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Appraisal Subcommittee

Federal Financial Institutions Examination Council

March 13, 2006

Mr. Carlos Velez Reyes
Puerto Rico Board of Examiners
of Professional Real Estate Appraisers
PO Box 363425
San Juan, PR 00936-3425

Dear Mr. Velez:

Thank you for your January 18, 2006 letter responding to our November 3, 2005 field review letter. We reviewed your letter and appreciate your comments and cooperation. During our field review, we identified two areas that needed your attention to bring the Puerto Rico's appraiser regulatory program ("Program") into substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI"). We address each of the concerns below.

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

We appreciate the Board of Examiners of Professional Real Estate Appraisers' ("Board") dedication to improving the timeliness of its temporary practice application processing. We understand that the mailing department of the State Department has established a new policy that prioritizes temporary practice permit applications, and that the Board will monitor the applications with this new policy to ensure that completed temporary practice applications are acted on within five business days of receipt by the State Department.

- **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 yet 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 understood that the regulations had been drafted, reviewed by the legal department and the ASC, and needed only to be published for the required 30-day period. In your January 18, 2006 letter, you stated that the regulations should be approved within the next month. However, we have learned from recent telephone conversations with Board members that, as of February 28, 2006, those regulations have not yet been published for the required 30-day period.

We are disappointed and concerned about this apparent five-month delay in finally addressing this longstanding concern. Every day without adoption of these implementing regulations is another day in which Puerto Rico's appraiser regulatory program is not in compliance with Title XI. In addition, as we stated in our April 18, 1998 field review letter on this subject, the "absence [of these regulations] may jeopardize the enforceability and legally binding nature of Board actions should they be contested." We expect that the Board will publish these regulations for the 30-day period immediately upon receipt of this letter. We will be contacting you very shortly to determine whether publication, in fact, was accomplished.

Finally, to monitor your compliance with Title XI, ASC staff will be returning for a full review of the Program on November 13-14, 2006. Our field review letter, your response, and any other previous correspondence between us regarding the field review now will become publicly available on our Web site. Please contact us if you have any questions.

Sincerely,

Ben Henson
Executive Director

CC: Hon. Anibal Acevedo Vila, Governor of Puerto Rico

Fernando J. Bonilla, Esquire, Secretary of State
State Department

Francisco J. Toral Muñoz,
Auxiliary Secretary for Examining Boards
State Department

Gloria Pacheco, President,
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