



Illinois Department of Financial and Professional Regulation
Division of Professional Regulation

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SENT VIA FAX 202.293.6251
HARDCOPY TO FOLLOW

August 25, 2006

Ms. Virginia M. Gibbs, Chairman
Appraisal Subcommittee
2000 K Street NW
Suite 310
Washington, DC 20006

Dear Ms. Gibbs:

As a result of the Appraisal Subcommittee's field review and letter dated June 26, 2006, the Department of Financial and Professional Regulation's (Department) Division of Professional Regulation (Division) has taken the opportunity to analyze the findings and develop plans to address concerns regarding the Illinois' Real Estate Appraiser Regulatory Program (Program).

Please see the attached report and corresponding appendix for the Department's detailed responses to the ASC's field review.

Sincerely,

A handwritten signature in cursive script that reads "Daniel Bluthardt" with a small "mbi" written below it.

Daniel E. Bluthardt
Director

Cc: Dean Martinez
Mike Brown

Department of Financial and Professional Regulation
Division of Professional Regulation
Appraisal Subcommittee Field Review Response
August 25, 2006

ASC finding: Illinois' complaint investigation and resolution program does not comply with Title XI and ASC Policy Statement 10 because complaints are not investigated and resolved in a timely manner.

Department response:

The Real Estate Unit, which includes the Illinois Real Estate Appraiser Regulatory Program (Program), was recently transferred from the Division of Banks to the Division of Professional Regulation (Division) as part of the on-going consolidation and reorganization of programs and functions under the new Department of Financial and Professional Regulation. The Division has undertaken a comprehensive review of all aspects of licensing and enforcement of the Program. We continue to develop and implement changes, including a significant reorganization of staff within the Division so that appropriate resources are devoted to the licensing and enforcement functions and responsibilities of the Division.

As part of this reorganization, the enforcement functions of the Program are now under the supervision and direction of the Enforcement Section of the Division. The Enforcement Section is enforcement driven with policies and guidelines in place that provide reasonable and, as needed, exceptional timeframes for the investigation and prosecution of cases. Appraisal cases are being integrated into this system with investigators and prosecutors subject to regular case reviews to ensure that cases are completed in a timely manner.

The Division has implemented several steps in its plan for the Program to reduce any backlog of outstanding cases, address timeliness issues and ensure adequate legal and investigative resources are made available to the Program by:

- hiring two additional full-time, permanent investigators with start dates of August 16, 2006 and September 1, 2006. The Division is seeking to establish and fill a third new investigator position within the next 3 months;
- temporary assignment of the Deputy Director of Enforcement Administration to the role of Chief of Real Estate Investigations to direct investigation activities of all appraisal investigations;
- establishment of a permanent Chief of Real Estate Investigations position. It is expected that this position will be permanently filled within the next 3 months;
- temporary assignment of three (3) Real Estate Examiners to the Program;
- renewing the contracts of contractual appraisal investigators;
- hiring two (2) 7-11 law clerks, (third year law students authorized to practice law under the supervision of a Division attorney); and,
- contracting with an additional attorney to help alleviate any further backlog of cases in Prosecutions.

The Division is also developing training for all employees associated with the Program. This training will include investigative techniques and procedures, fundamentals of the appraisal profession, USPAP standards, and CLEAR and ILES computer training. (The CLEAR and ILES systems are a licensing and enforcement database systems.)

The ASC field review provided total numbers of cases in various stages of investigation and prosecution in the Program's inventory, but did not provide specific case numbers. Given this, the Division reviewed all open appraisal cases from the Intake, Investigations and Prosecutions areas and found there to be a total of 244, which is not considered an aberrant number for such a program. After reviewing each case, the Division discovered that many cases reflecting protracted "open" dates were, in fact, substantively "closed" cases that were not properly entered into the database due to administrative oversight.

This oversight has been rectified and the system has been updated. This has resulted in a significantly reduced total number of cases, particularly "aged" cases, in the Program's inventory. Additionally, most of the currently "open" cases that are older than one (1) year are due to the Division's dependence on other agencies, officials or departments for further information or because of an extended legal engagement between the Division and the respondent.

