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Appraisal Subcommittee

Federal Financial Institutions Examination Council

February 4, 2003

George R. Harrison, Ph.D.
The Columbia Institute
8546 Broadway; Suite 237
San Antonio, TX 78217-6340

Dear Dr. Harrison:

Thank you for your December 30, 2002 letter, which is a follow-up to previous correspondence between the Appraisal Subcommittee ("ASC") and yourself. In your December 30th letter, you stated that our December 15th letter did not respond to issues raised in your November 6th letter. We are happy to clarify our responses.

In your first paragraph, you expressed concern that I might not have sent the ASC's December 15th response to your previous correspondence. I want to assure that I signed and sent that letter.

In your letter, you stated that we said, "since there are 300 [instructors] available now and another 350 estimated by February, there should be no shortage." We did not state that there would be "another 350" instructors by February. In fact, we stated that there were approximately 300 certified instructors at that time, that additional courses were being given in 2003, and that there should be around 350 instructors by the end of February 2003. Also, we did not state that "there should be no shortage." What we said is that it "is unclear whether this number of instructors is adequate for the near term... ."

You pointed out that no certified USPAP instructors live in Hawaii, Alaska, and Puerto Rico, among other jurisdictions, and that you do not believe the ASC would consider it adequate for students to have to fly long distances to take classes. Several factors need to be evaluated when considering this issue.

First, two groups of appraisers will have to take USPAP courses from certified USPAP instructors: individuals seeking to become appraisers will have to take the 15-hour course prior to becoming certified; and appraisers seeking to renew existing credentials will have to take the 7-hour update course. These two groups must be considered separately.

By far, the larger of the two groups is the group of existing appraisers seeking to renew their credentials. The Appraiser Qualifications Board ("AQB") requires that existing appraisers take the 7-hour USPAP update course as continuing education every two years. However, because many States have differing continuing education cycles, the AQB provides that the first 7-hour course needs to be completed not later than December 31, 2005. This provides a 3-year window for existing appraisers to take the course and for the certified instructor program to develop and be evaluated.

The second group, individuals seeking to become appraisers, is much smaller. Nationwide, only a few hundred individuals each year seek to become appraisers. Most of these applicants are in States with large appraiser populations (*e.g.*, California, Texas, Florida, and Massachusetts) where several certified USPAP instructors already exist. Of course, one or more individuals apply to become appraisers in each State each year. Alaska, one of your concerns, added only six new appraisers in 2002. It has been common for States with very small appraiser populations and limited new appraiser applications to have limited access to education courses and instructors. In most of these States, appraisers or applicants have had to travel to more populous areas for training. Lack of certified USPAP instructors in such situations is a function of population and economics, rather than the AQB's instructor certification program.

You stated that the 59% instructor examination pass rate that we quoted was misleading. The 59% pass rate refers to "first time" attempts to pass the course. It considers the number of persons who have passed the examination versus the number of persons who have taken the examination. It does not consider that an instructor/applicant might have taken the course more than one time and failed the examination each time.

Regarding what you refer to as the Appraisal Foundation's "gag rule," we do not perceive the wording in Section 5.04 (b) (ii) of the Foundation's bylaws to be a "gag rule" as you indicate. The wording in the Foundation's bylaws provides that "A Sponsor may be expelled...upon a determination by a two-thirds vote of the Board of Trustees...that the Sponsor...has engaged in conduct materially and seriously prejudicial to the purposes and interests of the Foundation." Similar wording and/or concepts can be found in many organizations' bylaws.

You stated that you "have reliable information that the Ethics Committee of the Foundation accused the National Association of Master Appraisers (NAMA) of a violation [of Section 5.04 (b) (ii)] earlier this year." Allegations of ethics violations, investigations of such allegations, and resulting actions are confidential information of the Appraisal Foundation. We do not have any documents responsive to your Freedom of Information Act request.

You stated that the contract certified USPAP instructors must sign with the Appraisal Foundation borders on extortion, is arbitrary and unreasonable, and probably is a violation of Federal fair trade rules. This contract is a private business matter between the Foundation and individuals wishing to become certified USPAP instructors. In response to your last paragraph, we do not find the AQB's certified USPAP instructor program to be contrary to the provisions of Title XI nor to the public interest.

We hope this response clarifies those areas in which you had questions.

Sincerely,

Steven D. Fritts
Chairman