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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

January 22, 2007

Ms. Gloria Pacheco, President  
Board of Examiners of Professional Real Estate  
Appraisers  
PO Box 363425  
San Juan, PR 00936-3425

Dear Ms. Pacheco:

Thank you for the cooperation and assistance of the Board of Examiners of Professional Real Estate Appraisers (“Board”) and the Board of Examiners Division (“Division”) in the November 13-14, 2006 Appraisal Subcommittee (“ASC”) review of Puerto Rico’s real estate appraiser regulatory program (“Program”). Based on our review, Puerto Rico needs to address six concerns regarding complaint investigations, credential issuance, and the National Registry 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”).

To monitor your progress toward resolving the concerns, ASC staff will return for our next field review of the Program in approximately 12 months from our November 2006 review. The remainder of this letter details our findings and necessary corrective actions.

- **All complaints are not investigated and resolved in a timely manner.**

Puerto Rico needs to improve its complaint investigation and resolution program. ASC Policy Statement 10 E requires States to investigate and resolve complaints in a timely manner, with the goal of resolving each complaint within one year of receipt. While Puerto Rico’s complaint load is relatively minimal, the number of complaints outstanding more than one year increased from none to three since the last field review. All three of the cases outstanding for more than one year involved situations in which the respondent appraiser was non-responsive to the Board’s request for an informal meeting or for documentation.

The chart below provides summary statistics regarding your complaint investigation and resolution program:

<b>Field Review Date</b>	<b>Complaints received</b>	<b>Complaints outstanding</b>	<b>Complaints outstanding more than 1 year</b>
Mar. 2004	18 (~9/year)	11	0
Oct. 2005	13 (~9/year)	9	0
Nov. 2006	22 (~20/year)	6	3

To resolve this concern, the Board needs to:

1. If necessary, consult with legal counsel regarding the appropriate approach to resolve the three complaints outstanding for more than one year;
  2. Ensure that all complaints are investigated and resolved in compliance with ASC Policy Statement 10 E's provision that Title XI jurisdictions must investigate and resolve complaints in a timely manner, and that complaint resolution generally should occur within one year of complaint receipt; and
  3. Within 60 days of receiving this letter, provide the ASC with a specific written plan to resolve the three cases that have been outstanding for more than one year.
- **Temporary practice is not administered in a manner consistent with Title XI and ASC Policy Statement 5.**

Temporary practice was not administered in a manner consistent with Title XI and ASC Policy Statement 5. Puerto Rico failed to act on temporary practice applications within five business days of receiving completed temporary practice applications. We previously cited this concern in our 2004 field review letter, 2005 follow-up review letter, and 2005 field review letter.

During the current field review, we noted that processing times had improved from previous years. In previous field reviews, we found that temporary practice application processing took from 20-50 days. During the current field review, the six temporary practice applications received during the last year were processed within five to 25 business days. While we are pleased to see the improvement, the Board must continue to improve its temporary practice application processing to comply with Title XI and ASC Policy Statement 5 by acting on completed applications within five business days of receipt by the Department.

- **Puerto Rico issued appraiser credentials without ensuring that the applicants' experience was obtained over the appropriate time frame as required by AQB criteria.**

Puerto Rico requires applicants to submit experience logs to document qualifying experience. While on-site, we reviewed all 22 applications for initial certification received since the previous field review. We found that, while all applicants documented the necessary hours of experience, three work logs revealed that the qualifying experience was not obtained in at least 24 or 30 months, as required by AQB certification criteria (24 months for certified residential and 30 months for certified general).

When ASC staff informed the Board of this situation, the Board immediately began taking remedial steps. The Board began drafting letters to the three appraisers regarding their failure to have documented experience covering the appropriate time frame.

To resolve this concern, the Board needs to:

1. Immediately stop issuing certified credentials to applicants whose qualifying experience fails to conform to AQB criteria;

2. Within 30 days of receiving our letter, contact the three appraisers whose experience did not conform to AQB criteria and request an appraisal log or other documentation to support their experience;
  3. Within 60 days of receiving our letter, review the appraisal logs or other documentation to determine whether the appraisers conform to AQB criteria;
  4. Within 120 days of receiving our letter, downgrade to the appropriate non-certified classification or withdraw approval to sit for the certification examination for any appraiser who cannot provide acceptable experience documentation, or who fails to submit supporting documentation;
  5. For those appraisers who do not have the necessary experience at the time the certified credential was issued, but who now have obtained the requisite appraisal experience, reissue the certified credential with corrected effective date;
  6. Implement revisions to the application process to ensure that applicants for certified appraiser credentials conform to AQB criteria; and
  7. Within 120 days of receiving our letter, provide a status report regarding this issue to the ASC.
- **Puerto Rico renewed appraiser credentials without ensuring that applicants had taken the 7-hour National USPAP Update Course, as required by AQB criteria.**

Effective January 1, 2003, AQB criteria requires all appraisers to take the 7-hour National USPAP Update Course, or its equivalent, at least every two years as part of their continuing education completion. Puerto Rico has four-year credentialing and continuing education cycles. Puerto Rico had not developed a tracking system to ensure that certified appraisers met this AQB criterion prior to credential renewal.

While on site, ASC staff reviewed all 34 renewal applications received by the Board since our previous field review. We found that three appraisers did not document completion of the 7-hour National USPAP Update Course, or its equivalent, at least every two years. Two appraisers had taken the 7-hour and 15-hour National USPAP courses in the 2005-2006 time frame, but had failed to take a 7-hour National USPAP course in the 2003-2004 time frame. One appraiser had taken two 7-hour National USPAP courses in the 2005-2006 time frame, but had failed to take a 7-hour National USPAP course in the 2003-2004 time frame.

To resolve this concern, the Board needs to:

1. Within 60 days of receiving our letter, initiate appropriate disciplinary action against the three appraisers whose continuing education did not comply with AQB criteria and report the results of those actions to the ASC; and
2. Develop and implement a process to ensure that all appraisers take the 7-hour National USPAP Update Course, or its equivalent, every two years and provide us with a written report describing that process.

- **National Registry fees were not submitted promptly in accordance with ASC Policy Statement 8.**

ASC Policy Statement 8 requires that Title XI jurisdictions remit National Registry fees to the ASC within 45 days from the invoice date. The ASC issued 18 invoices to Puerto Rico since our previous field review in 2005. For six of these invoices, Puerto Rico failed to remit payment within the 45-day requirement.

To resolve this concern, the Board needs to implement procedures as soon as possible to ensure that National Registry invoices are reviewed promptly and paid within 45 days of the invoice date and to forward a copy of those procedures to us promptly.

- **Puerto Rico did not submit disciplinary action data to the ASC for inclusion in the National Registry in accordance with ASC Policy Statement 9A.**

ASC Policy Statement 9A requires States to report disciplinary actions to the ASC at least monthly. During this field review period, Puerto Rico did not report the suspensions of three appraiser credentials.

To resolve this concern, the Board needs to provide us with a listing of every disciplinary action that Puerto Rico has taken to date to ensure that the National Registry is up-to-date. Also, the Board and Division need to establish and implement the necessary procedures to ensure that all future disciplinary actions are reported to the ASC on a timely basis, and to forward to us a copy of those procedures.

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: Carmen A. Carreras, Esq.  
Assistant Secretary for Examining Boards  
State Department

Juan R. Caraballo Irigoyen  
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