

October 1, 2012

The Honorable Thomas M. Middleton, Chairman  
Senate Finance Committee  
Miller Senate Office Building, 3 East Wing  
11 Bladen St.  
Annapolis, MD 21401

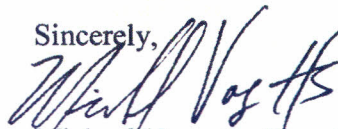
The Honorable Dereck E. Davis, Chairman  
House Economic Matters Committee  
House Office Building, Room 231  
6 Bladen St.  
Annapolis, MD 21401

Dear Chairman Middleton and Chairman Davis:

I herewith transmit, on behalf of the Department of Labor, Licensing and Regulation and the State Commission of Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors, the follow up report required by Chapter 366 of 2012 and specified in the 2011 *Sunset Review: Evaluation of the State Commission of Real Estate Appraisers and Home Inspectors* published October 31, 2011.

Should you or any of your committee members have follow-up questions or concerns regarding the included report, please do not hesitate to contact me directly. I can be reached by telephone at (410) 230-6225 or by e-mail at [mvorgetts@dllr.state.md.us](mailto:mvorgetts@dllr.state.md.us).

Sincerely,



Michael Vorgetts, Deputy Commissioner

cc: Scott R. Jensen, Interim Secretary  
Harry Loleas, Commissioner  
George Fair, Chairman  
Patricia Schott, Executive Director  
Jill Porter, Legislative Director  
Laura J. McCarty, Senior Manager  
Michael C. Rubenstein, Principal Policy Analyst  
David A. Smulski, Committee Analyst  
Laura H. Atas, Committee Analyst

## **FOLLOW-UP REPORT TO THE SENATE FINANCE COMMITTEE AND THE HOUSE ECONOMIC MATTERS COMMITTEE**

Uncodified language included in Chapter 366 of 2012 required the State Commission of Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors to submit a follow-up report to the Senate Finance Committee and the House Economic Matters Committee by October 1, 2012, to address several issues identified in Chapter 366. Specifically, Chapter 366 required the Commission to submit to the committees:

1. an evaluation of the licensing standards of any jurisdiction that had been a party to a prior reciprocal licensing agreement, and any steps taken by such jurisdictions to enhance licensing standards necessary to reestablish a reciprocal licensing agreement with the Commission;
2. a statement regarding the reason that a reciprocal licensing agreement cannot be established with a jurisdiction that had previously been a party to a prior agreement;
3. the methods the Commission will undertake to monitor future changes in the standards of other jurisdictions for purpose of establishing reciprocal licensing agreements; and
4. any additional measures that the Commission intends to take toward the goal of establishing reciprocal licensing agreements with other jurisdictions.

The Commission has submitted the following comments regarding the issues identified in Chapter 366.

### **Introductory remarks and background information:**

As indicated in the 2011 sunset review conducted by the Department of Legislative Services, the Commission rescinded reciprocity with the states with which it had reciprocal agreements due to disparities in the licensing standards between Maryland and those states. The disparity in standards was primarily created by the Commission's policy decision to adopt new, more stringent licensing standards established by the Appraiser Qualifications Board (AQB) on January 1, 2008, under a firm date scenario. Whereas, the states with which the Commission had reciprocal agreements, elected to adopt a segmented approach policy that allows the new licensing requirements established by the Appraiser Qualifications Board to be implemented on a staggered basis, and permits applicants to obtain licensure without having to satisfy the equivalent rigorous requirements under the firm date scenario.

The firm date scenario requires that any credential issued by a state appraiser regulatory body on or after January 1, 2008, must be in compliance with all components (education, examination, and experience) of the AQB Real Property Appraiser Qualifications Board Criteria (2008 AQB Criteria). The segmented approach permits a state regulatory body to grandfather any of the three segments (education, examination, and experience) that were completed by an applicant prior to 2008. Further, the segmented approach was established without any federally mandated time restrictions



concerning how long a state may elect to continue to stagger its adoption approach to its implementation of the 2008 AQB Criteria. However, very recently, the Appraiser Qualifications Board adopted changes to the Real Property Appraisal Qualifications Criteria that will become effective January 1, 2015, which include a minimum standard to eliminate the segmented approach to implementation of the 2008 AQB Criteria.

