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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

June 18, 2008

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 April 7-10, 2008 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 perform another field review in approximately one year to evaluate the State's progress as well as monitor your progress off-site in the interim.

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

Under ASC Policy Statement 10 F, 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.

During this field review, we again found that the State's complaint investigation and resolution program failed to comply with ASC Policy Statement 10 regarding prompt, effective complaint investigation and resolution. We previously cited Illinois for this issue in our June 26, 2006 and August 13, 2007 field review letters, as well as, our December 18, 2006 follow-up review letter.

At the time of this review, Illinois had 319 outstanding complaints, 97 of which (30%) had been in progress for more than one year. Of the 97 aged cases, 14 had been outstanding for more than two years, and one for more than three years.

We understand that four issues have slowed the previous progress that Illinois was making with their enforcement timing. In August 2007, a Union labor dispute prevented the use of staff investigators to work on appraisal complaint cases. Then in October 2007, budget constraints prevented the use of contract investigators to work on appraisal complaint cases. Since then, the Appraisal Coordinator single-handedly screened and investigated complaints. The

Division also had a complete staff turnover in the prosecutions area in the last year, which slowed down the administrative hearing process. Lastly, the number of complaints received per year had increased by 41% since the previous year. In ASC staff discussions with the Division Director and the Appraisal Coordinator, the State indicated that the resource issues have been addressed and funding was available to use contract investigators and, therefore, expects to be able to dispose of the 97 aged cases, as well as process all complaints in compliance with ASC Policy Statement 10.

In order to address this concern, the Division needs to:

1. Devote the necessary resources to address the backlog of aged cases and to remain current with incoming complaints; and
  2. Submit quarterly electronic complaint logs to Vicki Ledbetter at [Vicki@asc.gov](mailto:Vicki@asc.gov) reflecting the current status of all outstanding complaints.
- **Illinois accepted affidavits to support continuing education without a reliable means of validation, which is inconsistent with ASC Policy Statement 10 F.**

Under ASC Policy Statement 10 F, a State that accepts affidavits for certified appraiser credential renewals must establish a reliable means of validating the affidavits. The Policy Statement provides that each affidavit audit must be completed within 60 days from the renewal date.

We understand that Illinois-approved course providers are required to submit to the Division an electronic roster of appraisers who have successfully completed their continuing education courses. When appraisers renew, if they have taken an in-state course, the credit for continuing education is tracked in the Division's computer system. This accounts for approximately 80% to 90% of all renewing appraisers. The remaining 10% to 20% of renewing appraisers take out-of-state courses with renewal based on sworn affirmations that they have met the State's continuing education requirements.

Illinois appraisers renew in odd numbered years on September 30th. During this field review, we discovered that the Division failed to conduct any continuing education audits on the 10% to 20% of appraisers renewing with affidavits following the September 30, 2007 renewal.

In order to address this deficiency, the Division must:

1. Prepare a listing of all certified appraisers whose credentials were renewed in 2007 using sworn affirmations of having met the State's continuing education requirements;
2. Audit the continuing education claims of at least ten percent of the identified appraisers by July 31, 2008;
3. Identify appraisers who failed to conform to AQB criteria and take appropriate disciplinary action against those appraisers. For certified appraisers who do not currently meet AQB criteria, immediately place those appraisers in the "Inactive" status on the National Registry;
4. Report the results of items 1-3 above to the ASC; and

5. Conform future certified credential renewal practices to ASC Policy Statement 10 F.
- **Illinois' Administrative Rules did not reference the most current version of the Uniform Standards of Professional Appraisal Practice ("USPAP") and its statute and regulations did not conform to AQB Criteria.**

Under ASC Policy Statement 3, State agencies should take steps to ensure that State statutes or regulations automatically incorporate the latest version of USPAP. Section 10-10 of the Illinois appraiser regulatory statute provides that all persons licensed under the Act must comply with standards of professional appraisal practice adopted by the Division. Illinois Administrative Rule § 1455.240 incorporates by reference the 2006 version of USPAP. The 2008 version, which became effective January 1, 2008, had not been adopted.

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.

Illinois has a two year credential renewal cycle, with expirations occurring on September 30<sup>th</sup> of odd years. The State 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. This rule does not comply with the AQB interpretation.

Illinois was cited for this deficiency in the ASC's August 13, 2007 field review letter following the June 2007 field review. Subsequent to that 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. During the 2008 field review, we discovered that the rule changes were never adopted. However, the Division corrected its Web site, provided a notice in its renewal packets for the September 30, 2007 renewals, and in practice enforced the AQB criteria regarding the number of continuing education hours needed for partial year renewals.

We also noted that Illinois unsuccessfully attempted to amend its statute during the 2007 legislative session to adopt the 2008 AQB criteria. During our on-site review, Division staff discussed with the ASC staff the actions currently being taken to amend the statute. Legal counsel for the Division stated that, in the interim, Illinois will be able to enforce the 2008 criteria through its Administrative Rules which have the same force and effect as law.

We reviewed the Illinois proposed statute and current regulations for consistency with Title XI, ASC Policy Statements, and the 2008 AQB criteria. In addition to the items already discussed, ASC staff noted several minor inconsistencies and discussed them with the Board and Department. They agreed to correct the items when the other amendments are made.

To address these concerns, the Division needs to immediately complete the necessary regulatory amendments to:

1. Reference the 2008 version of USPAP;

2. Conform to the AQB criteria interpretation regarding continuing education for partial year renewals;
3. Correct all inconsistencies with Title XI, ASC Policy Statements, and the 2008 AQB criteria in the statute and regulations; and
4. Provide us copies of the statutory and regulatory amendments as the matters are proposed and adopted.

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  
Don Seacock, Deputy Director of Statewide Enforcement  
Karen Dunlap, Deputy Director of Licensing and Enforcement  
Brian Weaver, Appraisal Board Coordinator  
Young Brockhouse, Licensing and Education Manager  
T.J. McCarthy, Chair IL Real Estate Appraisal Board