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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

September 8, 2003

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

Dear Mr. Stevens:

Thank you for Program Manager Cleotis Borner's August 28, 2003 letter responding to our June 20<sup>th</sup> field review letter. We have reviewed your response and appreciate your comments. We are pleased with the prompt attention you are giving our findings. After reviewing the thresholds and efficiency measures discussed in Mr. Borner's letter, we have the following concerns:

- Several of the thresholds result in administratively closing complaints without investigation (*e.g.*, when the appraisal report is more than five years old). Complaints that might involve fraud should not be closed in this manner. You need to structure your administrative closing procedures to include a sufficient review of the complaint to determine whether there is any indication of potential fraudulent activities. If such an indication exists, you need to investigate and resolve the complaint. If you determine that there is no indication of potential fraud, you should document the file to reflect that finding.
- The third bullet relates to “[c]losing complaints that are ancillary to other civil litigations already in progress.” We are unsure exactly how you would implement this provision, but we are concerned that valid complaints could be dismissed. If the “other civil litigation” is unsuccessful and you have dismissed the complaint, you would forfeit the right to investigate and, potentially, discipline an appraiser. Please provide us more information regarding how this process and how it would be used.
- The fifth bullet states that when no consumer or lender damage is indicated on appraisal reports two to three years old, you would issue a Notice of Correction (NOC) to the appraiser indicating that a subsequent complaint within twenty-four months of the NOC would subject the appraiser to an investigation concerning both complaints. This provision is inconsistent with Appraisal Subcommittee Policy Statement 10.

Policy Statement 10, Section E, second paragraph, states: “Dismissal of an alleged USPAP violation due to an ‘absence of harm to the public’ is inconsistent with Title XI’s purpose. That purpose ‘is to provide that Federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed ... in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.’ Financial loss or the lack thereof is not an element in determining whether there is a USPAP violation; the extent of such loss, however,

should be a factor in determining the appropriate level of discipline. It is critical that State agencies investigate allegations of USPAP violations, and, if allegations are proven, take appropriate disciplinary or remedial action.”

Please respond to our concerns within 60 days of receipt of this letter. Please contact us if you have any questions.

Sincerely,

Ben Henson  
Executive Director