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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

February 8, 2012

Ms. Jeanette Roberts, Board Director  
Real Estate Appraiser Licensure and Certification Board  
Indiana Professional Licensing Agency  
402 W. Washington Street, Room W072  
Indianapolis, IN 46204

Ms. Gabrielle J. Owens, Deputy Director  
Licensing Enforcement & Homeowner Protection Unit  
Indiana Office of the Attorney General  
302 W. Washington Street, 5th Floor  
Indianapolis, IN 46204-2770

RE: ASC Compliance Review of Indiana's appraiser regulatory program

Dear Ms. Roberts and Ms. Owens:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of Indiana's appraiser regulatory program (Program) on March 29-30, 2011, and June 8-9, 2011. This is the final ASC Compliance Review Report (Report) on that Review.

The ASC has considered the 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. The ASC identified the following areas of non-compliance:

- States should resolve all complaints filed against appraisers within one year, except for special documented circumstances;<sup>1</sup>
- States must maintain relevant documentation to enable the ASC staff to understand the status of complaints filed.<sup>2</sup>

Indiana will remain on a two-year Review Cycle with a Follow-up Review in approximately 6-9 months. In its response, the State indicated corrective actions were taken. During the Follow-up 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,

A handwritten signature in black ink, appearing to read "Peter Gillispie". The signature is written in a cursive style with a large initial "P".

Peter Gillispie  
Acting Chairman

Attachment

cc: Mr. Wayne Johnson, Chairman

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<sup>1</sup> Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.

<sup>2</sup> Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.

ASC Compliance Review Report						ASC Finding: Not In Substantial Compliance		
Indiana Appraiser Regulatory Program (Program)						Final Report Issue Date: February 8, 2012		
Real Estate Appraiser Licensure and Certification Board (Board)/ Decision Making		PM: V. Metcalf		ASC Compliance Review Date: March 29-30 and June 8-9, 2011		Review Period: January 2009 to March 2011		
Umbrella Agency: Indiana Professional Licensing Agency (IPLA)				Number of State Credentialed Appraisers on National Registry: 2286		Review Cycle: Two Year with Follow-up Review in six to nine months		
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					
Indiana Statutes, Regulations, Policies and Procedures:			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.)				<p>A review of the Indiana Real Estate Licensure and Certification Regulations revealed the following inconsistencies with the Appraiser Qualifications Board's (AQB) Real Property Appraiser Qualification Criteria (AQB Criteria):</p> <p>(1) Effective January 1, 2008, the AQB Criteria no longer recognizes challenge examinations for meeting appraiser qualifying education. Indiana Code IC 25-34.1-3-8(h) and Indiana Administrative Codes 876 IAC 3-3-4.1(h) and IAC 3-3-5.1(i) allow the Board to grant education credit for courses where the applicant obtained credit from course providers by challenge examination, without attending the courses, providing the examination was taken before July 1, 1990.</p> <p>(2) The AQB Criteria does not allow States to grant qualifying education credit for teaching appraisal courses. Indiana Administrative Code 876 IAC 3-3-5.1 (g) allows qualifying education for the teaching of appraisal courses for the certified general classification.</p> <p>(3) AQB Criteria requires that experience claimed by an appraiser applicant include the number of actual work hours performed by the applicant on each assignment. Indiana Administrative Code 876 IAC 3-3-13.1 (a) established a set number of hours for various types of appraisal assignments and does not require the actual hours worked.</p> <p>Despite the conflicting provisions in the regulations, ASC staff found no incidents where these provisions were applied to any aspect of the Program.</p>	On August 12, 2011, the Board reported to ASC staff that the Board started the rulemaking process to make the conforming changes. The Board anticipates the changes to become effective by August 2012.	None	To strengthen the Program, Indiana should continue the process of amending its statute and regulations to ensure compliance with AQB Criteria.	During a Follow-up Review, in approximately six months, ASC staff will pay particular attention to this area for compliance with AQB Criteria, including the status of the statute and regulation amendments.  Upon adoption, please provide ASC staff with copies of the statute and regulation changes.
Temporary Practice:	X			No compliance issues noted.	N/A	None	None	None
National Registry:	X			No compliance issues noted.	N/A	None	None	None
Application Process:	X			No compliance issues noted.	N/A	None	None	None

**ASC Compliance Review Report**

ASC Finding: Not In Substantial Compliance

Final Report Issue Date: February 8, 2012

**Indiana Appraiser Regulatory Program (Program)**

Real Estate Appraiser Licensure and Certification Board (Board)/ Decision Making PM: V. Metcalf

ASC Compliance Review Date: March 29-30 and June 8-9, 2011

Review Period: January 2009 to March 2011

Umbrella Agency: Indiana Professional Licensing Agency (IPLA)

