

■ ■ ■ ■ ■ ■

Appraisal Subcommittee

Federal Financial Institutions Examination Council

June 14, 2006

Mr. Ralph C. Osgood, Assistant Director
Business and Professions Division
Department of Licensing
P.O. Box 9020
Olympia, WA 98507-9020

Dear Mr. Osgood:

Thank you for your May 5, 2006 letter responding to our April 17, 2006 field review letter. As discussed below, it appears that you have successfully addressed the three concerns identified in our field review letter to bring Washington's real estate 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").

- **The Department began accepting continuing education affidavits in July 2005, and failed to implement a reliable method of validation as required by ASC Policy Statement 10 F.**

In our field review letter, we noted that Washington, in July 2005, began offering appraisers the opportunity to renew their credentials electronically based on sworn affirmations that the appraisers had met the State's continuing education requirements. ASC Policy Statement 10 F. requires States to have appropriate validation procedures and, using those procedures, to audit continuing education-related affidavits of certified appraisers within 60 days from the date the renewed credential is issued. At the time of our field review (February 2006), Washington had failed to perform audits relating to renewals issued from July 2005, through late December 2005.

The Department of Licensing ("Department") agreed to conduct the necessary audits of appraisers granted renewals based on continuing education affidavits. On April 24, 2006, Department staff informed ASC staff that it had identified 199 appraisers whose credentials were renewed based on affidavits. Of these appraisers, 40 were licensed, 113 were certified residential, and 49 were certified general. The Department stated that it would send audit letters to 17 of the 159 certified appraisers on March 2nd.

In your May 5th letter, you advised us that you had identified 210 appraisers whose credentials were renewed based on affidavits. Of these appraisers, 42 were licensed, 119 were certified residential, and 49 were certified general, totaling 168 certified appraisers. The Department sent audit letters to 16 certified appraisers. All of these appraisers responded to the audit letters on a timely basis. You completed the audits on March 31, 2006, and found that all 16 appraisers were in compliance with the Appraiser Qualifications Board's ("AQB") certification criteria.

Finally, you stated that the Department has implemented a monthly random audit program to help ensure that renewing appraisers relying on continuing education affidavits have earned the

necessary continuing education credits to qualify for renewal. Please ensure that this new program conforms to ASC Policy Statement 10 F.

- **The Department allowed continuing education credit for attending more than one Commission meeting per renewal cycle.**

In our field review letter, we noted that Washington allowed appraisers to claim three hours of continuing education credit for attending any and all Real Estate Appraiser Commission (“Commission”) meetings. In August 2004, the AQB determined that a State could award continuing education credit to appraisers who attend a State Board/Commission meeting under the following circumstances:

- The State Board/Commission meeting must be at least two-hours long (this is consistent with the requirement that continuing education courses must be a minimum of two-hours in length);
- A credentialed appraiser may not receive continuing education credit for attending a State Commission meeting more than once per continuing education cycle (this is consistent with the requirement that continuing education is designed to maintain and advance an appraiser’s skills, knowledge and competency, and should not be repetitive or redundant); and
- The State Board/Commission must verify the identification of any credentialed appraiser wishing to receive credit for attending a State Commission meeting and must have adequate procedures in place to ensure the credentialed appraiser attends the meeting for the required period of time.

At the time of our field review, the Department had proposed rules to modify the acceptability of attending Commission meetings as continuing education. The proposed rules, however, did not address the restriction of one Board/Commission meeting per continuing education cycle. On June 5, 2006, Department staff provided us with a copy of a “Preproposal Statement of Inquiry,” which was filed on June 1, 2006, to amend WAC 308-125-090, restricting such continuing education credit to one Commission meeting per continuing education cycle. Moreover, in your May 5th letter, you stated that the Department and Commission have procedures in place to ensure that attendance at such meetings will be verified.

Please notify us in writing once the amended rules are finalized and provide a copy for our records. The Commission and Department should be aware that the AQB plans to re-issue an amended exposure draft regarding this issue in the near future. We again encourage the Commission and Department to comment on the proposal, when issued.

- **Washington failed to retain adequate documentation to substantiate that appraiser credentials were issued in compliance with AQB criteria.**

In our field review letter, we noted that most appraiser application files failed to contain supporting documentation for qualifying experience because the Department destroys experienced applicant experience logs six months after taking action on applications. We were concerned about this records destruction policy because: (1) the ASC would not have an opportunity to review them to ascertain compliance with Title XI; and (2) the Department would not maintain sufficient documentation to defend against potential unlawful discrimination,

preferential treatment, or other accusations. To address this concern, you stated that the Department now will retain all documentation relating to applicant experience claims until the ASC has conducted its next scheduled on-site field review.

Our field review letter, your response, and any other previous correspondence between us regarding the field review now are publicly available on our Web site.

Please contact us if you have any questions.

Sincerely,

Ben Henson
Executive Director

cc: Brent Palmer, Chairman
Real Estate Appraiser Commission

Lee Mallott, Administrator
Department of Licensing

Elizabeth Luce, Director
Department of Licensing

Ralph Birkedahl, Program Manager
Department of Licensing, Appraisal Section