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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

December 26, 2007

Ms. Kelly Davids, Superintendent  
 Ohio Division of Real Estate and Professional Licensing  
 77 South High Street, 20<sup>th</sup> floor  
 Columbus, Ohio 43215-6133

Dear Ms. Davids:

Thank you for the cooperation and assistance of the Ohio Real Estate Appraiser Board (“Board”) and the Ohio Department of Commerce, Division of Real Estate and Professional Licensing (“Division”) in the November 7-9, 2007 Appraisal Subcommittee (“ASC”) review of Ohio’s real estate appraiser regulatory program (“Program”). Based on our review, Ohio needs to continue to address one concern to bring the Program into substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (“Title XI”).

- **Ohio’s complaint investigation and resolution program did not comply with Title XI and ASC Policy Statement 10 E.**

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

As discussed below, we are pleased to see that the State continued to make progress towards resolving this longstanding concern. The Division and Board, however, must continue devoting the time and resources needed to bring the Program into compliance with Title XI and ASC Policy Statement 10 E.

The following table summarizes Ohio’s complaint statistics.

Field Review Date	Complaints received	Average # of complaints received per year	Complaints outstanding	Complaints outstanding more than 1 year
Oct. 2001	132 (3 yrs.)	44	48	14 (29%)
Feb. 2004	185 (3 yrs.)	62	168	100 (60%)
Aug. 2005	209 (18 mos.)	139	199	83 (42%)
Sep. 2006	291 (1 yr.)	291	394	128 (32%)
Nov. 2007	196 (14 mos.)	168	193	77 (36%)

We cited the State for delays in the complaint investigation and resolution process in our 1998, 2001, 2004, and 2005 field review letters and our 2004 and 2006 follow-up review letters. During these field reviews, we found that the Division's policy of using formal hearings to resolve most complaints was costly and time-consuming. Staff turnover and significant increases in the number of complaints also contributed to these delays.

During our 2005 field review, we found that Ohio had taken steps to improve its complaint investigation and resolution program. In March 2005, Ohio adopted rules allowing the Division to settle disciplinary cases informally. The new rules eliminated the regulatory requirement to use the full hearing process as the primary method of case resolution. Also, Ohio hired an additional investigator since our February 2004 field review, bringing the total number of investigators to four.

During our 2006 follow-up review, we found that Ohio had taken additional steps to improve its complaint investigation and resolution program. The Division used its new regulatory authority to informally settle 28 disciplinary cases, avoiding the need for holding full, formal hearings. Ohio also hired an additional investigator, bringing the total number of investigators to five. In March 2006, Ohio hired an attorney who also is a certified residential appraiser. That attorney performs legal reviews of investigators' reports and makes recommendations regarding, among other things, proposed settlement terms and how charges can be proven. These changes have proven helpful to the Division Superintendent and to the assistant attorneys general during settlement and hearing processes.

During our most recent field review, ASC staff found that these steps resulted in continued progress towards improving the timeliness of complaint investigation and resolution. Ohio reduced the number of aged outstanding cases from 128 to 77. All 77 cases were investigated and were pending settlement or hearing. Notwithstanding this progress, the percentage of aged to outstanding complaints remained unacceptably high at 36%.

More work remains to remedy this situation. ASC staff will continue to closely monitor Ohio's progress toward resolving this concern and will review your progress when they return in 2008 to conduct a priority contact visit.

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.

Please contact us if you have any questions.

Sincerely,

Virginia M. Gibbs  
Chairman

cc: Brian Barnes, Chairman  
Ohio Real Estate Appraisers Board

Kimberly Zurz, Director  
Department of Commerce