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Appraisal Subcommittee

Federal Financial Institutions Examination Council

April 20, 2004

Mr. Robert Selman, Administrator
South Carolina Real Estate Appraisers Board
110 Centerview Drive
P.O. Box 11847
Columbia, South Carolina 29211-1847

Dear Mr. Selman:

Thank you for your cooperation and your staff's assistance in the February 11-12, 2004 Appraisal Subcommittee ("ASC") review of South Carolina's real estate appraiser regulatory program ("Program"). We are pleased to inform you that, based on our review, your Program functions effectively and, in most respects, in a manner consistent with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI"). However, the following areas need your attention.

- **The Board's rules and regulations authorize continuing education carryover, which is inconsistent with Appraisal Qualifications Board ("AQB") criteria.**

South Carolina has a one-year continuing education cycle and requires that appraisers obtain at least the AQB-specified 14 hours of education to qualify for renewal. However, South Carolina Regulation 137-500.01(E) allows up to 28 continuing education credits (*i.e.*, hours that exceed the required 14 hours) to be carried forward for two years to meet future continuing education requirements. This practice does not conform to AQB criteria and, therefore, does not comply with Title XI requirements for certified appraisers.

In early 1998, the AQB issued an interpretation of the criteria for continuing education that provided that carryover of credits to future continuing education cycles is not permitted. In a July 1998 letter, we notified all States of this interpretation and instructed States with carryover provisions to initiate corrective action. South Carolina has not corrected its regulations or eliminated the practice. The Board needs to amend Regulation 137-500.01(E) and its practice to conform to AQB criteria for certified appraisers.

- **The Board's Reclassification Application misrepresents the amount of the National Registry fee.**

The Board's reclassification (upgrade) application indicates that the National Registry fee is \$35. This is incorrect, as the National Registry fee is \$25. The Board needs to amend its *Appraiser Reclassification Application* to either: (1) change the National Registry fee reference to \$25, or (2) specify on the application that the \$35 fee includes the \$25 National Registry fee plus a \$10 State processing fee.

- **South Carolina does not always conform to AQB Criteria when upgrading appraiser credentials from the Apprentice classification to the Certified classification.**

In July 2000, the AQB adopted an interpretation stating that successful completion of a State credential examination is valid for a period not to exceed 24 months. Under South Carolina's statute, Section §40-60-80(5), an applicant who does not become licensed or certified within five years after passing the examination must retake the examination to qualify for the license or certification sought. To assess the ramifications of the difference between the South Carolina program and the AQB requirement, we reviewed a listing of individuals who had upgraded from the apprentice or licensed level to a certified level since July 2000. Of the 72 upgrades on this listing, we identified two individuals who had upgraded relying on an examination that was more than 24 months old.

To resolve this issue, the Board needs to:

1. Require the two certified appraisers whose examinations failed to meet AQB criteria to successfully complete the appropriate examination;
2. Take the necessary steps to downgrade to the apprentice or licensed level either certified appraiser who fails to successfully complete the appropriate examination within 60 days from the date of this letter; and
3. Initiate necessary amendments to State statute and/or regulations and implement procedures to ensure that the Board conforms to this AQB criterion on a going forward basis.

Also, although Title XI does not require State conformance to AQB Criteria for the Licensed classification, we encourage the Board to conform to this AQB criterion regarding examinations for the State's Licensed appraisers.

- **The Board has not incorporated the 2003 AQB Criteria changes into its regulations.**

South Carolina has not amended its statute or regulations to adopt the January 1, 2003 AQB criteria changes. In practice, however, the Board adheres to the requisite criteria provisions. Even though the Board has implemented the AQB criteria changes in practice, we encourage you to amend your regulations to avoid conflicts between the regulations and practice.

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

If you have any questions, please contact us.

Sincerely,

Virginia M. Gibbs
Chairman

cc: Herbert R. Sass III, Chairman