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Appraisal Subcommittee

Federal Financial Institutions Examination Council

June 16, 2003

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 March 13-14, 2003 Appraisal Subcommittee ("ASC") review of Washington's real estate appraiser regulatory program ("Program").

Most aspects of the Program appear to function effectively. Disciplinary actions appeared fair and equitable. Files were well documented. Additionally, the methods and procedures used to evaluate and audit education providers were comprehensive and effective. Our findings revealed, however, that deficiencies in your complaint investigation and resolution program need to be rectified before your Program can be fully compliant with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI").

Washington's complaint investigation and resolution procedures take too much time to investigate and resolve complaints. The Department of Licensing ("Department") has opened almost 1,000 complaint cases regarding appraiser misconduct since the Program began in the early 1990's. Approximately one third of this total remained open according to logs provided by your staff. Most cases were outstanding for more than a year. 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.

We brought this concern to your attention in our January 11, 2001 letter following our previous field review. In your March 15, 2001 response, you stated that the Department had identified several steps it was, or would be, taking to improve this part of the Program. These steps included:

- Establishing stable funding and revenue sources across all programs;
- Increasing fees on a regular basis within established growth limits;
- Requesting authority to reprogram spending authority from other divisions to the Appraisal Division;

- Implementing certain technology initiatives; and
- Developing investigation and prosecution thresholds.

We understand that the Department (as well as all Washington State agencies) has been subjected to certain legislative restrictions regarding funding, fee increases, and related matters. Funding limitations are a common concern for many States. Nonetheless, it is critical that States protect financial and public policy interests in real estate related transactions by maintaining effective complaint investigation and resolution programs. To be effective, the State must ensure that complaints are investigated and resolved in a timely manner to avoid exposing Federally regulated financial institutions and other users of appraisal services to unnecessary risks from incompetent or fraudulent appraisers.

Within 60 days from the date of this letter, please provide us a comprehensive plan identifying how you 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. 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,

Steven D. Fritts
Chairman

cc: Dean Potter, Chairman
Real Estate Appraiser Commission

Cleotis Borner, Program Manager
Department of Licensing, Appraisal Section