The program is currently processing 230 total "open" cases in various stages of investigation and prosecution. Approximately 71 cases have been open for longer than one (1) year. Any case that has been open for longer than one (1) year is under management review and supervision to ensure that the extended timeframe is warranted. The Division has made these cases the priority and expects to bring as many of them as possible to resolution in the next 90 days,

Additionally, a complaint log is maintained by the Program and will assist management in ongoing tracking of the timeliness of investigative and prosecutions cases. Though the complaint log will be provided to the ASC on a quarterly basis, it will be reviewed by management on a monthly basis in order to monitor timeliness of cases and productivity of investigators and prosecutors.

ASC finding: Illinois' temporary practice procedures do not comply with Title XI and ASC Policy Statement 5.

Department response:

As stated earlier, the Division of Professional Regulation is undergoing a comprehensive review of all aspects of the licensing functions of the Appraisal Program. The implementation of changes resulting from this review and reorganization are ongoing.

However, the Division has already implemented a number of changes as a result of the Governor's Licensing Reform Initiative. The Governor's Licensing Reform Initiative provided additional resources to the Division for purpose of streamlining licensing functions and speeding the licensure process for all of our professions.

The Division has taken the following steps to ensure compliance with Title XI and ASC Policy Statement 5 which requires completed temporary practice applications to be approved or denied within 5 days.

1. Real Estate Appraiser temporary practice applications have been made a priority as applications must be processed immediately within the Real Estate Unit.
2. Policy and Procedures have been established and implemented which outline the processing workflow of the temporary practice applications. See Appendix, Exhibit 1-1.
3. As a product of the Governor's Licensing Reform Initiative, the Division hired three additional license applications processors in April and May of 2006 to expedite the processing of all Real Estate Unit applications, including temporary practice applications.
4. The Division has assigned two additional employees to assist the Real Estate Unit during high volume peak licensure application periods.
5. Licensing and Testing management will do monthly reviews to assure that temporary practice applications are meeting the 5 day deadline.

ASC finding: Illinois issued certified appraiser credentials to persons failing to document that their experience conformed to Appraiser Qualifications Board ("AQB") certification criteria.

Department response:

Per your request, the primary response to this finding was submitted in our correspondence dated August 10, 2006. To recap that letter, the Division conducted a new audit of all remaining certified appraiser application files. The results of that audit were detailed in a spread sheet included with the letter which essentially reflected the 218 files in the Department's inventory which were initially determined, by the Department, to be non-compliant with AQB criteria. Currently, 202 files (licensees) are in compliance with AQB criteria. The Division's prosecutions unit has ongoing enforcement activity against six (6) appraisers who were or are in continued non-compliance with AQB criteria. The Division has completed enforcement action against ten (10) of the appraisers, whose licenses are in either revoked or inactive status.

For those appraisers who did not have the necessary experience at the time the certified credential was issued, but who have since obtained the requisite appraisal experience, a certified credential with a corrected effective date has been reissued. The Division issued letters to these appraisers to notify them of their corrected effective date(s) and the reason for the correction.

ASC finding: Illinois did not maintain documentation to support the decision-making process for education course approvals.

Department response:

The Division has created written policies and procedures* to ensure that the Chicago and Springfield offices have clearly delineated responsibilities and that they work together to ensure that there is an efficient and well documented process for approving educational course offerings. The following summary of the policies and procedures have been established for processing education course evaluation and approval. Procedures have been provided to staff and applications' instructions will be revised accordingly.

Policy for Processing Real Estate Appraiser Course Applications

Initial Application

Initial applications for licensure as a Real Estate Appraiser Course shall include the real estate application cover page, fee and two copies of all course materials. The fee will be processed in the same manner as all other Division application fees. The original application jacket and course material will be retained in the Springfield Office where all original applications are retained pursuant to State Records retention schedule. Copies of the application will be forwarded via transmittal document to the Real Estate Appraisal Director for evaluation and appropriate action. Additional documentation in support of the application that is inadvertently submitted to the Real Estate Appraisal Director shall immediately be copied and forwarded to the Springfield Office for retention in the original application file.

