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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

May 21, 2010

Ms. Lisa Brooks, Executive Director  
Alabama Real Estate Appraisers Board  
P.O. Box 304355  
Montgomery, Alabama 36130-4355

Dear Ms. Brooks:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of Alabama's appraiser regulatory program (Program) on November 17-19, 2009. This is the final ASC Compliance Review Report (Report) on that Review.

The ASC has considered the staff's preliminary findings regarding the Review and the State's response. The ASC has determined the Program is not in substantial compliance with Title XI of the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989, as amended (Title XI). The ASC identified the following concerns. Alabama must:

- submit all disciplinary actions to the ASC for inclusion on the National Registry;<sup>1</sup>
- use a reliable means of validating appraisal experience claims on all initial applications;<sup>2</sup>
- maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria;<sup>3</sup> and
- resolve all complaints filed against appraisers within one year, except for special documented circumstances.<sup>4</sup>

The State's response indicated it has taken corrective actions, which are detailed in the attached Report. During the next Review, ASC staff will confirm these corrective actions have taken place and are appropriate. Please also be advised this letter and the attached Report are public record and available on the ASC website in accordance with the Freedom of Information Act.

Please contact us if you have any questions.

Sincerely,



Deborah S. Merkle  
Chairman

Attachment

cc: Mr. Frederick Crochen, Chair

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<sup>1</sup> Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 9A.

<sup>2</sup> Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 10G.

<sup>3</sup> Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 10F.

<sup>4</sup> Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.

**ASC Compliance Review Report**

**Finding: Not in Substantial Compliance**  
**Report Issue Date: May 21, 2010**

**Alabama Appraiser Regulatory Program (Program)**

**Alabama Real Estate Appraiser Board (Board) - Independent Agency**

ASC Compliance Review (Review) Date: November 17 -19, 2009

Review Period: March 2007 - November 2009

**Umbrella Agency: Independent**

PM: J. Tidwell

Number of State credentialed appraisers on National Registry: 1459

Issue: FINAL

Requirement/Guidance	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
<b>Alabama Statutes, Regulations, Policies and Procedures:</b>			X					
The ASC shall monitor State agencies for the purpose of determining whether policies, practices and procedures are consistent with Title XI. (Title XI § 1118 (a), 12 U.S.C. 3347.)				During the Board meeting attended by ASC staff, the Board entered into executive session. Prior to convening the executive session, the Board's legal counsel instructed all observers to leave, including the ASC Policy Managers. Exclusion of ASC staff impedes its statutory mandate of State oversight responsibilities under Title XI.	On March 12, 2010, the Board informed ASC staff that it asserts executive privilege for executive sessions, and that the presence of individuals who are not members of the Board or executive staff violates the confidentiality of the content of the session as a matter of Alabama Law.	None	The Board should reconsider its exclusion of ASC staff from executive sessions, particularly given the ASC's federal mandate.  ASC General Counsel will follow-up on this issue.	As part of the on-site Review process, ASC staff attends Board meetings, including executive sessions. This further enables ASC staff to fulfill its mandate under Title XI of oversight of the State appraiser regulatory programs. The efficacy of the ASC's Review program clearly rests on the ASC's ability to obtain reliable information about all areas of the State's program. After being briefed by State officials regarding the matters to be discussed, the ASC staff may choose to forego attendance. However, access to all aspects of the operations and decision making processes is a critical component of the Review. Clearly, ASC respects the privacy of all individuals and confidential matters discussed during executive session. The ASC is obligated to protect the privacy of individuals and other confidential matters under Federal law.

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	YES	NO	AC					
Alabama Statutes, Regulations, Policies and Procedures Continued:			X					
States must adopt and/or implement all relevant AQB Real Property Appraiser Qualification Criteria. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria.)				The following administrative rules are inconsistent with AQB Real Property Appraiser Qualification Criteria (AQB Criteria): (1) <b>780-X-5-.02 (5)</b> should not allow approval of courses offered by Community or Junior colleges without evaluation by the Board; and (2) <b>780-X-12-.02 (2)</b> should limit to 50% the continuing education that can be granted for participation, other than as a student, in appraisal educational processes and programs. Also, <b>780-X-13-.01 (1)</b> & <b>-16-.01</b> should be updated to reflect the current address for the Appraisal Foundation.  Although conflicts were discovered, in practice Alabama enforces the AQB Criteria.	On March 12, 2010, the Board informed ASC staff that it submitted revisions to the Board's administrative rules to the Legislative Reference Service to amend its Administrative Code.	No further action required.	To strengthen the Program, Alabama should ensure that its rules do not conflict with AQB Criteria.	Upon adoption, please provide ASC staff with copies of adopted rule changes.

