

George R. Harrison, Ph.D.
President

December 30, 2002

Mr. Steven D. Fritts
Associate Director
Division of Supervision and Consumer Protection
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429-9990

Dear Sir:

This letter is written to you as Chairman of the Appraisal Subcommittee of FFIEC in response to your letter of December 15th to the undersigned. It is sent directly to you out of concern that you may not have actually sent the December 15th letter, inasmuch as it doesn't appear to respond to my concerns expressed in a November letter to the ASC. A copy of the letter attributed to you is Enclosure 1.

In my November 6th letter I advised you that there would be a shortage of USPAP instructors effective January 1st, 2003, advising of the limited number as of November 1 in several states. The response makes no sense. It states that, since there are 300 available now and another 350 estimated by February, there should be no shortage. My letter specifically pointed out that Hawaii, Alaska and Puerto Rico-among others-had no certified instructors. That remains true as of December 1st don't believe that the ASC would consider it to be "adequate" for students to have to fly long distances to take a class.

The letter also stated that "States and appraisers have until December 31st, 2005, to meet this new continuing education requirement." This also made no sense, since the requirement goes into effect January 1, 2003 for both the continuing education USPAP update and fifteen-hour pre-license course. A copy of a Foundation marketing piece stating as much was received by Columbia only today and is provided as Enclosure 2.

The letter also stated that the instructor certification exam pass rate was 59%. This is misleading. The true passing rate is probably below 50%, since the rate you quote is the number of those certified instructors divided by the total number who have taken the course. This does not reflect the total number of times the individual took the course exam before passing it.

The December 15th letter also requested that you be provided information documenting the Appraisal Foundation's "gag rule," so that the ASC might review its reasonableness. This is a special concern, since it would appear that the ASC would be knowledgeable of the operations and policies of the Foundation, as its oversight body. The "gag rule" is

found in Section 5.04(b)(ii) of the Foundations bylaws. A copy is provided as Enclosure 3. I have reliable information that the Ethics Committee of the Foundation accused the National Association of Master Appraisers (NAMA) of a violation earlier this year. I am told that the letter notifying NAMA of this accusation-signed by the chairman of the Ethics Committee-is very revealing, and one that you should read. The Columbia Institute could not obtain a copy of the letter because of the gag rule, but I am sure that the ASC could. I am assuming that you will request a copy, therefore, please consider this to be a request under the Freedom of Information Act for a copy of the letter.

Enclosure 4 is a copy of a contract that course providers must sign to be permitted to conduct USPAP courses beginning in 2003. The Columbia Institute trustees consider this to border on extortion, and have not yet approved entering into such a binding agreement. It is arbitrary, unreasonable and probably a violation of federal fair trade rules. It is thought that you might also be unaware of this document.

If you did in fact send the December 15th letter, this letter should clarify those areas in which you were misinformed; and it should also give you an opportunity to clarify those statements that did not make sense.

It remains the position of the Columbia Institute that the Appraisal Foundation's instructor certification program is contrary both to the provisions of Title XI of FIRREA and to the public interest. It is unreasonable and arbitrary, and the ASC has permitted the use of public funds to develop this program that is designed to make money for this private trade association. Enclosures: 1) ASC Ltr dated December 15th, as stated; 2) Copy of part of Foundation Marketing brochure, as stated; 3) Abstract of Sec 5.04, Foundation bylaws; 4) Sample Foundation contract, as stated.

Sincerely,



George R. Harrison, Ph.D.
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cc: Senator Richard Shelby, Senate Banking Committee
Honorable Marge Roukema, Subcommittee on Housing and Community Opportunity
Honorable Mac Collins
Honorable Charles A. Gonzalez
Honorable Johnny Isaakson
Honorable Lamar Smith
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