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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

October 18, 2006

Basil Merenda, Commissioner  
Bureau of Professional and Occupational Affairs  
Department of State  
P.O. Box 2649  
Harrisburg, PA 17105-2649

Dear Mr. Merenda:

Thank you for your letter of September 15, 2006 regarding the Appraisal Subcommittee's ("ASC") June 2006 field review of Pennsylvania's appraiser regulatory program ("Program"). We appreciate the Bureau of Professional and Occupational Affairs' ("Bureau") and the Pennsylvania State Board of Certified Real Estate Appraisers Board's ("Board") responsiveness. We will address each of the concerns identified during our 2006 review below.

- **Pennsylvania's complaint investigation and resolution program does not comply with Title XI and ASC Policy Statement 10 because complaints are not investigated and resolved in a timely manner.**

In our July 19, 2006 field review letter, we described in some detail Pennsylvania's longstanding inability to investigate and resolve complaints on a timely basis. While we noted some improvement since our previous field review, the number of aged complaints remained at unacceptably high levels. To address this situation, The ASC instructed the Board and Bureau to:

1. Comply with ASC Policy Statement 10 E.'s requirement that the State must investigate and resolve complaints in a timely manner, and that complaint resolution generally should occur within one year of complaint receipt;
2. Provide the ASC with a specific plan to reduce its backlog of outstanding cases and to ensure the timely processing of future complaints, consistent with ASC Policy Statement 10. E. That plan, in particular, needs to address the lack of staff resources dedicated to the appraiser regulatory function and the weaknesses in the expert reviewer process; and
3. Provide a complaint log to the ASC on a quarterly basis.

In your September 15<sup>th</sup> letter, you agreed with the findings in our July 19<sup>th</sup> letter and described in detail how Pennsylvania will remedy this situation. Among other things, the Bureau reorganized its Prosecution Division and its procedures. A second prosecuting attorney has been assigned to handle appraiser-related complaints. The prosecuting attorneys will focus their efforts on processing complaints alleging USPAP violations and will coordinate the use of expert consultants, file disciplinary charges, negotiate settlement agreements, and try cases before the Board. In addition, a four-attorney "charging unit" has been created to screen non-medical complaints to cull out complaints that can be either dismissed or resolved quickly because of non-complex allegations or by using settlement agreements. Finally, the Bureau is reforming the way it uses expert consultants in several ways, including reducing the time for report delivery to 60 days.

We also appreciate your commitment to scrutinize all appraiser complaints to determine whether possible mortgage fraud is involved and to prioritize the processing of complaints where fraud is indicated.

Based on the foregoing, it appears that the Bureau and Board have made significant efforts to address the backlog of open complaint cases. We hope that these efforts are successful in improving Pennsylvania's complaint investigation process and bringing it into compliance with Title XI and ASC Policy Statement 10. Please continue to provide us quarterly complaint logs.

- **Board rules contain inconsistencies with Appraiser Qualifications Board (“AQB”) criteria.**

As noted in our field review letter, Board rules fail to state that distance education courses must be conducted by an accredited college or university, approved by the International Distance Education Certification Center (“IDECC”), or approved through the AQB Course Approval Program, as required by AQB criteria. Nevertheless, the Board, in practice, only has approved distance education courses meeting these AQB requirements.

Board rules also allow work experience credit to be granted for up to 300 hours of teaching experience. This, too, is inconsistent with the AQB's certification criteria. Once again, even though the rules permit such credit, the Board has not accepted any experience of this nature.

In your response letter, you noted that, since we sent our field review letter, the Board received comments from the public on the proposed rule changes, revised those proposals accordingly, and submitted the final rulemaking for regulatory review. The Board anticipates that all needed approvals of the final rulemaking will occur within the next six months. You further stated that the Board's legal counsel will keep us informed about the status of the rule package. We look forward to receiving your status updates.

- **The Bureau often fails to remit National Registry fees in a timely manner.**

In our field review letter, we noted that Pennsylvania has a long history of failing to remit National Registry fees in a timely manner. Several factors have contributed to the delays in remitting fees. The primary factor appeared to be Pennsylvania's complicated invoice review and payment authorization processes.

In your September 15<sup>th</sup> response, you stated that the problem had been discussed with all affected parties and expedited review procedures had been established. Among other things, the Board no longer will hold up invoice processing pending adjustment requests, invoices will be paid and requests for adjustment will be made as credits on future invoices, invoices will be submitted to the State's Bureau of Finance and Operations (“BFO”) within 48 hours of receipt, and the BFO and the State's Treasury Department will expedite invoice processing. The Treasury Department will make every effort to issue checks within 30 days of the Board's receipt of related invoices. Finally, the BFO will follow invoice processing through an electronic tracking system. Because of these changes, we look forward to receiving timely invoice payments from Pennsylvania.

This letter and any other correspondence between you and the ASC regarding this field review are now publicly available on our Web site.

Please contact us if you have any questions.

Sincerely,

Ben Henson  
Executive Director

cc: Robert F. McCrae, Chairman  
Michele Smey, Board Administrator