Number of State Credentialed Appraisers on National Registry: 2286

Review Cycle: Two Year with Follow-up Review in six to nine months

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>Reciprocity:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>Education:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>Enforcement:</b>		X		<p>Indiana had 283 outstanding complaints, of which 175 (62%) were unresolved for more than one year. No cases were identified as falling under the special documented circumstances exception.</p> <p>During the Review Period, the number of outstanding cases increased substantially from 107 in January 2009 to 283 in March 2011. The number of outstanding cases in process for more than one year increased from 11 in 2009 to 175 in 2011. However, ASC staff found the increase in the number of cases reported was due, in part, to a lack of communication concerning the processing and status of complaints within the Program and with ASC staff. The Attorneys' General Office (OAG) receives all initial consumer complaints filed concerning appraiser misconduct. Therefore, the majority of the complaints were in the OAG awaiting investigation or direction as to the appropriate final disposition, and were deemed "closed" at the conclusion of each step. This contributed to inaccurate complaint data being provided to ASC staff during this Review and possibly in past Reviews.</p>	<p>On August 31, 2011, the OAG reported to ASC staff that as of the end of the Review Period (March 30, 2011), 104 consumer complaint (CP) files were open of which 36 files remained unresolved one year after receipt.</p> <p>The OAG's letter stated that the ASC staff's attempt to pair the consumer complaints (CP) with subsequent litigation (LIT) files and those cases that went onto the Real Estate Appraiser Board for consideration and final disposition was done in error. When reconciling the 283 open cases noted by the ASC staff, the OAG determined: (1) 119 of the 283 CP complaints identified as open were closed with no litigation; (2) 43 of the CP cases resulted in litigation cases which were completed prior to March 31, 2011; and (3) 17 of the cases do not exist and were possibly confused with LIT case files.</p>	<p>Indiana must:</p> <p>(1) Within 60 days of receipt of this Report provide a written plan on how the IPLA and OAG will revise its complaint process to address the State's significant backlog of outstanding complaints and facilitate more timely complaint dispositions in the future; and</p> <p>(2) send quarterly complaint logs to ASC staff to allow monitoring of the Board's progress towards addressing this situation.</p> <p>The ASC Policy Manager assigned to the State will work with IPLA staff to determine the timing and content of the complaint log.</p>	None	<p>Based on the complaint log provided by the OAG with its August 31st response, ASC staff was unable to reconcile the actual number of open complaints. That complaint log reported 104 outstanding complaints, of which 36 (35%) were unresolved for more than one year which, if correct, would still be unacceptably high.</p> <p>During a Follow-up Review, in approximately six months, ASC staff will focus on the outstanding complaints. ASC staff will also pay particular attention to this area for compliance with Title XI and Policy Statement 10E during the next full Compliance Review.</p>

ASC Compliance Review Report				ASC Finding: Not In Substantial Compliance				
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Umbrella Agency: Indiana Professional Licensing Agency (IPLA)				Number of State Credentialed Appraisers on National Registry: 2286		Review Cycle: Two Year with Follow-up Review in six to nine months		
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					
Enforcement continued:		X						
States must maintain relevant documentation to enable the ASC staff to understand the status of complaints filed. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)				<p>Indiana does not have a reliable means of tracking their appraiser consumer complaints filed with the OAG. Both the ASC pre-review letter and a subsequent letter sent specifically to OAG requested the State provide:</p> <ul style="list-style-type: none"> <li>• All open complaints regardless of the date filed including complaints referred to other governmental departments, divisions, offices, and any private third party processors; and</li> <li>• all complaints that have been closed between January 2009 and March 30, 2011.</li> </ul> <p>In response, the IPLA and OAG, in particular, provided eight different lists attempting to respond to these two questions, each reflecting different aspects of the complaint disposition process, but all failing to adequately cross reference the cases as they were merged into subsequent litigation and Real Estate Appraiser Board cases before final disposition.</p> <p>Based on the reports and information provided by the State, and a lack of a reliable tracking system with OAG, ASC staff was unable to reconcile the actual number of open complaints, during the on-site Review and after the Review based on the log provided with its August 31st response .</p>	See August 31, 2011 OAG response above.	Indiana must, within 60 days of receipt of this Report, provide a written plan to ASC staff on how IPLA and OAG will ensure accurate documentation of complaints from receipt to final disposition. This plan must also identify who would be responsible for maintaining the log.	None	During a Follow-up Review, in approximately six months, ASC staff will focus on the outstanding complaints. ASC staff will also pay particular attention to this area for compliance with Title XI and Policy Statement 10E during the next full Compliance Review.