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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

August 8, 2012

Mr. Frank Manzer, Executive Director  
101 East Capitol, Suite 430  
Little Rock, Arkansas 72201

RE: ASC Compliance Review of Arkansas' appraiser regulatory program

Dear Mr. Manzer:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Arkansas appraiser regulatory program (Program) on March 20-22, 2012. 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 area of non-compliance:

- States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Real Property Appraiser Qualification Criteria.<sup>1</sup>

In its response, the State indicated corrective actions were taken. During the next Review, ASC staff will confirm the corrective actions have taken place and are appropriate. Arkansas will remain on a two-year Review.

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,



Peter Gillispie  
Chairman

Attachment

cc: Rick Mahan, Chairman

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<sup>1</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.

## ASC Compliance Review Report

ASC Finding: Not In Substantial Compliance  
Final Report Issue Date: August 8, 2012

**Arkansas Appraiser Regulatory Program (Program)**

The Arkansas Appraiser Licensing and Certification Board (Board) / Decision Making

PM: V. Metcalf

ASC Compliance Review Date: March 20-22, 2012

Review Period: March 2010 - March 2012

Umbrella Agency: Independent

Number of State Credentialed Appraisers on National Registry: 853

Review Cycle: Two Year

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>Arkansas 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.)				State statute §17-14-206(b) establishes that the Board may not investigate actions of, or conduct any disciplinary hearing regarding, any licensee, registrant, or certificate holder wherein the action initiating the complaint or investigation is more than three years prior to such complaint or investigation. ASC staff was informed that this statutory provision was added in 2005 or 2006 in direct response to a settlement agreement for a lawsuit.	No State response provided.	None	The Board should pursue the elimination, or at least an expanded term, of the statute of limitations.	Title XI created the national appraiser regulatory system to provide Federal financial institutions with assurance that those performing work for federally related transactions would be subject to effective supervision. Because of the nature of mortgage and commercial lending, concerns about appraisals may not be identified until three or more years after a loan is approved and the property becomes the subject of a foreclosure or quality control proceeding. The State's three-year statute of limitations could adversely affect an institution's ability to file a complaint regarding questionable appraisal practices.
<b>Arkansas Statutes, Regulations, Policies and Procedures continued:</b>			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.)				Appraiser Qualifications Board (AQB) Real Property Appraiser Qualification Criteria (AQB Criteria) requires qualifying experience for the licensed level to have been earned over a minimum of 12 months. Section IIB(1) of the State regulations fail to specify that for the licensed level, the 2000 hours of qualifying experience must have been obtained over a minimum of 12 months.  Despite the conflicting provisions in the regulations, ASC staff found no incidents where these regulations were applied to any aspect of the Program.	In a letter dated May 24, 2012, the Program Executive Director reported to ASC staff that the Board will ensure that all AQB Criteria requirements are implemented and added into the Rules and Regulations.	None	To strengthen the Program, Arkansas should begin the process of amending its regulations to be consistent with AQB Criteria.	None

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	YES	NO	AC					
<b>Arkansas Statutes, Regulations, Policies and Procedures continued:</b>			X					
States must use proper designations and permitted scope of practice for certified appraisers. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statements 2 and 10.)				Arkansas statute §17-14-103(23&24) requires that the scope of practice for each credential level meet that prescribed by the "ASC" and the financial institutions. This reference to the "ASC" rather than the "AQB" is in error.	No State response provided.	None	To strengthen the Program, Arkansas should amend this statute.	None
<b>Temporary Practice:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>National Registry:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>Application Process:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>Reciprocity:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>Education:</b>			X	Course approval expiration dates assigned by the State were found to be in conflict with International Distance Education Certification Center (IDECC) endorsement periods. As a result, ASC staff found a number of distance education courses on Arkansas' list of approved courses that no longer have IDECC approval or where IDECC approval will expire prior to the expiration date assigned by the State.	In a letter dated May 24, 2012, the Program Executive Director reported to ASC staff that the Board staff was now fully aware of what is required for the approval of education. The staff is taking steps to ensure all proper documentation is present when the application is received.	None	To strengthen the Program, the Board should establish expiration dates for appraiser courses that coincide with course approval expiration dates assigned by AQB's CAP and/or IDECC.	None

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	YES	NO	AC					
<b>Education continued:</b>		X						
States must maintain sufficient documentation to support that approved appraiser courses conform to 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; ASC Policy Statement 10F.)				Based on review of the education files and discussions with Board staff, ASC staff determined that no one is verifying that appraiser education courses being renewed meet AQB Criteria.	In a letter dated May 24, 2012, the Program Executive Director reported to ASC staff that Board staff will ensure that courses submitted include all up-to-date paperwork before approval is given. The Board staff has been educated on what is required and has begun to ensure all current AQB paperwork is submitted with all education renewals and initial approvals.	The Board must ensure that all courses approved for appraiser education conform to AQB Criteria. Within 60 days of the date of this Report, the Board must: (1) review the approved courses to determine whether they meet AQB Criteria; (2) remove courses that do not meet AQB Criteria from approved status; and (3) notify ASC staff in writing of the Board's findings.	To strengthen the Program, Arkansas 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 AQB Criteria.
<b>Education continued:</b>			X					
The Appraisal Subcommittee shall encourage the States to accept courses approved by the Appraiser Qualifications Board's Course Approval Program. (Title XI § 1122 (h), 12 U.S.C. 3351.)				Arkansas does not recognize AQB Course Approval Program (CAP) approved courses. All potential course providers must submit an application and course materials to the Program for review. A Board member performs an independent evaluation of the course documents without consideration of the CAP approval documentation available on the Appraisal Foundation's website.	No state response provided.	None	In accordance with Title XI § 1122(h) the ASC encourages Arkansas to accept courses approved by the AQB's CAP Program.	None
<b>Enforcement:</b>								
				No compliance issues noted.	N/A	None	None	None