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Appraisal Subcommittee

Federal Financial Institutions Examination Council

April 20, 2007

Mr. Russell Sloan, Chair
Kentucky Real Estate Appraisers Board
Spindletop Administration Building
2624 Research Park Drive, Suite 204
Lexington, KY 40511

Dear Mr. Sloan:

Thank you for the cooperation and assistance of the Kentucky Real Estate Appraisers Board (“Board”) in the January 25-26, 2007 Appraisal Subcommittee (“ASC”) review of Kentucky’s real estate appraiser regulatory program (“Program”). Based on our review, Kentucky needs to address the two concerns discussed below 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”).

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

Under Title XI and ASC Policy Statement 10 E., States need to investigate and resolve complaints in a timely manner. Complaint resolution generally should occur within one year of complaint receipt. At the time of our field review, Kentucky had a backlog of 22 complaints that had been outstanding for more than one year. Several of these cases had been outstanding for two or more years.

To address this concern, the Board needs to comply with ASC Policy Statement 10 E. by:

1. Eliminating delays in complaint investigation and resolution when subsequent complaints are filed against an appraiser already subject to complaint investigation;
2. Not suspending the complaint investigation and resolution process because of: (a) pending civil actions arising out of the same facts and circumstances; or (b) existing or potential criminal actions arising out of the same facts and circumstances, unless a delay in processing is necessary to guarantee the respondent due process under Federal or State law;
3. Completing the resolution of the 22 aged complaints as soon as possible; and

4. Providing the ASC with a plan to resolve the aged cases expeditiously. That plan needs to specifically address ways to ensure that hearing officers are assigned promptly and hearing dates are set promptly when a continuance is granted.
- **Kentucky’s previous policies and practices allowed a tax assessor to be granted a certified appraiser credential without documented conformance to Appraiser Qualifications Board (“AQB”) experience criteria.**

During our field review, the Board informed ASC staff that it had issued certifications to two appraisers (one in 2002 and another in 2005) who relied on mass appraisal experience. ASC staff reviewed the application files for these two appraisers and determined that the 2005 application contained adequate documentation of AQB experience criteria compliance, but the 2002 application file did not. ASC staff discussed the two applications with the Board and staff.

In 2005, after review of the applications discussed above, the Board changed its procedures for verifying experience for all applicants. Under the new experience evaluation procedures, mass appraisal applicants submit appraisal logs listing all appraisal assignments for which applicants are claiming credit. The logs must contain the addresses of appraised properties, the types of properties, the dates of reports, the description of the tasks performed on the properties, and the number of work hours spent on each property. The Board evaluates each log to determine whether the applicant obtained the necessary experience, selects two assignments from the log, and reviews those assignments for compliance with USPAP Standard 6. Additionally, the Board requires the applicant to submit two samples of appraisals prepared under USPAP Standards 1 and 2. The Board then reviews those reports for USPAP compliance. The Board’s new experience evaluation procedures appear consistent with the AQB’s experience requirements for certification and ASC Policy Statement 10 F.

To resolve the concern regarding the 2005 application approved without documentation supporting conformance to AQB criteria, the Board needs to:

1. Within 15 days from the date of this field review letter, send a letter to the appraiser who was issued an appraiser credential based on mass appraisal experience in 2002, requesting that the appraiser immediately submit the appropriate documentation to support the claim of experience;
2. Within 45 days from the date of this letter, determine whether the appraiser has sufficient qualifying experience under the AQB certification criteria;
3. If the appraiser fails to document the necessary experience, begin the necessary steps to downgrade that appraiser expeditiously to the licensed level. Provide to ASC staff the appraiser’s name and credential number and instructions to list that appraiser on the National Registry as non-AQB compliant. Alternatively, the Board could recall the existing certification and conspicuously over stamp it with wording similar to “Not eligible to appraise federally related transactions.” In this case, the appraiser’s record on the National Registry would be changed from “Active” to “Inactive”; and

4. Keep ASC staff advised about the status of this appraiser until the situation is resolved.

Please respond to our findings and recommendations within 60 days from the date of this letter, and as otherwise specified in the corrective action steps. Until the expiration of that time 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.

Please contact us if you have further questions.

Sincerely,

Virginia M. Gibbs
Chairman

cc: Larry Disney, Executive Director