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Appraisal Subcommittee

Federal Financial Institutions Examination Council

September 14, 1998

John P. Crawford, Chairman
Oklahoma Real Estate Appraiser Board
3814 N. Santa Fe
P.O. Box 53408
Oklahoma City, OK 73152-3408

Dear Mr. Crawford:

Thank you for your cooperation and your staff's assistance in the August 6-7, 1998 Appraisal Subcommittee ("ASC") review of the Oklahoma Real Estate Appraiser Board ("Board") and appraiser regulatory program ("Program"). The Board and staff were most helpful during the course of our review and we appreciated their assistance.

We commend your Board and staff for their diligence in correcting deficiencies identified during our 1992 field review. Most notably, we are pleased with the successful legislative effort to broaden the Board's enforcement authority to extend beyond activities associated with federally related transactions. During the current review, we identified the following areas that you need to address.

- **Oklahoma's fee structure for temporary practice permits is structured such that, on occasion, the fee exceeds \$150 per assignment.**

Oklahoma charges \$50 per appraisal (*i.e.*, per property) for a temporary practice permit. If multiple properties are appraised, the temporary practice fee may rise to as much as \$200 - \$400. As discussed in ASC Policy Statement 5, temporary practice fees may not exceed \$150 per assignment. Statement 5 defines assignment as one or more real estate appraisals and written appraisal reports that are requested in accordance with a single contract. You must take the necessary actions to ensure that you do not impose temporary practice fees exceeding \$150 per assignment. You may continue to charge \$50 per appraisal, providing you cap the fee at \$150. Alternatively, you may wish to amend your statute and/or regulations to specify that the temporary practice fee is based on the assignment, not the number of properties appraised under the assignment.

- **In some cases, the Board is not exercising its jurisdictional responsibilities in the complaint investigation and resolution process.**

Effective July 1, 1996, a legislative amendment to the Oklahoma Certified Real Estate Appraisers Act ("Act") broadened the Board's jurisdiction to include not only Federally related transactions, but also:

1. Real estate related financial transactions of the agencies, instrumentalities and federally recognized entities covered under Title XI; and

2. Any real estate related transaction where an appraisal report was performed under a written agreement that the report would be consistent with the Uniform Standards of Professional Appraisal Practice (“USPAP”).

We thought this legislative amendment adequately addressed our concern, first expressed in 1992, that Oklahoma did not supervise all of the activities and practices of certified or licensed appraisers involving real estate related financial transactions, and not just federally related transactions. This is a very important issue because some agencies, such as the Department of Housing and Urban Development, do not have a threshold below which State certified or licensed appraisers are not required. These agencies rely on the States to supervise the activities of their appraisers, regardless of the transaction or loan amount.

Our review, however, revealed that the implementation of the revised statute may not be consistent with our understanding of the amendment. Informational material provided to appraisers contained a chart indicating a \$250,000 threshold to the Board’s jurisdiction. This is inappropriate given the National Credit Union Administration’s \$100,000 threshold, the Board’s jurisdiction over transactions involving other Federal agencies and the Board’s jurisdiction over any appraisal the report for which states that it complies with USPAP. In 1997, the Board, in its complaint investigation process, dismissed a complaint because the transaction value was less than \$250,000. The appraisal report clearly stated that the appraisal complied with USPAP and, therefore, was subject to the Board’s jurisdiction. The Board needs to ensure that it exercises responsibility for all appraiser activities for which it has jurisdictional authority.

Based on information provided to us during the review, the Board uses appraiser volunteers to investigate complaints. Part of a volunteer’s responsibility is to determine whether the Board has jurisdiction over the circumstances that gave rise to the complaint. Given the legal and administrative nature of such a determination, the Board may wish to consider assigning this function to Commission staff. The appraiser volunteers may be better utilized to focus on the appraisal issues involved in the complaint.

- **For pre-licensure and pre-certification education, the Board has approved a number of highly specialized courses that do not appear to meet Appraiser Qualifications Board (“AQB”) criteria.**

Our review of the educational courses approved by the Board for pre-licensure and pre-certification credit revealed several courses that were highly specialized. These courses included, but were not limited to, Computer Assisted Investment Analysis, Litigation Valuation, Row Acquisition, Relocation Assistance, and Environmental Assessment Phase I and Phase II. These courses do not teach the fundamental concepts of real estate appraising needed by initial applicants. We realize that many of these courses were one-time offerings and may or may not be available today. In the future, however, the Board must always refer to the AQB criteria to ensure that approved courses are consistent with the AQB criteria for pre-licensure or pre-certification.

- **The Board grants experience credit to assessors applying for licensure and certification based on an affidavit from the assessor’s supervisor. This practice may not meet AQB criteria.**

County assessors are permitted to submit an affidavit signed by a supervisor describing the applicant's responsibilities and work performance with valid proof of employment for more than three years. No experience log is required. It is questionable whether an affidavit is consistent with AQB criteria. The criteria states that an applicant shall identify for each appraisal used for experience: (1) the type and address of the property; (2) the date of the report; (3) the description of the work performed and (4) the number of hours spent preparing the report. An AQB interpretation grants the State the discretion to accept other evidence of experience, if reports or files are unavailable. Because documentation of the assessor's work products (*e.g.*, assessments) exists in the county assessor's office, at a minimum, the Board should require that such documentation be submitted with the affidavit.

- **Board rules permitting members of the Board and its committees to apply time spent in service to the State toward fulfillment of their continuing education requirement may not conform to AQB criteria.**

AQB criteria permit continuing education credit to be awarded in appraisal education processes and programs. The criteria further specify that these activities may include teaching, program development, authorship of textbooks or other similar activities. Based on this definition, participation on the Board or its committees does not appear to qualify for continuing education credit under the AQB criteria. The Board needs to obtain a written opinion from the AQB that such service is acceptable, or stop accepting such service for continuing education credit.

- **Most of the States maintaining agreements with Oklahoma do not offer reciprocal recognition at the licensed level due to Oklahoma's absence of an experience requirement.**

While Oklahoma certified appraisers may benefit from reciprocal agreements established with other States, Oklahoma's licensed appraisers cannot enjoy the same recognition in other States, with the exception of Arkansas. Oklahoma's lack of an experience requirement is the reason other States will not accept an Oklahoma licensed appraiser. We encourage you to consider establishing an experience requirement, consistent with AQB recommendations, to facilitate reciprocity for your licensed appraisers. As noted in previous correspondence, we also believe that establishing an experience requirement for licensed appraisers is a prudent action to achieve a better-qualified overall appraiser population.

We note that Kansas recently terminated its reciprocity agreement with you. This termination was based, at least in part, on Oklahoma's acceptance of affidavits for experience credit. We encourage you to implement the affidavit changes that were discussed above, and to re-open your reciprocity agreement with Kansas.

- **Oklahoma does not participate in national and regional appraiser regulatory conferences.**

Oklahoma has participated in few national or regional meetings sponsored by appraiser regulatory organizations. We believe that interaction among the State appraiser regulators enhances enforcement-related communication between neighboring jurisdictions. We also believe that the training and the exchange of ideas and solutions, which occur at these meetings, are very beneficial to State appraiser regulatory officials.

Please respond to our findings and recommendations within 60 days from the date of this letter. Until the expiration of that 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.

If you have any questions, please contact us.

Sincerely,

Herbert S. Yolles
Chairperson

cc: Michelle Shadid, Director