

□ □ □ □ □ □

Appraisal Subcommittee

Federal Financial Institutions Examination Council

April 4, 2007

Mr. Luis E. Rodriguez Lopez, President
Board of Examiners of Professional Real Estate
Appraisers
PO Box 363425
San Juan, PR 00936-3425

Dear Mr. Rodriguez:

Thank you for your February 2, 2007 response to the Appraisal Subcommittee's ("ASC") January 22, 2007 field review letter regarding Puerto Rico's appraiser regulatory program. In your letter, you responded to each of the six concerns outlined in our letter.

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

Our January 22, 2007 field review letter stated that 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, three cases were outstanding for more than one year. These cases involved situations where the respondent failed to respond to the Board's request for an informal meeting or for documentation.

In your February 2, 2007 letter, you discussed three cases. Two of those cases, however, were not among the three aged cases listed in our field review letter. The three cases that we discussed in our field review letter related to complaints received on January 9 and November 21, 2003, and on November 11, 2005. In our field review letter, we set forth specific actions that the Board needed to take to resolve this concern. Please review our January 22nd letter and respond to the issues and cases discussed.

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

Our January 22nd field review letter stated that temporary practice was not administered in a manner consistent with Title XI and ASC Policy Statement 5 because 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.

In your February 2nd letter, you stated that the Board is still trying to resolve this issue with the Department, which initially receives temporary practice applications. The Department does not forward them to the Board in a timely manner. You stated that application processing is delayed because Board meetings occur only once per month. You also stated that the approval of temporary practice applications cannot be delegated to Board staff.

In our field review and follow-up review letters since 2004, we have discussed the need for the Board to change the location where applications are received from the Department to the Board's offices. We also advised you of the need for you to delegate to Board staff authority to review and approve temporary practice applications. Contrary to the Board's oral and/or written agreements to take these actions, the Board has failed to do so.

Compliance with Title XI is mandatory for Puerto Rico to maintain an appraiser regulatory program recognized under Federal law. It is critical that the Board cure this longstanding problem. Based on previous discussions with the Board, the Board needs to:

1. Authorize Board staff to review and issue temporary practice permits. The Board can ratify these permits at subsequent Board meetings;
2. Change the application receipt address from the Department to the Board's office;
3. Take any other appropriate actions to ensure compliance with Title XI and ASC Policy Statement 5; and
4. Advise us in writing of the status of these items within one week after your next scheduled Board meeting.

If these changes are not implemented most expeditiously, ASC staff will recommend that the ASC consider initiating a non-recognition proceeding under § 1118 of Title XI, 12 U.S.C. 3347, and 12 C.F.R. part 1102, subpart B, thereunder.

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

In our January 22nd letter, we noted that 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, we directed the Board to:

1. Immediately stop issuing certified credentials to applicants whose qualifying experience fails to conform to AQB criteria;
2. Within 30 days of receiving the January 22nd 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 that letter, review the appraisal logs or other documentation to determine whether the appraisers conform to AQB criteria;
4. Within 120 days of receiving that 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 that letter, provide a status report regarding this issue to the ASC.

In your February 2, 2007 letter, you stated that the Board completed steps 1-3 above. In addition, you stated that the Board was “taking additional measures when reviewing applicants for licensure to prevent this from happening again.”

You did not respond to steps 4 and 5, and you responded inadequately to steps 6 and 7. Please respond to these items no later than 45 days from the date of this letter.

- **Puerto Rico renewed appraiser credentials without ensuring that applicants had taken the 7-hour National USPAP Update Course, as required by AQB criteria.**

In our January 22nd letter, we noted that, effective January 1, 2003, AQB criteria required all certified 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.

To resolve this concern, we directed the Board 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.

In your February 2nd letter, you stated that Puerto Rico did not have certified USPAP instructors until 2004 and the first 7-hour National USPAP course was not taught until April 2005. Therefore, you accepted renewals that were not compliant with AQB Criteria regarding continuing education. You also stated that you now are accepting 7-hour National USPAP Update Courses taken via distance education to eliminate this problem.

Our findings during our field review and the statements in your February 2nd letter are contradictory. While on-site, we found that 31 appraisers who renewed since our previous field review had taken the appropriate 7-hour National USPAP Update Course during the 2003-2004 time frame. Therefore, it appears that the 7-hour National USPAP Update Course was available at that time. The Board needs to complete the two steps set out above as soon as possible.

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

As noted in our January 22nd letter, 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 2005 field review. For six of these invoices, Puerto Rico failed to remit payment within the 45-day requirement.

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

In your February 2nd letter, you stated that the Board is setting up a meeting with the Treasury Department to resolve this issue. We appreciate your efforts to resolve this concern. Please keep us informed about this situation.

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

In its January 22nd letter, the ASC stated that 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 needed to provide us with a listing of every disciplinary action that Puerto Rico had taken to date to ensure that the National Registry is current. Also, the Board and Department needed 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. In your February 2nd letter, you stated that we would be receiving this information within 120 days. We look forward to receiving this information.

To monitor your compliance with Title XI, ASC staff will be returning for a full review of your Program on December 3-4, 2007. 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: Carmen A. Carreras, Esq.
Assistant Secretary for Examining Boards
State Department

Juan R. Caraballo Irigoyen
Auxiliary Secretary for Examining Boards
State Department