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Appraisal Subcommittee

Federal Financial Institutions Examination Council

September 26, 2006

Ms. Gail Anderson, Administrator
Real Estate Division
Department of Business and Industry
788 Fairview Drive, Suite 200
Carson City, NV 89701-5453

Dear Ms. Anderson:

Thank you for your assistance and that of the staff of the Real Estate Division (“Division”) of the Department of Business and Industry (“Department”), and the Commission of Appraisers of Real Estate (“Commission”) during the June 19-21, 2006 Appraisal Subcommittee (“ASC”) review of Nevada’s appraiser regulatory program (“Program”). Based on our review, Nevada needs to address two 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”). We also identified one regulatory change that needs to be adopted before January 1, 2008.

- **Nevada accepted affidavits regarding applicant experience and failed to ensure that applicants for certification met the Appraiser Qualifications Board (“AQB”) criteria requiring that experience be obtained over at least a 24 or 30-month period, as the case may be.**

Our review of application files revealed that experience logs provided by certified residential and certified general applicants did not always reflect qualifying experience that spanned the required 24 or 30-month period. AQB criteria require that qualifying experience be obtained over specified, minimum time frames: 24 months for certified residential credentials, and 30 months for certified general credentials.

Nevada’s application process requires each applicant to complete an experience log and provide an affidavit of experience signed by the applicant’s supervisor attesting to the date the applicant began working with the supervisor and noting the approximate hours worked per week. While supervisor affidavits reflected a 24 or 30-month work period for applicants, the associated experience logs did not always document that qualifying experience was obtained during the required time frame.

Prior to January 1, 2005, ASC Policy Statement 10 permitted the acceptance of affidavits for qualifying experience, *provided* the State had a reliable means of validating the experience claims. Nevada did not employ such a validation process. Effective January 1, 2005, revisions to ASC Policy Statement 10 prohibited the acceptance of such affidavits. Nevada needs to correct its application process and ensure that its certified appraisers conform to AQB criteria.

To address this concern, the Commission and/or Division must:

1. Immediately stop issuing certified credentials to persons who cannot support that they conform to AQB criteria;
 2. Implement revisions to the application process to ensure that applicants for certified appraiser credentials meet AQB criteria;
 3. Within 30 days of receiving our letter, identify all appraisers who obtained a certified credential since January 1, 2004, and provide a listing of those appraisers to the ASC;
 4. Audit the files of all appraisers issued certifications since January 1, 2005, plus at least 10 percent of those certified from January 1, 2004, through December 31, 2004. (We will determine the need for additional review of pre-2005 credentials based on the results of the 2004 audit sample.);
 5. Within 60 days of receiving our letter, contact the appraisers identified in step 3 as potentially not having the requisite experience and request an experience log or other documentation to support their experience claims;
 6. Within 90 days of receiving our letter, review the experience logs or other documentation for all appraisers provided to determine whether the appraisers conform to AQB criteria;
 7. Reissue certified credentials with corrected effective dates to those appraisers who did not have the necessary experience at the time the certified credential was issued, but who now have obtained the requisite appraisal experience; and
 8. Within 120 days of receiving our letter, downgrade to the appropriate classification appraisers who cannot support their certified credential, or who fail to submit supporting documentation. Alternatively, if State law permits, the Commission and/or Division can conspicuously overstamp existing credentials with the wording "Not eligible to appraise federally related transactions." Appraisers with over stamped credentials will be so noted in the National Registry.
- **Complaints are not investigated and resolved in a timely manner.**

Although the timeliness of Nevada's complaint investigation and resolution program improved since our previous field review, we remain concerned that a large percentage of complaints remain outstanding for more than one year. Title XI and ASC Policy Statement 10 require States to effectively supervise their appraisers. A timely, effective complaint investigation and resolution program is critical to effectively supervising appraisers. The Commission and Division need to continue focusing their efforts on the complaint investigation

and resolution program, with special attention to reducing the backlog of complaints outstanding more than one year and to continue forwarding quarterly complaint logs to ASC staff.

This is the third field review in which we have noted this deficiency. In our June 2000 field review letter, we expressed our concern that Nevada was not investigating and resolving complaints in a timely manner. In our June 2003 field review letter we repeated our recommendation for additional investigative resources. We understand that, following our 2003 field review, the Commission and Division began working to secure the authority to establish and fill an appraiser investigative position. We also understand that, in April 2006, the Division finally hired an investigator. We expect that the addition of this staff investigator will allow the Division to address this longstanding concern.

- **Regulatory changes adopted in June 2006 to implement the 2008 AQB criteria changes failed to address one criteria provision regarding acceptable experience.**

Effective January 1, 2008, AQB criteria will require applicants for certified residential and certified general credentials to have qualifying experience that is USPAP-compliant and earned on or after January 30, 1989. On June 20th, the Commission conducted a public hearing to approve proposed rules intended primarily to address the 2008 changes to the AQB criteria. The adopted proposal, however, did not include the changes to the experience requirements. The Commission needs to amend its regulations to address this experience requirement before the January 1, 2008 effective date of the criteria changes. Please forward a copy of your draft proposal for our review.

Please respond to our findings and recommendations within 60 days from the date of this letter. 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 any questions.

Sincerely,

Virginia M. Gibbs
Chairman

cc: Brenda Kindred-Kipling, Appraisal Officer
Debbie Huber, President
Nevada Commission of Appraisers of Real Estate