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Appraisal Subcommittee

Federal Financial Institutions Examination Council

April 11, 2012

Ms. Sally Pritchett, Executive Director
Kansas Real Estate Appraisal Board
Jayhawk Tower
700 SW Jackson, Suite 1102
Topeka, KS 66603

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

Dear Ms. Pritchett:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of Kansas's appraiser regulatory program (Program) on October 5-7, 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. Kansas will remain on a two-year Review Cycle. 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

In its response, the State indicated corrective actions were taken. Kansas will remain on a two-year Review Cycle. During the next Review, ASC staff will confirm these corrective actions have taken place and are appropriate. Please 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: Mr. Robert Maxwell, Board Chair

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: April 11, 2012

Kansas Appraiser Regulatory Program (Program)

Kansas Real Estate Appraisal Board (Board)/Decision Making

PM: K. Klamet

ASC Compliance Review Date: October 5-7, 2011

Review Period: August 2009 to September 2011

Umbrella Agency: Independent

Number of State Credentialed Appraisers on National Registry: 1,032

Review Cycle: Two Years

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					
Kansas 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 Kansas Code of State Regulations revealed the following inconsistencies with the Appraiser Qualifications Board's (AQB) Real Property Appraiser Qualification Criteria (AQB Criteria):</p> <p>(1) AQB Criteria requires that the form used to verify experience credit shall include the number of actual work hours on each assignment claimed by the trainee/applicant. Regulations 117-2-2.(d)(2), 1170-3-2.(d)(2) and 117-4-2.(d)(2) allow an applicant who has not maintained a record of the actual hours involved in completing an appraisal to estimate the number of hours. The regulations also contain a formula for calculating the estimates.</p> <p>Despite the conflicting provisions in the regulations, ASC staff found no incidents where an applicant did not maintain a record of the actual hours involved in completing an appraisal assignment.</p>	<p>On January 6, 2012, the Board reported to ASC staff that the experience log has been updated to include the number of actual work hours on each assignment claimed by an applicant.</p> <p>The Board also reported that they are revising the regulations to specifically include this requirement.</p>	None	To strengthen the Program, Kansas should continue the process to amend its regulations to bring them into compliance with AQB Criteria, and provide the ASC staff with a copy of the final rules once adopted.	During the next Review, ASC staff will pay particular attention to this area for compliance with AQB Criteria.
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
Reciprocity:	X			No compliance issues noted.	N/A	None	None	None

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	YES	NO	AC					
Education:	X							
				No compliance issues noted.	N/A	None	None	None
Enforcement:		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.)				<p>Kansas had 13 outstanding complaints of which 5 (38%) were unresolved for more than one year. None of the complaints fall under the exception for special documented circumstances.</p> <p>Of those 5 cases, one was in the hearing process, and 4 were still under investigation. The oldest case was received in June 2010.</p>	On January 6, 2012, the Board reported to ASC staff that they have closed or begun the hearing stages for the 5 complaints that are over the one-year timeframe.	Kansas must monitor its complaint process to ensure timely processing of complaints to reduce the backlog of aged complaints, and to ensure that complaints of appraiser misconduct or wrongdoing are resolved on a timely basis as required by ASC Policy Statement 10E.	None	Through off-site monitoring and during the next Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10E.
Enforcement continued:			X					
States must ensure that the system for processing and investigating complaints and sanctioning appraisers is administered in an effective, consistent, equitable, and well-documented manner. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.)				During the Review, it was discovered that Board staff did not track or otherwise maintain records of certain complaints alleging appraiser misconduct. The complaints were not added to the complaint log when the Executive Director and/or Investigative Committee believed that the complaint was without merit or lacked necessary documentation. The Board adopted this procedure out of concern that the State's open records laws would allow competing appraisers to obtain, and potentially misuse, complaint documents that the Board considered to be without merit.	On January 6, 2012, the Board reported to ASC staff that they have revised their procedures and have begun logging in all complaints. If further action is warranted, the complaint will be assigned a number.	None	None	During the next Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10E.