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Appraisal Subcommittee

Federal Financial Institutions Examination Council

February 22, 2001

David E. King, Chairman
State Board of Certified Real Estate Appraisers
P.O. Box 2649
Harrisburg, Pennsylvania 17105-2649

Dear Mr. King:

Thank you for your October 30, 2000 response to our August 15th field review letter that noted our concerns regarding Pennsylvania's appraiser regulatory program ("Program"). We apologize for our delay in responding to your letter. It took some time to follow up on some of the issues you raised.

- **Complaint Investigation and Resolution**

We reviewed the action steps that the State Board of Certified Real Estate Appraisers ("Board") implemented. We appreciate your efforts to increase appraisal expertise available to the enforcement process and to establish penalty guidelines. These changes should significantly improve your enforcement program.

We were aware of the 1994 fire and understand that it affected your complaint investigation and resolution activities. We do not believe, however, that the fire was the sole contributor to the lengthy resolutions of many complaints. We also understand that not all complaints can be resolved within one year. With your monthly complaint logs, we will track resolution times on existing complaints. We trust that we will see timely resolution for most cases, and that adequate justification will be documented for those requiring extended resolution periods.

- **Inconsistent Statutory and Regulatory Provisions**

Regarding distance education, we look forward to reviewing your proposed regulatory amendments to conform to the Appraiser Qualifications Board criteria.

Regarding Pennsylvania's Certified Appraiser/Broker classification, our concern, as stated in our field review letter, is to avoid confusion by appraisers and users of appraisal services. The "certified appraiser" classification is specified in Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI"). Federally insured financial institutions are required to use certified appraisers for certain appraisals. We seek to ensure that the Certified Appraiser/Broker scope of practice is adequately defined by regulation and communicated to users of appraisal services to avoid potential confusion.

Section 1120 of Title XI provides that it is a violation of Title XI for the Federal National Mortgage Association ("FannieMae") and the Federal Home Loan Mortgage Corporation ("FreddieMac") to knowingly contract for the performance of any appraisal by a person who is not a State certified or licensed appraiser. This provision applies not to "federally related transactions," ("FRT") but to "real estate related financial transactions" ("RERFT"), a much

broader defined classification that includes FRTs. Based on our discussions with FannieMae staff, they agree with this position. Based on our discussions with Pennsylvania Board members and staff, it did not appear that everyone understood that appraisals for RERFT transactions that are not FRTs (such as many loans sold to FannieMae or FreddieMac) must be performed by State certified or licensed appraisers. Once again, our recommendation is to avoid potential confusion by appraisers and users of appraisal services by clearly defining the scope of practice.

In your letter, you stated that Pennsylvania statute authorizes the Board to issue temporary practice permits to licensed appraisers. Title XI and ASC Policy Statement 5 provide that, for federally related transactions, a State must authorize temporary practice for both Licensed and Certified appraisers from other States. We trust that you do not require Licensed appraisers from other States to meet the higher Certified Residential qualifications as you do under reciprocity. Such a requirement is not permitted.

For out-of-state Licensed appraisers being awarded, by reciprocity, a Certified Residential credential, we caution the Board to ensure that the appraisers have met all AQB criteria for the Certified Residential credential, including passing the appropriate examination.

- **National Registry Data**

Our conclusion that Pennsylvania failed to submit some disciplinary actions to the National Registry is based upon the list of all enforcement cases from 1991 forward that your staff gave us during the review. We found seven actions on that list for which we have no record. Each of these now has been added to the Registry. We found some discrepancies in the list you provided with your letter, but have made changes to the Registry for those items as well. We appreciate your efforts to keep us informed of all disciplinary actions.

If you have any further questions, please contact us.

Sincerely,

Ben Henson
Executive Director