The Appraisal Subcommittee of the Federal Financial Institutions Examination Council, pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, (Title XI) is charged with monitoring the requirements established by the States for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions and to ensure that the State appraisal programs comply with Title XI. Overall, all States have laws in place requiring persons seeking to become licensed and certified appraisers to meet at least the minimum criteria established by the Appraisal Qualifications Board and to pass national AQB-approved examinations. The AQB establishes the minimum education, experience and examination requirements for real property appraisers to obtain a state license or certification.

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), States must have in place a policy for issuing a reciprocal certification or license to an appraiser from another state under specific conditions. Effective July 1, 2013, states will be evaluated by the Appraisal Subcommittee (ASC) for compliance with the amendments to Title XI concerning reciprocity. The reciprocal policy that states should have in place by July 1, 2013, will require the state to issue a reciprocal credential if:

- a. the appraiser is coming from a state that is in compliance with the ASC;
- b. the appraiser holds a valid credential from that state; and
- c. the credentialing requirements of that state (as they currently exist) meet or exceed those of the reciprocal credential state (as they currently exist).

Under the Dodd-Frank Act, there does not have to be a reciprocal agreement executed between states in order for reciprocity to be granted to an applicant. Also, states may consider whether or not a State has adopted the 2008 AQB Criteria as a basis to deny a reciprocal license to an applicant coming from that state.

#### **1. Evaluation of licensing standards.**

In April 2012, the Commission resumed granting reciprocity to applicants from states with which it had reciprocal agreements through April 2009. Reciprocity was reinstated based upon an individual being credentialed in one of those states prior to January 1, 2008, and after that state's adoption of the 2008 AQB Criteria. The Commission evaluated the licensing standards of those jurisdictions to determine the status of their adoption policies regarding the implementation of the 2008 AQB Criteria. The results of that evaluation reflect the following:

- the Kentucky Board of Appraisers adopted the firm date scenario of its implementation of the 2008 AQB Criteria on January 1, 2008;
- the Georgia Board of Appraiser adopted a firm date scenario of its implementation of the 2008 AQB Criteria on January 1, 2008;
- the Illinois Board of Appraisers eliminated the segmented approach to its implementation of the 2008 AQB Criteria in January 2010;
- the New Hampshire Board of Appraisers eliminated the segmented approach to its implementation of the 2008 AQB Criteria in July 2010;
- the Delaware Board of Appraisers eliminated the segmented approach to its implementation of the 2008 AQB Criteria in January 2011;
- the North Carolina Board of Appraisers will eliminate the segmented approach to its implementation of the 2008 AQB Criteria on December 31, 2012;
- the New Jersey Board of Appraisers will eliminate the segmented approach to its implementation of the 2008 AQB Criteria on December 31, 2014;
- the New York Board of Appraisers will eliminate the segmented approach to its implementation of the 2008 AQB Criteria on December 31, 2014;
- the Ohio Board of Appraisers will eliminate the segmented approach to its implementation of the 2008 AQB Criteria on December 31, 2014; and
- the West Virginia Board of Appraisers will eliminate the segmented approach to its implementation of the 2008 AQB Criteria on December 31, 2014.

## **2. Basis for not extending reciprocal agreements with certain jurisdictions.**

The Commission currently grants reciprocal licenses to applicants from each of the aforementioned jurisdictions who were credentialed in those states prior to 2008 and on and after the date on which those states implemented the 2008 AQB Criteria. The Commission cannot grant reciprocity to an applicant if their host state has not implemented the 2008 AQB Criteria.

## **3. Methods to monitor standards in other jurisdictions.**

The Commission will continue to review the regulations, policies and practices of each jurisdiction to determine whether their licensees are eligible for reciprocity.

## **4. Measures to establish additional reciprocal agreements.**

The Commission grants reciprocity to applicants from the states identified above as well as other states that have licensing and certification standards equivalent to or in excess of those required by the Commission. For applicants who do not meet the eligibility requirements for reciprocity, the Commission continues to grant a waiver of examination to any applicant who has taken AQB National Uniform Licensing or Certification Examination on or after January 1, 2008, and otherwise meets the examination requirements of the Commission. The Commission continues to grant temporary practice permits to appraisers who are certified and in good standing in other

states. By July 1, 2013, the Commission will have in place a policy that fully complies with the reciprocity provisions of Title XI as amended by the Dodd-Frank Act.