

□   □   □   □   □   □

# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

August 21, 2008

Mr. Robert McRae  
Pennsylvania State Board of Certified Real  
Estate Appraisers  
P.O. Box 2649  
Harrisburg, Pennsylvania 17105-2649

Dear Mr. McRae:

Thank you for the Pennsylvania State Board of Certified Real Estate Appraisers (“Board”) and Bureau of Professional and Occupational Affairs’ (“Bureau”) cooperation and assistance in the July 9-10, 2008 Appraisal Subcommittee (“ASC”) review of the Pennsylvania real estate appraiser regulatory program (“Program”). Based on our review, Pennsylvania is not in substantial compliance with Title XI of the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989, as amended, (“Title XI”). The State needs to address two concerns to comply with Title XI.

- **Pennsylvania’s complaint investigation and resolution process did not comply with Title XI and ASC Policy Statement 10.**

Pennsylvania’s complaint investigation and resolution process did not comply with Title XI and ASC Policy Statement 10E because complaints were not investigated and resolved in a timely manner. ASC Policy Statement 10E provides that State appraiser regulatory agencies need to process complaints on a timely basis and that, absent special documented circumstances, final State administrative decisions regarding complaints should occur within one year of the complaint filing date. We cited the State for this deficiency in our 2006 field review.

We recognize that during the recent review period the Bureau made a commitment to ASC staff to address the backlog of complaints for appraisers and the other professions. The number of prosecuting attorneys involved in the disposition of complaints against appraisers increased from two to five. The Bureau implemented a new screening process. It created a charging unit of four attorneys that serve as a “complaint triage team.” The team screens all incoming complaints and relieves the Board’s prosecuting attorneys from having to handle complaints filed with the Board that do not allege violations of practice standards and do not require expert review. We commend the Bureau for its efforts and note that the new process appears to be working.

While Pennsylvania received the same number of complaints (approximately 200), during this review period as it did during the previous two year review cycle, the current number of complaints outstanding or in process is half that found during the previous field review. The current number of complaints that have been outstanding more than one year also decreased significantly. Staff said the screening process has enabled the State to fast track the disposition of about 40% of the cases wherein it is determined that formal investigation and expert review is not required to achieve an effective and appropriate disposition.

Notwithstanding this progress, the number of dated cases remains high and is viewed as a significant backlog. Therefore the Board and Bureau need to:

1. Continue their efforts to reduce the backlog of aged complaints; and
  2. Forward quarterly complaint logs to ASC staff to allow us to monitor the State's progress towards addressing this concern.
- **Several of the sections of the State's regulations were not consistent with the AQB criteria.**

Several sections of the existing regulations conflict with the current AQB criteria. The regulations at §36.11(B)(2) and §36.12(B)(2) allow qualifying education credit for teaching. Challenge examinations taken prior to 1991 are permitted under 36.11(B)5 and §36.12(B)5. We found that §36.42(E) does not limit the number of hours allowed for non-traditional continuing education options, such as the teaching of appraisal courses. The new AQB criteria restricts the number of hours allowed for these types of continuing education options to 50% of the continuing education hours required for the renewal cycle.

We found no evidence that any credential was issued or renewed inappropriately due to these provisions. The Board, however, needs to:

1. Begin the process of amending its regulations to conform to the AQB criteria; and
2. Provide the ASC a copy of the proposed regulations and the final regulations, once adopted.

Unless otherwise noted above, please respond to our findings and recommendations within 60 days following the receipt 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.

Please contact us if you have further questions.

Sincerely,

Virginia M. Gibbs  
Chairman

cc: Heidy Weirich, Board Administrator  
Michelle Smey, Chief, Business Licensing Division