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Appraisal Subcommittee

Federal Financial Institutions Examination Council

November 3, 2005

Mr. Carlos Velez Reyes, President
Puerto Rico Real Estate Appraiser Examining Board
PO Box 363425
San Juan, PR 00936-3425

Dear Mr. Velez:

Thank you for your and the Board of Examiners Division's ("Division") assistance in the October 4-5, 2005 Appraisal Subcommittee ("ASC") review of Puerto Rico's appraiser regulatory program ("Program"), as well as the cooperation of the Board of Examiners of Professional Real Estate Appraisers ("Board").

In summary, ASC staff found that Puerto Rico has made significant progress in addressing the deficiencies identified in our 2004 field review and our 2005 follow-up review. We appreciate the efforts you, your fellow Board members, and the staff have made to address our concerns. We are pleased to inform you that those efforts have been successful in removing the imminent possibility of the ASC initiating a non-recognition proceeding against Puerto Rico. Nevertheless, the Board and Division need to continue their efforts to resolve two remaining 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").

To monitor your progress toward resolving the remaining concerns, ASC staff will return for a full review of the Program within approximately 12 months from our October 2005 review. The remainder of this letter details our findings and necessary corrective actions.

- **Temporary practice is not administered in a manner consistent with Title XI and ASC Policy Statement 5.**

In accordance with ASC Policy Statement 5, Title XI jurisdictions are required to have a temporary practice program that does not contain burdensome requirements or excessive fees. We appreciate the Board revising its policy to issue temporary practice permits on an assignment basis, instead of a single property basis. The Board, however, needs to continue improving the timeliness of its application processing. ASC Policy Statement 5 defines as burdensome a process that takes more than five business days to act on a completed temporary practice application. While the Board has improved the processing time for many temporary practice applications (particularly those received from May through October 2005), several credentials were not issued within five business days as required by Policy Statement 5. The Board and Division need to continue their efforts to streamline the temporary practice application processing system to ensure compliance with Title XI and ASC Policy Statement 5 by acting on completed temporary practice applications within five business days of receipt by the State Department. Further, the Board and/or Division needs to follow through on its agreement to change the mailing address on the temporary practice application form. The changed address should also help expedite application processing.

- **Board regulations have not been amended to implement the 1997 Puerto Rico statutory amendments and current Appraiser Qualifications Board (“AQB”) criteria.**

In December 1997, Puerto Rico amended its appraiser statute to conform to Title XI. To implement several key features, the statute specifically instructed the Board to adopt implementing rules and regulations. The Board has not adopted these regulations. The Board last amended its regulations in 1993. Much has changed since that time, including important changes to USPAP and the AQB’s criteria regarding certified residential and certified general appraisers.

Based on ASC staff’s observation of the October 5, 2005 Board meeting, we understand that the regulations have been drafted, reviewed by the legal department and the ASC, and needed only to be published for the required 30-day period. The Board needs to ensure that the necessary steps are taken to have the proposed regulations published as soon as possible. Please forward a copy of the final regulations, as implemented, to our office.

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

Francisco J. Toral Muñoz
Auxiliary Secretary for Examining Boards
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