

[Deletion]

June 2, 2001

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Appraisal Subcommittee
200 K Street NW, Suite 310
Washington, DC 20006

Dear Mr. Henson:

Thank you for your continued interest and response of March 22, 2001. I have reviewed my letter of March 13, 2001 and I said I believe everything I brought out could be proved. I do not have access to the necessary information. Only a regulatory agency has access to the files and records. The MREAC will do whatever they can to prevent an investigation because they must know what they have done is wrong. I have even less access now since the MREAC has recently removed the names and violations from their web site. I will recap some issues that show bias. I am convinced an investigation will prove favoritism exists in the regulatory procedures used by the MREAC. The details are in previous letters and I will try to be brief.

[DELETION], an appraiser working for me as an independent contractor, and I were charged with the same basic USPAP violations at the same time. [DELETION] answered as required and was called before the MREAC for a short, informal hearing. He said he would not continue to perform commercial appraisals and he was excused without further action or discipline. It is important to note [DELETION] did not defend himself and had not requested to sit for the General Appraiser Examination. Our appraisal work was identical. We used the same income approach method taught by the National Association of Independent Fee Appraisers. It was this approach to income valuation the MREAC said was incorrect. I proved during the hearing the approach was valid and the problem was caused by the MREAC and their "expert" not taking the time to determine if the method was being taught by an approved appraisal organization. In fact, the AHC did not find cause for any income approach violations and yet part of my discipline is to attend a class for income appraisal.

The major difference between the way the MREAC handled the complaint against [DELETION] and the course of action against me is bias. I was not called before the MREAC for the typical hearing and at least two informal requests I made for a hearing were refused. [DELETION] agreed he would not continue to perform commercial appraisals and did not defend his reports. I had applied to sit for the General Examination and defended myself. The MREAC demanded that I agree with all of the alleged violations and I could not do that. The hearing proved I was being accused of violations that were not founded on truth or fact.

I believe an investigation will prove the MREAC is or was using random audits as a tool to discipline appraisers with Residential Certification who were performing commercial appraisals, Certified Residential Appraisers are allowed to perform commercial appraisals, without help when the sale price or the loan amount do not exceed \$250,000. Residential Appraisers can perform commercial appraisals of any type by associating with a General Appraiser. One of the statements made by the original reviewer was that it is evident I was not qualified to perform commercial appraisals because my certification is residential. This statement and many others made on the first review show the reviewer did not understand the basic intent of USPAP. It also shows the reviewer noted I was certified residential and as far as he was concerned I was not qualified to perform commercial appraisals. It also was evident throughout the process that the members of the MREAC do not understand USPAP. This was proved during the hearing before the AHC.

In my letter to the MREAC, November 23, 1998, I cited Case [DELETION] before the AHC, This hearing involved a husband and wife working together as appraisers. From what I know the husband was certified as a General Appraiser and the wife was certified as a Residential Appraiser. The wife applied for permission to sit for the General Examination and provided work samples for review. The MREAC refused to allow Mrs. [DELETION] to sit for the Examination and filed complaints against both parties. The AHC determined there were several USPAP violations. One violation concerned the absence of research for an overall rate used in the Income Approach. I cited this conclusion in my complaint against [DELETION] because she had also used a rate, without research, that an investor could earn from a risk free investment. You already know the MREAC refused to act on the violations in two appraisals performed by Ms. [DELETION]. I have other reports written by her that contain similar violations. We are required to maintain files for all reports for five years. Unless she is required to keep the files for the reports in question I am certain she will destroy them.

Three instances of bias occur here: first the use of the random audit to file complaints against those trying to upgrade- second discipline for the [DELETION] and not for Ms. [DELETION] for similar violations third: the discipline for the [DELETION] was public censure. The [DELETION] violations included USPAP violations of the Income Approach and yet I am required to attend an income class and they were not.

I have tried to avoid the type of discussion in the above paragraphs for the obvious reasons. I know each case is different but I believe the action against my certificate was the result of something other than the quality of my work. I have always said my certificate is not the issue. The appraisals I am now allowed to perform I can perform without a certificate or license.

Random audits are one method for enforcement but are certainly a failure in Missouri. Some appraisers are now keeping two sets of books, one for audit and one for record keeping. Residential appraisers are afraid to send records of the commercial appraisals because of the way the MREAC has responded in the past. Foreclosures, in the local area, have increased over the past four or five years by six

or seven hundred percent. In Washington County it was unusual to see three foreclosure actions published in a year but now there are two or three a week. Fraud and inflated appraisals are not the exception now. I have not performed an appraisal for a Mortgage Broker for two years because of predatory lending practices. Appraisals are requested based on loan expectation and not property value. Enforcement of USPAP in Missouri is a total failure and most appraisers know this. It seems only the MREAC believes the methods are successful.

A highly respected appraiser said, "The MREAC has caused irreparable damage to the Missouri appraisal industry", If a survey were made that provided anonymity this type response would greatly outnumber the positive.

I have had support from several local bank presidents during this ordeal. Two presidents testified in my behalf before the AHC. My clients and peers respect me and they know I am honest and competent. I have only one goal at this time and that is to help prove the MREAC is biased and the members have desecrated their responsibility.

To summarize; I have recapped the major issues that show bias. I had very little access to other appraiser violations and now I have none since the discipline page has been removed from the MREAC web site.

At this point there is nothing else I can say or do. My attorneys have advised me the cost to take the matter to state court will exceed \$75,000 and as a practical matter this is not an option at this time. If I had known the cost to defend myself before the AHC would exceed \$40,000 I would have taken the matter to the higher jurisdiction at that time. I have no doubt an investigation will prove everything I have stated.

"Who guards the guards" is an ageless question.

Sincerely,
[DELETION]