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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

December 12, 2012

Ms. Katie True, Commissioner  
Pennsylvania Department of State  
Bureau of Professional and Occupational Affairs  
State Board of Certified Real Estate Appraisers  
P O Box 2649  
Harrisburg, PA 17105-2649

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

Dear Ms. True:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Pennsylvania appraiser regulatory program (Program) on May 8-10, 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 areas of non-compliance:

- States need to maintain adequate documentation to support validation methods;<sup>1</sup>
- States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Real Property Appraiser Qualification Criteria;<sup>2</sup> and
- States should resolve all complaints filed against appraisers within one year, except for special documented circumstances.<sup>3</sup>

ASC staff will confirm corrective actions have taken place and are appropriate in a Follow-up Review in six to nine months. Pennsylvania will remain on a two-year Review Cycle.

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: The Honorable Carol Aichele, Secretary of the Commonwealth  
Mr. Daniel A. Bradley, Chairman, State Board of Certified Real Estate Appraisers  
Mr. Steven Turner, Chief Counsel, Department of State  
Mr. Travis N. Gery, Executive Deputy Chief Counsel, Department of State  
Mr. Mark Talbot, Director, Bureau of Enforcement and Investigation, Department of State  
Mr. Christopher K. McNally, Counsel, State Board of Certified Real Estate Appraisers  
Ms. Heidy Weirich, Administrator, State Board of Certified Real Estate Appraisers

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<sup>1</sup> Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 5; ASC Policy Statement 10G.

<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 10F.

<sup>3</sup> Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.

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## **“ASC Finding” Defined for ASC Compliance Review Report**

### **1. IN SUBSTANTIAL COMPLIANCE**

Applies when no issues of non-compliance or violations of Title XI, ASC Policy Statements or AQB Criteria are identified.

### **2. NOT IN SUBSTANTIAL COMPLIANCE**

Applies when there are one or more issues of non-compliance or violations of Title XI, ASC Policy Statements and/or AQB Criteria but the concerns do not rise to the level of “not in compliance.”

### **3. NOT IN COMPLIANCE**

Applies when the number, seriousness, and/or repetitiveness of the Title XI, ASC Policy Statements and/or AQB Criteria violations warrant this finding.

## ASC Compliance Review Report

ASC Finding: Not In Substantial Compliance

Final Report Issue Date: December 12, 2012

### Pennsylvania Appraiser Regulatory Program (Program)

<b>Board of Certified Real Estate Appraisers (Board) / Decision Making</b>	PM: J. Tidwell	ASC Compliance Review Date: May 8-10, 2012	Review Period: January 2010 to May 2012
<b>Umbrella Agency: Department of State, Bureau of Professional and Occupational Affairs (Bureau)</b>		Number of State Credentialed Appraisers on National Registry: 3271	Review Cycle: Two Year with Follow-up

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>Pennsylvania Statutes, Regulations, Policies and Procedures:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>Temporary Practice:</b>			X					
States need to maintain adequate documentation to support validation method(s). (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 5)				ASC staff requested 20 temporary practice permit application files for review. Pennsylvania was unable to provide 3 (15%) of those requested applications.	On August 19, 2012, the Board and Bureau reported to ASC staff that they had begun a new scanning process to implement an electronic record keeping system. Errors in the initial document scanning process resulted in items being scanned and filed incorrectly. They further reported that it appears the missing application files were scanned early in the implementation of the new process and they have subsequently corrected this issue.	None	Pennsylvania must ensure that all documentation related to temporary practice permits is available to ASC staff during their Compliance Review.	During the next Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 5.
<b>National Registry:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>Application Process:</b>			X					
States must ensure that appraiser experience logs conform to AQB Real Property Appraiser Qualification Criteria. (Title XI § 1116 (a), 12 U.S.C. 3345; AQB Real Property Appraiser Qualification Criteria.)				Of the 19 files reviewed by ASC staff, 9 files (47%) did not contain an experience log that conformed to Appraiser Qualifications Board Real Property Appraiser Qualification Criteria (AQB Criteria).	On August 19, 2012, the Board and Bureau reported to ASC staff that they have revised the experience log and all future logs submitted by applicants must be compliant with AQB Criteria.	None	To strengthen the Program, the Board should ensure it does not accept experience earned after January 1, 2008, on experience logs that do not conform to AQB Criteria.	During the next Review, ASC staff will pay particular attention to this area for compliance with AQB Criteria.

