

■ ■ ■ ■ ■ ■

Appraisal Subcommittee

Federal Financial Institutions Examination Council

July 22, 1999

Via Certified Mail-Return Receipt Requested

Gary Johnson, Chair
Iowa Real Estate Appraiser Examining Board
1918 SE Hulsizer
Ankeny, IA 50021-3941

Dear Mr. Johnson:

Thank you for your cooperation and your staff's assistance in the June 17-18, 1999 Appraisal Subcommittee ("ASC") review of the Iowa Real Estate Appraiser Examining Board ("Board") and appraiser regulatory program ("Program").

Our review revealed that, in most respects, the Iowa Program is efficient and well operated. In particular, we commend the Board for its effective enforcement program. Our review revealed a complaint investigation and resolution process that was applied in an equitable manner and involved one of the most effective follow-up efforts we have reviewed. Following are the areas of your Program that need attention.

- **The Board upgrade policy for licensed appraisers does not meet the Appraiser Qualifications Board's ("AQB") criteria or the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("Title XI").**

Iowa has phased out its licensed classification of appraisers. Effective July 1, 1999, Iowa has two AQB-recognized classifications: certified general and certified residential. Since January 1, 1998, when the AQB's revised certification criteria became effective, approximately 150 licensed appraisers have upgraded to a certified level or allowed their licenses to lapse.

We noted two concerns regarding the upgrades. First, we were unable to find adequate documentation to conclude that some upgraded appraisers had the necessary qualifying education and/or experience under the AQB's revised criteria. Second, none of these upgraded appraisers has taken and passed the certified residential or certified general examination, as required by Title XI. ASC staff Ben Henson and Dennis Greene discussed this issue at your June 18, 1999 Board meeting. We understand that the Board acted in good faith in deciding not to require upgrading appraisers to take the certified examination after January 1, 1998. Section 1116(b) of Title XI, however, requires certified appraisers to pass the appropriate examination, which is the examination in effect at the time an appraiser becomes certified. We appreciate the Board's agreement at the June 18th meeting to require appraisers upgrading after that date to take the appropriate examination. Additionally, licensed appraisers who previously were upgraded to certified status without passing the examination must take and pass the appropriate examination.

To meet AQB criteria and Title XI requirements, the Board must:

- Identify all licensed appraisers who have upgraded to certified status since January 1, 1998;
- Review office files to determine whether each appraiser's file contains the necessary experience and education documentation;

- Within 30 days of receipt of our letter, provide us a listing of licensed appraisers who have upgraded since January 1, 1998, with notations regarding whether the necessary education and experience documentation was found in the files;
 - If a file does not contain the necessary documentation, contact the appraiser to obtain the documentation;
 - Schedule the appropriate certification examination for appraisers with qualifying experience and education within 60 days after receipt of this letter;
 - Recall certifications promptly from appraisers who do not have the appropriate experience or education or who fail to pass the certification examination; and
 - Provide written progress reports to us until the above actions have been completed.
- **The Board must take steps to amend Iowa’s statutory provision pertaining to temporary practice.**

Iowa’s statute regarding appraiser regulation limits the number of temporary practice permits that can be issued to an appraiser to one per year. Title XI, as interpreted by ASC Policy Statement 5, requires States to allow at least two temporary practice permits per calendar year. The Board must take steps to ensure correction of this limitation.

- **Iowa statute and Board regulations contain other provisions that do not conform to AQB criteria and the Uniform Standards of Professional Appraisal Practice (“USPAP”).**

The Board’s regulations provide experience credit for teaching courses and continuing education credit for home study courses. The regulations also waive continuing education requirements when an appraiser is on active military service duty, and when an appraiser is a government employee performing appraisal-related activities out of the United States. These regulatory practices are not sanctioned by the AQB’s criteria for certified residential and certified general classifications and should be discontinued.

Iowa’s statute requires appraisers to retain records for three years. USPAP, however, requires the record retention for a minimum of five years. While an appraiser can comply with both requirements, these provisions could be confusing, and an appraiser keeping required records for only the three years required by the statute would be violating USPAP.

The Board needs to amend its regulations to conform to AQB criteria. Alternatively, the Board could request an interpretation from the AQB and conform to the AQB’s response. The Board also needs to ensure that it does not mislead or confuse appraisers regarding record retention requirements. The Board could choose to alleviate this source of confusion by taking steps to amend the statute to conform to USPAP’s record retention provision.

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

Herbert S. Yolles
Chairman