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Appraisal Subcommittee

Federal Financial Institutions Examination Council

April 21, 2000

Greg Glover, Chairman
Maryland Commission of Real Estate Appraisers
500 N. Calvert Street, 3rd Floor
Baltimore, MD 21202-3651

Dear Mr. Glover:

Thank you for your cooperation and your staff's assistance in the March 13-14, 2000 Appraisal Subcommittee ("ASC") review of the Maryland appraiser regulatory program ("Program"). We are pleased to inform you that, based on our review, most aspects of your Program function well and in a manner consistent with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

We appreciate the Maryland Commission of Real Estate Appraisers' ("Commission") prompt action to address the concerns noted in our November 1996 field review letter. Only one area of concern remains. While all complaint files that we reviewed demonstrated fair and reasonable enforcement actions, the complaint process itself continues to be unreasonably lengthy, requiring an average of two years for case investigation and resolution. By comparison, most States investigate and resolve most complaints within 6-12 months. Several factors apparently contribute to this lengthy cycle:

- The Commission meets bi-monthly. If an action (*e.g.*, receipt of respondent's response to the complaint, receipt of additional information regarding the complaint, or completion of the technical review) is not completed in time for a Commission meeting, two months expire before the next Commission meeting;
- The Commission depends on the Executive Director for information needed to investigate and resolve complaint cases. Although he does a thorough and productive job, his workload may be so great that he does not always perform in a timely manner, again necessitating a two-month delay until the next Commission meeting;
- The Commission relies on the Director of Maryland's Department of General Services, Real Estate Division, to perform most technical reviews. This individual is well qualified and performs quality appraisal reviews. Complaint investigations, however, are not his primary job responsibility and are "worked in" with his other duties. As a result, his investigations often take three to six months to complete. By regulation, the Commission can contract additional professional services for technical reviews. However, there has been no funding available to pay for the services. Maryland must provide the resources, fiscal and/or personnel, to perform competent technical reviews in a timely manner; and
- The Commission is not permitted to take any disciplinary action without conducting a formal hearing. The Office of Administrative Hearings ("OAH") schedules and conducts formal hearings for numerous Maryland commissions and boards, including the Commission of Real Estate Appraisers. Due to workload, OAH often cannot schedule a hearing for six months or

longer. By comparison, most States' appraiser regulatory agencies can take disciplinary action, other than revocations and suspensions, against appraisers without having to go through the State's hearing office or its equivalent. This ability would greatly reduce Maryland's investigation and resolution times on most complaint cases.

The combined impact of these factors leads to an overly long complaint investigation and resolution process. And, the current delays could grow longer. Besides the normal quantity of complaints received by the Commission, a number of real estate "flipping" cases currently are being investigated and prosecuted in the Baltimore area. Several State agencies are involved, including the Commission. This places greater pressure on the Commission's limited resources. At the same time, the Maryland legislature is considering bills to add a trainee license category, to make real estate appraiser licensing/certification fully mandatory, and to incorporate home inspector licensing within the Commission's responsibilities. Each of these bills, if enacted, could have significant impact on the Commission's workload.

Within 60 days from your receipt of this letter, please provide us with your plans to reduce the unreasonably lengthy amount of time necessary to investigate and resolve complaints. Options that you may wish to consider include hiring a qualified individual to perform technical appraisal reviews, obtaining State authority to impose certain disciplinary actions without scheduling hearings through OAH, and having the Commission's complaint review committee meet monthly.

Until the expiration of the 60-day response 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 any questions.

Sincerely,

Thomas E. Watson, Jr.
Chairman