



Appraisal Subcommittee

Federal Financial Institutions Examination Council

August 15, 2005

Carlos X. Vélez, President
Puerto Rico Real Estate Appraiser Examining Board
State Department
151 Forteleza Street, Suite 308
Old San Juan, PR 00902

Dear Mr. Vélez:

Thank you for your June 30, 2005 response to the Appraisal Subcommittee's ("ASC") April 12, 2005 follow-up review letter. We appreciate your comments and the efforts by the Puerto Rico Real Estate Appraiser Examining Board ("Board") to address our concerns.

In our June 7, 2004 field review letter, we notified the Board that Puerto Rico's Program was not in compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI"). We identified several areas of concern that needed prompt corrective action. During our February 1-2, 2005 follow-up review, we focused on these five concerns. Our April 2005 letter stated that, while Puerto Rico had made progress in several areas, much work remained to bring your Program into compliance with Title XI.

This letter will address the points in your June 2005 response to our April 2005 follow-up review letter. In summary, Puerto Rico has made additional progress in correcting our concerns, but some work remains to bring your Program into compliance with Title XI.

- **Puerto Rico has not investigated potential deficiencies in Board member appraisal reports when notified of such deficiencies by the Department of Housing and Urban Development ("HUD").**

During the February 2005 follow-up review, we found that the Board had investigated and made written recommendations regarding the HUD complaints but was legally unable to resolve the complaints because of its inability to achieve a quorum due to two longstanding vacancies on the Board. The Board was holding the recommended actions until the Board is able to achieve a quorum.

In your June 2005 letter, you stated that the Board submitted potential candidates to the Governor's Office to begin the process of filling the two Board vacancies. The Governor's Office reported that it had one candidate to fill one of the vacancies but no additional information has been forthcoming.

To ensure that the Board can perform its Title XI responsibilities and resolve the outstanding HUD complaints, it is critical that one or both of the vacant Board positions be filled as soon as possible. Please follow-up with the Governor's Office and provide ASC staff with a current status.

- **Puerto Rico has not implemented an effective complaint investigation and resolution program.**

During the February 2005 follow-up review, we found that the Board had maintained a handwritten complaint log; however, the log was incomplete. In your June 2005 letter, you stated that the Board developed a computerized spreadsheet for recording and tracking complaints and referrals. We appreciate your efforts and look forward to reviewing that documentation during our next field review scheduled for October 4-5, 2005.

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

During the February 2005 follow-up review, we found that Puerto Rico had not improved its temporary practice administration. In your June 2005 letter, you stated the Board delegated to its staff authority to approve temporary practice permits. You further stated that two permits have been issued subsequent to the change and both were issued within five business days of receipt in your office.

One cause of delay was that the application directed applicants to send the completed application to the State Department. It took several days to weeks for the applications to be transferred from the receiving State Department office to the Board's office. The requirement to act on temporary practice applications within five days of receipt means receipt by the Commonwealth of Puerto Rico, not the Board's office. During our follow-up review, the Board and staff stated that the address on the application would be changed to the Board's office. We are unable to determine from your letter or from subsequent contact with you and the staff whether the application address was changed. Please provide us a copy of the revised temporary practice application so we can review the address and filing directions included on the application.

During the February 2005 follow-up review, we found no evidence that the Board had changed its policy of limiting temporary practice permits to a single property. Our April 2005 letter requested that you forward a copy of your revised temporary practice policy to the ASC within 90 days of receipt of the letter. In your June 2005 letter, you stated that the Board is issuing permits on an assignment basis and that the Board will send its new temporary practice policy after completion of typing. The Board needs to forward to ASC staff a copy of the Board's typed temporary practice policy no later than August 31, 2005.

- **Puerto Rico does not always conform to Appraiser Qualifications Board ("AQB") criteria when upgrading licensed appraisers to certified status.**

Prior to the February 2005 follow-up review, the Board had reviewed its records and determined that 32 appraisers were issued certifications based on outdated examinations. Eighteen of the 32 identified appraisers subsequently took and passed the certification examination. During the February 2005 follow-up review, the Board informed us that it had contacted its testing provider to provide an additional examination and planned to send letters to the 14 remaining appraisers informing them of the date of the exam, that it will be the last opportunity to retake and pass the exam until the end of the year, and that their certifications will be invalidated and they will be removed from the National Registry, if they do not take and pass the exam on that date.

On April 15, 2005, the ASC received notification of the three candidates who did not take the exam and the one candidate that failed the exam. We commend the Board on resolving this issue.

- **Board regulations have not been amended to implement the 1997 Puerto Rico statutory amendments and current AQB criteria.**

During the February 2005 follow-up review, we found that the Board had had draft regulations for some time, and that we had submitted our comments on them months prior. At that time, the Board was seeking comments from the two major Puerto Rican professional appraisal organizations. The next step was to submit the regulations to the State Department. The regulations would then be published for public comment in the newspaper for 30 days. Barring significant negative comments, the Board estimated that the regulations would be adopted by April 2005. Our April 2005 letter requested that the Board forward to ASC staff a copy of the final, adopted regulations no later than May 31, 2005.

In your June 2005 letter, you stated that the Board had submitted the proposed regulations to the State Department and were waiting on their comments. You also stated that the Secretary of State must approve the proposed regulations and there was no existing Secretary. Subsequent to your letter, you notified ASC staff that the Governor had appointed Fernando Bonilla as the new Secretary of State. Therefore, the Board needs to forward to ASC staff a copy of the final, adopted regulations no later than August 31, 2005.

Please contact us if you have any questions.

Sincerely,

Ben Henson
Executive Director

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