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	YES	NO	AC					
<b>Temporary Practice:</b>			X					
States should rely on the National Registry to verify license history on applicants for temporary practice. (Title XI § 1122, 12 U.S.C. 3351; ASC Policy Statement 5.)				<p>While no compliance issues were noted, ASC staff recommends Alabama remove the requirement for a letter of good standing from the applicant's home State. Alabama was encouraged to utilize the history reports generated by the National Registry to enable staff to make informed decisions on licensing while avoiding some of the administrative burden and delay associated with applications deemed incomplete because the applicant fails to provide a letter of good standing from the home State.</p> <p>ASC staff recommends that the temporary practice application be revised to avoid confusion; specifically, in three places on the application, "property" should be changed to "property or properties."</p>	On March 12, 2010, the Board informed ASC staff that the requirement that an applicant for a temporary practice permit submit from its home State a letter of good standing has been removed, and the temporary practice application had been revised to incorporate ASC recommendations.	No further action required.	None	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 5.
<b>National Registry:</b>			X					
States must submit all disciplinary actions to the ASC for inclusion on the National Registry. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 9A.)				In reviewing the enforcement log, ASC staff determined that some sanctions taken during the Review period had not been reported for inclusion on the National Registry.	On March 12, 2010, the Board informed ASC staff that it had since reported missing disciplinary sanctions to the ASC for inclusion on the National Registry.	No further action required.	To strengthen the Program, Alabama should develop a procedure to ensure that it submits all disciplinary actions to the ASC for inclusion on the National Registry in a timely manner.	During the next Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 9A.

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	YES	NO	AC					
<b>Application Process:</b>		<b>X</b>						
States must use a reliable means of validating appraisal experience claims on all initial applications. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 10G.)				Alabama uses a point system for determining appraisal experience hours and does not require applicants for appraiser credentials to provide their actual number of hours worked as required in AQB Criteria.	On March 12, 2010, the Board informed ASC staff that as provided in the Alabama experience handbook, one point of experience is equivalent to 10 hours of experience.	Alabama must require applicants for certified appraiser credentials to provide their actual number of experience hours as required by AQB Criteria. Alabama may utilize the point procedure for internal purposes; however the file must reflect the actual number of hours worked as required in AQB Criteria.	None	During the next Review, ASC staff will pay particular attention to this area for compliance with AQB Criteria.
<b>Reciprocity:</b>	<b>X</b>			No compliance issues noted.	N/A	None	None	None

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	YES	NO	AC					
<b>Education:</b>			X					
States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 10F.)				Two professional organization's ethics courses were identified as not having sufficient documentation to meet AQB Criteria requirements for continuing education.  Alabama files do not always contain appropriate documentation for secondary provider IDECC approval. Course approval expiration dates did not coincide with AQB/CAP and/or IDECC approvals when applicable.	On March 12, 2010, the Board informed ASC staff that all documentation has been gathered and the files have been corrected.	No further action required.	To strengthen the Program, Alabama should continue to ensure that all course files contain sufficient documentation to support that approved courses conform to AQB Criteria.	During the next Review, ASC staff will pay particular attention to this area for compliance with Title XI and AQB Criteria.
<b>Enforcement:</b>		X						
States should resolve all complaints filed against appraisers within one year, except for special documented circumstances. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)				Alabama had 82 outstanding complaints. Of those 82 complaints, 12 complaints were unresolved for more than one year. Of those 12, one falls under the exception for special documented circumstances due to documented medical reasons. The other eleven cases are all under investigation and currently in advanced stages of the litigation process.  This is a notable improvement over the previous Compliance Review period in which there were 39 complaints over one year old.	On March 12, 2010, the Board informed ASC staff that two of the 12 complaints have been resolved. Litigation and/or negotiations continue on the remaining 10 cases.	Alabama must monitor its revised process to ensure continued reduction of the backlog of aged complaints.	None	During the next Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 10E.