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Appraisal Subcommittee

Federal Financial Institutions Examination Council

August 8, 2012

Mr. George Fair, Chairman
Commission of Real Estate Appraisers and
Home Inspectors
500 North Calvert Street
Baltimore, MD 21202-3651

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

Dear Mr. Fair and Ms. Schott:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Maryland appraiser regulatory program (Program) on February 9, 13-14, 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 should resolve all complaints filed against appraisers within one year, except for special documented circumstances.¹

Maryland will remain on a two-year Review Cycle with a Follow-up Review in February 2013. In its response, the State indicated corrective actions were taken. During the Follow-up Review, ASC staff will confirm the 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,



Peter Gillispie
Chairman

Attachment

cc: Ms. Patricia Schott, Administrator
Mr. Harry Loleas, Commissioner, Occupational and Professional Licensing

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

ASC Compliance Review Report

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

Maryland Appraiser Regulatory Program (Program)

The Commission of Real Estate Appraisers and Home Inspectors (Commission) / Decision Making	PM: V. Metcalf	ASC Compliance Review Date: February 9 & 13-14, 2012	Review Period: April 2010 - February 2012
Umbrella Agency: Department of Labor, Licensing, and Regulation, Division of Occupational and Professional Licensing (Department)		Number of State Credentialed Appraisers on National Registry: 2,608	Review Cycle: Two Year with a Follow up in February 2013

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					
Maryland Statutes, Regulations, Policies and Procedures:			X					
States must require that appraisals be performed in accordance with the latest version of the Uniform Standards of Professional Appraisal Practice (USPAP). (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 3; AQB Real Property Appraiser Qualification Criteria.)				The Commission's regulation, COMAR 09.19.05.01, had not been amended to recognize the 2012-2013 version of the Uniform Standards of Professional Appraisal Practice (USPAP).	<p>In an email on May 30, 2012, the Program Administrator reported to ASC staff that the incorporation of the 2012-2013 USPAP into regulation should be finalized by August 2012.</p> <p>In a letter dated May 24, 2012, the Commission reported to ASC staff that currently USPAP is adopted by reference which takes approximately four months once permission is received from the Appraisal Foundation to photocopy and distribute USPAP to the State's public libraries.</p> <p>In the future, the Commission plans to change the process by purchasing USPAP from the Appraisal Foundation and petitioning for emergency status from the Joint Committee on Administrative, Executive, and Legislative Review of the Maryland General Assembly. If the Committee grants emergency status, USPAP would go into effect immediately or on a date specified by the Commission. Therefore, all future publications of USPAP will go into effect timely.</p>	None	The Commission should continue the process to amend its regulation and provide ASC staff with a copy of the final regulation once adopted.	The Commission's resolution addresses the concern.

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Maryland Statutes, Regulations, Policies and Procedures continued:	X							
States must have sufficient funding and staffing consistent with the purpose of Title XI. (Title XI § 1118 (a), 12 U.S.C 3347.)				Historically, the Commission has lacked both adequate funding and staffing. Now, that the Commission is regulating appraisal management companies (AMCs), the situation is exacerbated. The Administrator is now responsible for three programs: (1) appraisers; (2) home inspectors; and (3) AMCs. Partially in response to the concerns expressed in the previous Compliance Review, another member of the Department staff has been trained to provide backup support for the Administrator in the event of an extended absence. However, this does not provide needed support of day-to-day activities. In addition, Maryland does not have sufficient resources to support the enforcement program. The lack of sufficient resources has negatively affected the Program's ability to process complaints in a timely manner.	In a letter dated May 24, 2012, the Commission reported to ASC staff that during the 2011 Maryland Legislative Session, the statute was changed to convert the Commission from a General Fund agency to a Special Fund agency. The change authorizes the Commission to set fees to amounts that cover its direct and indirect costs. The Commission now has a budget allocation and authority to hire another permanent full-time administrative employee, a full-time investigator, and a part-time Assistant Attorney General. The Commission was also given funding to contract with multiple appraisers to provide reviews on appraisals that are the subject of complaints filed. The Commission believes that its self funding status provides for adequate resources and staffing to meet its obligations under Title XI.	None	None	The Commission's resolution addresses the concern.
Temporary Practice	X							
				No compliance issues noted.	N/A	None	None	None
Application Process:	X							
				No compliance issues noted.	N/A	None	None	None

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Reciprocity:	X							
States are encouraged to develop reciprocity agreements that readily authorize appraisers who are licensed or certified in one State (and who are in good standing with their State appraiser regulatory agency) to perform appraisals in other States. (Title XI § 1122 (b), 12 U.S.C. 3351; ASC Policy Statement 6.)				The Commission suspended all reciprocal agreements with other States in April 2009. Maryland does waive the examination requirement for appraisers credentialed in another jurisdiction and seeking a similar credential level in Maryland.	In a letter dated May 24, 2012, the Commission reported to ASC staff that its decision to suspend reciprocity with other States was predicated on Maryland having more stringent requirements for credentialing than the States with which it had agreements. In May 2012, the Commission resumed reciprocity with nine States, and continues to waive the examination for qualified applicants from other States. The Commission also reported that by July 1, 2013, a reciprocal policy that complies with Title XI as amended pursuant to the Dodd-Frank Act will be in place.	None	None	None
Education:	X			No compliance issues noted.	N/A	None	None	None
Enforcement:		X		Maryland had 76 outstanding complaints of which 38 were in process for more than one year. None of the complaints outstanding for more than one year fall under the exception for special documented circumstances.	In a letter dated May 24, 2012, the Commission reported to ASC staff that the number of outstanding complaints was excessive and unacceptable and that the Commission has taken action to improve its complaint resolution process. Complaints will be prioritized by age and delegated to appraisal reviewers accordingly. The Commission will review each case that is more than one year old within the next six months, and review all other outstanding cases within the year. Additionally, the Commission will encourage the Assistant Attorney General to negotiate settlements and consent agreements whenever possible.	Maryland must submit quarterly complaint logs to ASC staff. Staff will analyze each log. If progress is not made, the ASC may place additional requirements upon the State.	None	Through off-site monitoring and during a Follow-up Review in February 2013, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10.
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.)				Maryland has been cited by the ASC for not resolving complaints in a timely manner in every Review since March 2000. This has been attributed to limited resources. No additional resources have been dedicated to resolving the issue. As a result, cases in process now date back five years: 4 from 2007, 1 from 2008, 16 from 2009, 15 from 2010 and 2 from early 2011.		The ASC Policy Manager assigned to Maryland will work with the Department staff to determine the timing and content of the complaint log.		

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Enforcement continued:			X					
States must maintain an effective regulatory program. (Title XI § 1118 (a)(4), 12 U.S.C. 3347.)				The State relies on volunteer review appraisers to assist with complaint investigations. ASC staff reviewed the ten most dated cases covering 2007, 2008 and 2009. In all ten -cases, the appraisal review was never completed.	In a letter dated May 24, 2012, the Commission reported to ASC staff that the Commission will be awarding appraisal review contracts to three to five individuals. The paid contractors will be reviewing outstanding complaints.	None	To strengthen the Program, Maryland should employ ways to ensure contract reviewers are trained and complete their reviews timely.	During a Follow-up Review in February 2013, ASC staff will pay particular attention to this area for compliance with Title XI.