## ASC Compliance Review Report

ASC Finding: Not In Substantial Compliance

Final Report Issue Date: December 12, 2012

**Pennsylvania Appraiser Regulatory Program (Program)**

<b>Board of Certified Real Estate Appraisers (Board) / Decision Making</b>	PM: J. Tidwell	ASC Compliance Review Date: May 8-10, 2012	Review Period: January 2010 to May 2012
<b>Umbrella Agency: Department of State, Bureau of Professional and Occupational Affairs (Bureau)</b>		Number of State Credentialed Appraisers on National Registry: 3271	Review Cycle: Two Year with Follow-up

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>Application Process continued:</b>		X						
States need to maintain adequate documentation to support validation method(s). (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10G.)				ASC staff requested 22 application files for review. Pennsylvania was unable to provide 1 of those requested applications (5%). Of the 21 application files reviewed, 19 did not contain documentation that appraisal experience had been reviewed and found to be compliant with the Uniform Standards of Professional Appraisal Practice (USPAP). Through discussions with Board staff, it appeared that work product reviews were conducted for USPAP compliance; however, the documentation of those reviews was not in the files.	On August 19, 2012, the Board and Bureau reported to ASC staff that they have corrected their scanning issues and that staff randomly selects work files from applicant's experience logs and reviews for USPAP conformance. Review of work files for USPAP compliance is a routine procedure. To more clearly document the review, a USPAP compliance checklist will continue to be included in the application file.	Pennsylvania must ensure that all documentation related to application processing is available to ASC staff during their Compliance Review and that documentation to support issuance of a credential proves the applicant's experience conforms to USPAP.	None	ASC staff will verify the scanning errors have been corrected during a Follow-up Review of the Program in 6 to 9 months.
<b>Reciprocity:</b>	X			No compliance issues noted.	N/A	None	None	None
<b>Education:</b>		X		ASC staff requested 11 appraiser education course files for review. Pennsylvania was unable to provide 3 (27%) of those requested applications. ASC staff was familiar with the 3 missing courses and believe that they are AQB compliant courses.	As reported above, On August 19, 2012, the Board and Bureau reported to ASC staff that they have corrected their scanning issues.	Pennsylvania must ensure that all documentation related to education approvals is available to ASC staff during their Compliance Review.	None	ASC staff will verify the scanning errors have been corrected during a Follow-up Review of the Program in 6 to 9 months.

**ASC Compliance Review Report**

ASC Finding: Not In Substantial Compliance

Final Report Issue Date: December 12, 2012

**Pennsylvania Appraiser Regulatory Program (Program)**

Board of Certified Real Estate Appraisers (Board) / Decision Making	PM: J. Tidwell	ASC Compliance Review Date: May 8-10, 2012	Review Period: January 2010 to May 2012
Umbrella Agency: Department of State, Bureau of Professional and Occupational Affairs (Bureau)		Number of State Credentialed Appraisers on National Registry: 3271	Review Cycle: Two Year with Follow-up

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>Enforcement:</b>		X						
States should resolve all complaints filed against appraisers within 1 year, except for special documented circumstances. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)				<p>Pennsylvania had 116 outstanding complaints of which 39 were unresolved for more than 1 year. Of the complaints outstanding for more than 1 year, 6 fall under the exception for special documented circumstances.</p>	<p>On August 19, 2012, the Board and Bureau reported to ASC staff that they have made progress in reducing the number of aged cases. In 2003, 68% of all open cases were over 1 year old, in January 2010 the percentage declined to 32% and in 2012 it fell to 28%. Additionally, the number of pending complaints dropped from 185 reported in January 2010, to 116 in May 2012.</p> <p>The Board and Bureau also reported their Legal Office has begun to use several resources to more accurately predict and evaluate a penalty in cases where violations are found. Those resources include prior adjudications and consent agreements as well as the Voluntary Disciplinary Action Matrix published by the Appraisal Foundation.</p>	<p>The Board and Bureau must monitor their revised processes to ensure timely processing of complaints to reduce the backlog of aged complaints, and to ensure that the complaints of appraiser misconduct or wrongdoing are resolved in a timely manner as required by ASC Policy Statement 10E.</p> <p>The Board must continue to submit complaint logs to ASC staff quarterly. If progress is not made, the ASC may place additional requirements upon the State.</p>	None	Through off-site monitoring, during a Follow-up Review in 6 to 9 months, and during the next Compliance Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10E.