Renewal Application

Real Estate Appraiser Course renewal applications shall include the renewal fee, renewal application and two copies of all course materials. Renewal application fees will be processed in Springfield according to Division policy. Real Estate Appraiser staff will separate renewals into batches based upon AQB certification and whether the course is a pre-licensure course or continuing education course. All USPAP update continuing education courses shall be forwarded to the Real Estate Appraisal Director for review and evaluation to verify compliance with 2008 AQB criteria. As with initial application the original renewal application and supporting documents will be retained in Springfield and a copy of the application along with a transmittal memo will be forwarded to the Real Estate Appraisal Director for evaluation. The Real Estate Appraisal Director will review and evaluate and return to Springfield via transmittal sheet with a recommendation as to whether the course should be approved for renewal.

Any initial or renewal real estate appraiser application submitted directly to the Real Estate Appraisal Director will be immediately forwarded to the Springfield Office for data entry, cash processing and retention.

As indicated in the Division's July 26, 2006 30-day response letter to the ASC, a follow-up review was conducted of [DELETION]'s USPAP course offerings. The Division has determined that the courses offered by [DELETION] are non-compliant with AQB requirement that all USPAP education be the National USPAP Courses adopted by the AQB on August 1, 2002 and was to be mandatory by January 1, 2003. During the course of the

review, the Division found 137 students to have taken [DELETION] USPAP courses since January 1, 2003.

[DELETION] has been notified that:

- Illinois will not accept, or give credit to, any candidate for Appraisal licensure whose USPAP education credit does not reflect the National USPAP 15 Hour Course;
- Illinois will not accept, or give credit to, any appraisal licensee whose Continuing Education credit does not reflect the required 7 Hours National USPAP Update;
- both US PAP courses must be taught by Certified USPAP instructors registered with the Appraisal Foundation; and
- the 137 students submitted to the Program, must be notified within 30 days of receipt of the Division's letter, of the Division's findings.

Of the 137 [DELETION] students submitted to the Program, four (4) have progressed to a Certified Appraiser license and have already been notified by the Division's Licensing Section that they must show proof of successful completion of the 15 hours National USPAP course within sixty (60) days or be declared non-AQB compliant on the National Registry. Currently, fifteen (15) [DELETION] students have applications before the Licensing Section for upgraded licensure to a Certified Appraiser license. These fifteen (15) applicants will be notified that they must submit proof of completion of the 15 Hour National USPAP Course before licensure to a certified rank can be granted.

Finally, the Division will maintain copies of all material supporting Board decisions to approve or disapprove of educational courses and any subsequent renewals.

"For detailed procedures for processing both initial and renewal appraisal course offerings, see Appendix, Exhibits 2-1 and 2-2.

ASC finding: 2008 AQB Criteria

Department response:

The June 26, 2006 letter referenced the fact that the Division attempted to implement the 2008 AQB criteria changes by amending the Real Estate Appraisal Licensing Act in the 2006 spring legislative session but that the bill failed. This characterization is not completely accurate. The Division's legislative initiative was not rejected by the legislature but remained in committee to allow the profession and other interested parties to negotiate the language of certain amendments to the Act which were unrelated to the AQB criteria changes. As such, the Division's initiative remains a viable legislative which we expect will be addressed in the upcoming legislative fall session. While the Division remains confident that the AQB criteria changes will be addressed legislatively and continues to work with the legislature and the profession towards this end, the Division has begun work on crafting administrative rules which would implement the AQB criteria changes whether Of not the current pending bill passes in the fall session.

The draft rules have been presented to the Division's Real Estate Appraisal Board for review and comment as part of its advisory function to the Division. The draft rules specifically provide for the following:

- Amendments to a number of sections which implement the 2008 AQB Criteria into educational requirements, including modular courses and the sub-topics contained therein, for applicants in each level of licensure effective January 1, 2008.
- Clarification that current criteria and requirements are applicable only to applicants who have submitted completed applications before December 31, 2007~
- Immediate adoption of the 2006 Uniform Standards of Appraisal Practice; and
- Amendment to the Renewal for Educational Providers section which requires all renewing providers to submit all course materials, to insure continued compliance with AQB criteria, to the Division for review as part of the renewal process.

Once Board input is received the Division will incorporate these suggestions into the draft rules and then promptly file with Illinois' Joint Committee on Administrative Rules. We expect that this filing will take place in September and we will provide you a copy of the filed rules at that time as well continue to provide you with regular updates.

APPENDIX

[DELETION]