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September 15, 2005

SEP 22 2005

Ms. Virginia M. Gibbs, Chairperson
Appraisal Subcommittee
Federal Financial Institutions Examination Council
2000 K Street NW, Suite 310
Washington, D! 20006

Dear Ms. Gibbs:

This letter is in response to your findings and recommendations following the field review of the Hawaii Real Estate Appraiser Program, as set forth in your letter dated July 18, 2005.

- **The Department needs to update its regulations to reflect changes in Appraiser Qualifications Board (AQB) criteria.**

As stated in your letter, we provided your staff with a draft of the proposed regulations that would incorporate the January 2003 AQB criteria changes. We are currently working on additional amendments to the proposed draft to address AQB's 2008 criteria changes. Since receipt of your letter we have spoken with Ms. Vicki Ledbetter of your staff and explained that our rule making process is time consuming and we would like to address the 2008 changes together with the 2003 changes to avoid any delays in implementing the 2008 changes. She agreed that this was an acceptable course of action. We will keep the Committee informed of our progress and forward you a copy of the regulations as soon as they are adopted.

- **The regulations do not adequately reference the Uniform Standards of Professional Appraisal Practice ("USPAP").**

The Hawaii Real Estate Appraisers Advisory Committee and its Deputy Attorney General both believe that Chapter 466K, Hawaii Revised Statutes (HRS) and Chapter 16-114, Hawaii Administrative Rules (HAR), adequately address each of the following issues that you raised:

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- 1. No legally enforceable practice standards appear to exist concerning appraisals in non-federally related transactions.** You state the following in your letter: "It appears that the Director never approved any current uniform standards of professional appraisal practice for appraisals in connection with non-federally related transactions. Therefore, no legally enforceable practice standards appear to exist concerning appraisals in non-federally related transactions." In addition, your letter states that: "These inconsistencies between the Statute, regulations, and practice could expose the State's enforcement program to successful legal challenge."

§466K-4, HRS, states that all licensed or certified real estate appraisers in the State *must comply with current USPAP approved by the Director* when performing appraisals for both federally or *non federally related real estate transactions*, and §16-114-2, HAR, defines USPAP as, "...the uniform appraisal standards including ethics and competency provisions established by the Appraisal Standards Board *as adopted and as it may subsequently be amended by the Appraisal Foundation.*" §16-114, HAR was approved by the Director (as indicated by the director's signature on the last page of the rules) before implementation.

Thus, we believe that §466K-4, HRS, requires the use of current USPAP approved by the director for non-federally related transactions and that the director-approved §16-114, HAR, provides for the incorporation of any subsequent amendments to USPAP. For these reasons, we believe that our current regulations are sufficient to withstand legal challenges.

- 2. USPAP must be incorporated by general reference or the most current version of USPAP must be incorporated by specific reference by the date that version becomes effective.** You state that ASC Policy Statement 3, "also requires States to either incorporate USPAP by general reference or take all necessary steps to ensure that the most current version of USPAP is incorporated by specific reference by the date that version becomes effective." You further recommend that Hawaii fully implement §466K-4(a) of its statute and amend its regulations to conform to ASC Policy Statement 3.

As stated in 1. above, we believe that our current statutes and rules adequately incorporate USPAP and any subsequent amendments by general reference and therefore do not pose any potential enforcement problems.

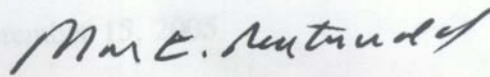
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Thank you for providing us the opportunity to respond to your findings. We would appreciate a response to this letter so that we can ensure that both the Appraisal Subcommittee and the State's Real Estate Appraisers Licensing program have consensus on needed changes. If you have any questions, please contact Alan Taniguchi at (808) 586-2701.

Very truly yours,



MARK E. RECKTENWALD
Director

cc: Alan Taniguchi, Executive Officer
Real Estate Appraiser Program