

□   □   □   □   □   □

# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

August 13, 2007

Mr. Dean Martinez, Secretary  
Department of Financial and Professional Regulation  
100 W Randolph  
Suite 9-300  
Chicago, IL 60601

Dear Mr. Martinez:

Thank you for the cooperation and assistance of the Illinois Real Estate Appraiser Board (“Board”) and the Division of Professional Regulation (“Division”) in the June 11-15, 2007 Appraisal Subcommittee (“ASC”) review of Illinois’ real estate appraiser regulatory program (“Program”). Based on our review, Illinois needs to address 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”). ASC staff will return in approximately twelve months to evaluate the State’s progress.

- **Illinois’ complaint investigation and resolution program does not comply with Title XI and ASC Policy Statement 10 because complaints were not investigated and resolved in a timely manner.**

Title XI requires that States adequately supervise their appraisers. An effective complaint investigation and resolution process is a critical component of adequate supervision. ASC Policy Statement 10 provides that complaints should be investigated and resolved within one year of receipt, absent special documented circumstances.

Although Illinois improved its complaint investigation and resolution program since our May 2006 field review, the number and percentage of complaints outstanding for more than one year remained at unacceptable levels. The following chart summarizes complaint statistics:

<b>Field Review</b>	<b>Complaints received during the review period</b>	<b>Complaints outstanding</b>	<b>Complaints outstanding more than 1 year</b>
Nov 2001	866 (~288/year)	25	20
Nov 2004	754 (~251/year)	126	18 (14%)
May 2006	401 (~267/year)	230	71 (30%)
Jun 2007	252 (~232/year)	227	47 (20%)

At the time of this review, Illinois had 227 outstanding complaints, 47 of which had been open for more than one year. Of those 47 cases, eight had been outstanding for more than two years, and two for more than three years.

The Division has taken several steps to address the backlog of aged complaints. The Division hired three full-time investigators and two law clerks; temporarily assigned four real

estate investigators to work 80% of their time on appraiser-related complaints; and temporarily assigned four compliance examiners to work full time on appraiser-related complaints. Also, in September 2006, the Division provided intensive appraisal training courses to its investigators and compliance examiners. It is critical that the Division continue to focus its efforts in this area.

To resolve this concern, the Division needs to:

1. Comply with ASC Policy Statement 10 E's requirement that States must investigate and resolve complaints in a timely manner, generally within one year of complaint filing;
  2. Continue to devote the necessary resources to address the backlog of aged cases and to remain current with incoming complaints; and
  3. Continue providing an electronic copy of the complaint log quarterly to Denise Graves at [denise@asc.gov](mailto:denise@asc.gov).
- **Illinois did not submit disciplinary action data to the ASC for inclusion in the National Registry in accordance with ASC Policy Statement 9.**

Under ASC Policy Statement 9, the ASC requires States to report to the ASC, no less frequently than monthly, all disciplinary actions taken against appraisers. During our field review, ASC staff discovered that, since January 1, 2006, Illinois reported only 15 of 51 disciplinary actions. Additionally, the State did not report any "Consent to Administrative Supervision" agreements ("consent agreements") to the ASC.

The Division uses consent agreements to expedite case resolutions for less serious violations. The consent agreements contained a large array of sanctions, including: fines ranging from \$250 to \$5,000; additional education; restitution; probation; and supervisory conditions. The Division informed our staff that it does not consider these agreements to be disciplinary actions and does not make their existence or terms public.

Under ASC Policy Statement 9, these consent agreements are disciplinary actions and must be reported to the ASC for inclusion in the National Registry. The Division should understand that the ASC does not make public disciplinary actions such as those subject to consent agreements. Such agreements that do not affect an appraiser's legal eligibility to appraise are made accessible only to other State appraiser regulatory agencies. User IDs and passwords are required for States to access these actions. This information is used by other States to evaluate applications when Illinois appraisers apply for credentials in those States.

To resolve these concerns, the Division needs to:

1. Provide the ASC a list of every disciplinary action, including Consent to Administrative Supervision agreements, that Illinois has taken since January 1, 2000 (to ensure that the National Registry is accurate);

2. Establish and implement written procedures to ensure that all future disciplinary actions, including Consent to Administrative Supervision agreements, are reported to the ASC as required by ASC Policy Statement 9; and
  3. By September 30, 2007, provide the ASC a copy of those written procedures.
- **Illinois' credential renewal regulations do not conform to Appraiser Qualifications Board ("AQB") continuing education criteria.**

Illinois has a two year credential renewal cycle, with expirations occurring on September 30<sup>th</sup> of odd years. The State'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. Under this interpretation, an appraiser who has held a credential for one year and 185 days or more would need 28 hours of continuing education to qualify for credential renewal. Illinois would require only 14 hours in this scenario.

Since our field review, Division staff worked with ASC staff to finalize amendments to the Division's administrative rules to bring them into compliance with the AQB interpretation. The Division corrected its Web site regarding the number of necessary continuing education hours for credentials renewed on a partial year basis and indicated that it plans to include a notice in its renewal packets when the next renewal occurs on September 30, 2007.

To address this concern, the Division needs to:

1. Complete the necessary regulatory amendments to conform to the AQB criteria interpretation regarding continuing education for partial years, and
  2. Ensure that certified appraisers renewing credentials that expire September 30, 2007, have taken the required number of continuing education hours before renewing the credentials.
- **2008 AQB Criteria**

Illinois plans to implement the 2008 AQB criteria changes using the firm date scenario, effective January 1, 2008. At the time of our field review, Illinois had not adopted the necessary statutory and/or regulatory changes needed to authorize this implementation. Adoption and implementation of the 2008 AQB criteria changes on a timely basis is very important. Please provide ASC staff with regular updates regarding the status of the Division's legislative and/or regulatory efforts to adopt the 2008 criteria.

Unless otherwise noted above, 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 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.

Please contact us if you have any questions.

Sincerely,

Virginia M. Gibbs  
Chairman

cc: Dan Bluthardt, Director Division of Professional Regulation  
John Lagattuda, Deputy Director of Statewide Enforcement  
Brian Weaver, Appraisal Board Coordinator  
Young Brockhouse, Licensing and Education Manager