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Appraisal Subcommittee

Federal Financial Institutions Examination Council

January 11, 2001

Fred Stevens, Director
Department of Licensing
P.O. Box 9015
Olympia, WA 98507-9015

Dear Mr. Stevens:

Thank you for your cooperation and your staff's assistance in the November 8-9, 2000, Appraisal Subcommittee ("ASC") review of Washington's appraiser regulatory program ("Program").

Most aspects of the Program function well. Disciplinary actions appeared to be fair and equitable. All files were well documented. Additionally, the methods and procedures used to evaluate and audit education providers are comprehensive and effective. We, however, identified the following two concerns that must be addressed to bring your Program into compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI").

- **Washington's temporary practice statute, regulations, and procedures are inconsistent with Title XI and ASC Policy Statement 5.**

Washington's Certified Real Estate Appraiser Act ("Act") limits temporary practice permits to 90 days and does not allow renewal of permits. These provisions are inconsistent with the spirit of Title XI and the requirements of ASC Policy Statement 5, which requires at least a six-month permit term and an easy way to renew permits.

These concerns are particularly important because we notified Program Manager Cleotis Borner of the inconsistencies in 1997, and they have not been resolved. During our August 1997 field review, we determined that your Act and regulations regarding temporary practice did not comply with Title XI and Policy Statement 5. In our October 24, 1997 letter, we notified Mr. Borner of our concerns and informed him that the Department of Licensing ("Department") needed to cure the non-conforming provisions. Although we understand that proposed amendments to the Act were submitted to your legislature in 1999 and 2000, they were not enacted.

We understand that the Appraisal Section of your Department has prepared, once again, proposed amendments to the Act for introduction in the 2001 legislative session. We understand further that the involvement and support of the Department of Licensing and the Washington Real Estate Appraiser Commission ("Commission") are critical to the success of this effort. Accordingly, we are directing this letter to you and providing a copy to the Commission Chairman.

Our staff reviewed a draft of the proposed amendments during our November on-site review and believe that the amendments adequately address our concerns. We offer our assistance in securing the enactment of the proposed amendments. Our assistance could include, but is not limited to, sending a letter to the appropriate State legislative committee supporting prompt adoption of the amendments, and providing written or oral testimony during legislative hearings or at other times. Please provide us a copy of the proposed amendments when you submit them to the legislature and let us know to which committee they are assigned.

Once again, we stress the importance of correcting this longstanding conflict with Federal law. Resolution of this concern would prevent the possibility of our having to consider more serious actions, such as initiating a non-recognition proceeding, in the future.

- **Washington's complaint investigation and resolution program takes too much time to investigate and resolve complaints.**

The Department received 415 complaints of appraiser misconduct from September 1997, through October 2000. Approximately half of these complaints (199) remained unresolved at the time of our review, the majority of which (108) have been outstanding for more than one year. All users of appraisal services rely on the States to effectively regulate, supervise, and discipline their certified and licensed appraisers. As stated in Title XI, "The purpose of this title is to provide that Federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals...are performed...by individuals...whose professional conduct will be subject to effective supervision." Prompt investigation and resolution of alleged appraiser wrongdoing is critical to the effective supervision of appraisers and to ensure that public interest is protected.

Absent special documented circumstances, the ASC believes that final State agency administrative decisions regarding complaints generally should occur within one year of receiving the complaint. Although all outstanding cases are in various stages of the investigatory process, progress is slow and apparently hampered by limited investigative resources. We urge increased attention to this area.

Within 60 days from the date of this letter, the Department must provide us with a comprehensive plan identifying how it will reduce the large number of outstanding complaints, particularly those more than one year old. The plan also should include procedures for investigating and resolving future complaints in a timely manner, generally within one year of receipt.

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.

If you have any questions, please contact us.

Sincerely,

Thomas E. Watson, Jr.
Chairman

cc: James Tesso, Chairman
Real Estate Appraiser Commission

Cleotis Borner, Program Manager
Department of Licensing, Appraisal Section