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Appraisal Subcommittee

Federal Financial Institutions Examination Council

March 4, 2005

The Honorable James M. Talent
United States Senator
United States Senate
493 Russell Senate Office Building
Washington, DC 20510

Dear Senator Talent:

Thank you for your February 22, 2005 letter forwarding the concerns of your constituent, Mr. [DELETION], about the Missouri Real Estate Appraisers Commission (“MREAC”). In his letter, Mr. [DELETION] asks for relief from MREAC actions taken in response to the Appraisal Subcommittee’s (“ASC”) recent findings in its November 18, 2004 field review letter. More specifically, Mr. [DELETION] asks that MREAC “grandfather” him and other similarly situated appraisers from those findings. The following background should prove useful in considering Mr. [DELETION]’s request.

The Appraisal Subcommittee of the Federal Financial Institutions Examination Council (“ASC”) is a Federal government agency responsible, among other things, for overseeing State real estate appraiser regulatory programs under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (“Title XI”), 12 U.S.C. 3310 and 12 U.S.C. 3331, *et seq.* In exercising our oversight, we must ensure that each State and territory maintains an appraiser regulatory program that, consistent with Title XI, licenses and certifies real estate appraisers who can perform appraisals in connection with federally related transactions.

A critical component of the State’s responsibilities is to ensure that persons obtaining credentials as Certified Residential and Certified General real estate appraisers meet the Appraiser Qualifications Board’s (“AQB”) appropriate minimum qualification criteria (“AQB Criteria”). Title XI requires States to ensure that all certified appraisers meet the AQB Criteria. These Criteria consist of specific education, examination, and experience requirements. To measure compliance with this and other Title XI requirements, the ASC, among other things, performs periodic on-site reviews of each State’s program.

The ASC performed its most recent field review of Missouri’s appraiser regulatory program (“Program”) on October 4-5, 2004. The ASC then issued a field review letter to Missouri on November 18, 2004. Enclosed is copy of that letter detailing our field review findings and needed curative actions to bring Missouri into compliance with Title XI.

Mr. [DELETION]’s concern involves the ASC finding that Missouri has issued certified appraiser credentials based on examinations that fail to conform to an April 2000 Interpretation to the AQB Criteria specifying that examination results are valid for not more than two years. AQB interpretations to the certification criteria are an integral part of the Criteria, and, as such, Title XI jurisdictions must comply with them. This Interpretation applies both to persons applying to become certified appraisers for the first time and to appraisers seeking to upgrade from a non-certified classification to certified residential or certified general status.

Missouri knew about this Interpretation before its effective date. The Interpretation became effective on July 1, 2000, and the AQB notified Missouri, and all the other States, about this requirement in an April 28, 2000 letter. Also, the ASC notified Missouri, and all other States, in a May 22, 2000 letter about the AQB's adoption of the Interpretation and its impending effective date. Finally, the interpretation was included in each issue of the AQB's *Real Property Appraiser Qualifications Criteria and Interpretations of the Criteria* since July 2000.

Contrary to the Interpretation, § 339.515 (3) of Missouri's appraiser regulatory statute provides that appraiser examination results are valid for three years. We brought this conflict to MREAC attention in our December 19, 2001 letter, following our 2001 field review of Missouri's appraiser regulatory program. In its January 15, 2002 response, MREAC pledged to introduce curative legislation. That legislation, however, was not introduced in the legislature. As a result, Missouri issued certified appraiser credentials that fail to conform to AQB Criteria and, therefore, do not comply with Title XI. Apparently, MREAC has determined that Mr. [DELETION] is one of the affected appraisers who fails to conform to this criterion. If MREAC, in fact, determines that Mr. [DELETION] fails to meet this requirement, then he has failed to meet one of the three basic Federal law requirements to perform appraisals in connection with federally related transactions. To retain his legal eligibility to perform such appraisals, Mr. [DELETION] would need to bring his qualifications into compliance with AQB Criteria and Title XI, specifically by successfully completing the appropriate examination.

The ASC is committed to working with Missouri to remedy this situation in the most equitable and expeditious way possible within the limits of our authority. Unfortunately, grandfathering affected appraisers or otherwise waiving the requirements of Federal law is not within our authority, nor would it be equitable to the tens of thousands of appraisers who met those requirements. MREAC has informed us that it will offer the examination at no cost to affected appraisers. Additionally, MREAC is sponsoring an "examination review course" to provide affected appraisers an opportunity to "brush up" their knowledge prior to taking the examination. MREAC is sponsoring this course at no cost to the appraisers.

Please contact us if you have further questions.

Sincerely,

Ben Henson
Executive Director

Enclosure