Chair
District of Columbia Board of Real Estate Appraisers
Department of Consumer and Regulatory Affairs
941 North Capitol Street, N.E., Room 7200
Washington, DC 20002

Dear Mr. Farrow:

Thank you for the cooperation of the Board of Real Estate Appraisers (“Board”) and the assistance of the Department of Consumer and Regulatory Affairs (“Department”) and Pearson Vue during the Appraisal Subcommittee’s (“ASC”) March 17-19, 2008 field review of the District’s real estate appraiser regulatory program (“Program”).

Based on our review, the District needs to resolve three 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 District’s complaint investigation and resolution process did not comply with Title XI and ASC Policy Statement 10 E.**

During this field review, we again found that most complaint cases had been outstanding for more than one year, thus failing to comply with ASC Policy Statement 10 regarding prompt, effective complaint investigation and resolution. We previously cited the District for this issue in our May 1, 2003; October 18, 2004; January 5, 2005; April 18, 2006; and August 13, 2007 field review letters as well as our August 18, 2005 follow-up review letter.

We note that the changes implemented in late 2005, particularly the use of contract review appraisers, have had a positive affect on the District’s complaint investigation and resolution program. We noted an improvement in file documentation, quality of investigative reports and improved timeliness of moving complaints through the process. The Board closed eleven complaints since our previous review, and received five new ones. Thus, the number of outstanding complaints decreased from 35 to 29.

Of the 29 complaints outstanding, 26 had been in progress for more than one year. Thirteen of the 26 dated complaints are against two appraisers, one appraiser is named in ten cases and another appraiser is named in three. Therefore, while there are 26 aged complaints, they involve only 15 appraisers. Of the 26 aged complaints, 20 were received between 2002 and 2005.

Under ASC Policy Statement 10 E, State appraiser regulatory agencies need to investigate and resolve complaints on a timely basis. The Policy Statement provides that, absent special documented circumstances, State agency administrative decisions regarding complaints should occur within one year of the complaint filing. Because 90% of the District's complaints have been in process for more than one year, it fails to comply with this policy.

In order to resolve this longstanding concern, the Board and Department must:

1. Within 60 days from the date of the field review letter, provide the ASC with a written plan to resolve the aged cases; and
 2. Submit quarterly electronic complaint logs to Jenny Tidwell at jenny@asc.gov reflecting the current status of all outstanding complaints.
- **The District's credential renewal regulations and procedures did not conform to AQB continuing education criteria.**

The District has a two-year credential renewal cycle, with expirations occurring on the last day of February of even numbered years. The District's administrative rules allow appraisers credentialed for more than one year, but less than two years, to renew their credentials with 14 hours of continuing education.

Effective January 1, 2007, the AQB adopted a criteria interpretation addressing partial year continuing education requirements. If the partial year contains 185 days or more, 14 hours of continuing education are required. If the partial year contains less than 185 days, no continuing education is required.

While on site, we reviewed random samples of credential renewal applications from the February 29, 2008 renewal and discovered that the District's procedures did not agree with its own regulations or with AQB criteria. The District's regulations do not require continuing education for the portion of the year the appraisers held a credential in excess of 185 days. We also found that appraisers who received their initial credential at any point within the two-year renewal cycle were not required to submit proof of continuing education. The latter appeared to be a procedural error stemming from either the fact that the District's regulations do not require trainee appraisers credentialed within the two-year renewal cycle to submit continuing education or that the Department does not require credential holders in other disciplines that it regulates to complete continuing education during their first renewal cycle. It appears that this allowance was mistakenly applied to licensed and certified appraisers during the last renewal cycle.

Once we made the District staff aware of this error, it immediately began taking steps to cure the problem. Staff notified Pearson Vue of the issue and set up a meeting to discuss making the necessary changes. Staff also requested a report to identify all licensed or certified appraisers who received their initial credential during the renewal cycle. That query identified 43 appraisers. The District plans to have Pearson Vue review the applications of those 43 appraisers to identify those that did not submit continuing education in conformance with AQB criteria.

In order to resolve this concern, the Board and Department must:

1. Complete the necessary regulatory amendments to conform to the AQB criteria interpretation regarding continuing education for partial years;
 2. Complete the audit of licensed and certified appraisers who received their initial credential during the renewal cycle;
 3. By May 30, 2008, contact in writing the appraisers identified in #2 above as having failed to submit proof of the appropriate number of hours of continuing education in accordance with AQB criteria and request proof of the 14 or 28 continuing education hour deficiency within 30 days. (Note that continuing education completed after February 29, 2008 and used to meet this 2008 renewal requirement cannot be used to support renewal in 2010);
 4. Take appropriate disciplinary action against any appraiser who has failed to document conformance to AQB criteria:
 - a. For a certified appraiser, promptly downgrade the appraiser to a non-certified credential and report the credential as non-AQB compliant in National Registry data submissions; or
 - b. Recall the certified appraiser credential and reissue it overstamped with the phrase, "Not Eligible to Appraise Federally Related Transactions." Appraisers choosing overstamped credentials would be removed from the National Registry; and
 - c. For a licensed appraiser, report the credential as non-AQB compliant in National Registry data submissions.
 5. Ensure that procedures are in place so that future renewal applicants are required to complete continuing education in conformance with AQB criteria and provide us with those procedures within 60 days of the date of this letter.
- **The District did not submit disciplinary action data to the ASC for inclusion in the National Registry in accordance with ASC Policy Statement 9.**

Pearson Vue provides data submissions monthly on the District's behalf and remits fees timely and in accordance with ASC policy. However, ASC staff identified four disciplinary actions on the District's complaint log that did not appear on the National Registry. ASC Policy Statement 9A requires States to report disciplinary actions to the ASC at least monthly.

In order to resolve this concern, the Board and Department must provide us a listing of every disciplinary action that the Board has taken to date to ensure that the National Registry is up-to-date. Also, the Board and Department must establish and implement the necessary procedures to ensure that all future disciplinary actions are reported to the ASC on a timely basis, and to forward to us a copy of those procedures within 60 days of the date of this letter.

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: Clifford Cooks, Program Manager
Patsy Lockett, Program Officer
Leon Lewis, Program Liaison