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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

January 26, 2005

Glenn Wilson, Commissioner  
Department of Commerce  
85 – 7<sup>th</sup> Place East, Suite 600  
St Paul, MN 55101-3165

Dear Mr. Wilson:

Thank you for your December 15, 2004 letter describing the Department of Commerce's ("Department") prompt actions in response to our concerns identified in our October 12, 2004 field review letter. As noted in our letter, we will return to Minnesota for a follow-up review during the first half of this year. We will contact you shortly regarding the date of that review. The remainder of this letter offers comments to your response.

- **The Department's complaint investigation and resolution process fails to provide adequate appraiser supervision as required by Title XI.**

In your letter, you outlined how the Department intends to eliminate its complaint backlog by the time of our follow-up review. You also described several specific steps that the Department is taking to ensure that all investigators involved in the appraiser complaint process are trained in basic appraisal practices and the Uniform Standards of Professional Appraisal Practice. In the meantime, it is important that someone with good understanding of appraisal practices be involved in reviewing appraisal reports for technical compliance and appraiser competency. We appreciate these efforts to address our concerns and will review their effectiveness.

- **The Department does not have a reliable means of validating continuing education claims of appraisers applying to renew certified credentials.**

Our field review letter itemized four steps that the Department needed to take to address this concern. In your response, you effectively addressed steps 1, 2, and 4. In response to step 3, you stated that the Department would refer appraisers who did not conform to Appraiser Qualifications Board ("AQB") criteria to the Commerce Market Assurance Division for appropriate disciplinary action.

Please keep in mind that, generally, there are two reasons that appraisers fail continuing education affidavit audits. First, an appraiser took an education course that he or she believed met the State's and AQB's requirements. During the affidavit audit, the State determines that the course does not comply. In this instance, it would appear that the appraiser acted in good faith. In such cases, it might be adequate simply to admonish the appraiser and to require that he or she take the necessary continuing education to make up the deficit.

The second situation is more troublesome. In this situation, the appraiser affirmed through the use of the affidavit that he or she had obtained the necessary education, when in fact, he or she had not. In effect, the appraiser misrepresented his or her status and, possibly, falsified a

government document to obtain the credential renewal. Such a situation casts serious doubt on the appraiser's ethics. As ethical behavior is at the heart of appraisal practice, in these situations we expect the State to take much stronger disciplinary action than simply an admonishment and a requirement to make up the deficient education. Along with such disciplinary action, certified appraisers who fail to correct their deficiencies promptly will need to be removed from certified status. We will review your continuing education audit program and resulting disciplinary actions during our follow-up visit.

- **Minnesota's temporary practice provisions do not comply with Title XI and ASC Policy Statement 5.**

We appreciate your efforts to implement a scanned image system to streamline action on temporary practice applications. We hope that the system will ensure that all completed temporary practice applications are processed within five business days from receipt. We will check on your progress in this area during our follow-up review. In addition, we are glad to see that the Department is planning to propose a rule change to allow extensions of temporary practice permits.

- **Several sections of the Department's regulations are inconsistent with Appraiser Qualifications Board ("AQB") criteria.**

We are pleased that the Department has drafted and will propose amendments to make the State's statutes and rules consistent with AQB criteria. We have reviewed the proposed changes you submitted to us and have no recommended changes. Please keep ASC staff informed regarding the status of these amendments.

Our field review letter, your response, and any other previous correspondence between us regarding the field review now will become publicly available on our Web site.

Please contact us if you have any questions.

Sincerely,

Ben Henson  
Executive Director

cc: Bonnie Polta, Market Assurance Supervisor  
Susan Bergh, Licensing Director