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Appraisal Subcommittee

Federal Financial Institutions Examination Council

August 7, 2001

CERTIFIED MAIL – RETURN RECEIPT

Carroll Fisher, Chairman
Oklahoma Real Estate Appraisal Board
P.O. Box 53408
Oklahoma City, OK 73152-3408

Dear Mr. Fisher:

We have learned that your State legislature passed House Bill 1258, and that the Governor has signed it into law. This new law became effective on July 1, 2001. As we understand the statute, it requires all persons applying for the Licensed appraiser credential to meet the Appraiser Qualifications Board's ("AQB") minimum criteria, including 2,000 hours of experience. Historically, applicants for Oklahoma's Licensed credential have not been required to have any appraiser experience. The new law does not require currently Licensed appraisers to meet the AQB's minimum experience criterion. Moreover, those appraisers are not required to gain the necessary experience within a reasonable time, as provided in a previous version of the Bill. As a result, approximately 700 Oklahoma appraisers currently holding the Licensed credential were not required to document compliance with the AQB's experience criterion to become Licensed appraisers under Oklahoma's new law. In effect, they were grandfathered into the revised category. This results in two classes of appraisers holding the Licensed credential in Oklahoma, one meeting all AQB minimum qualifications criteria for licensure, and another that meets only the AQB's testing and education criteria.

In our April 6, 2001 letter to the Oklahoma Real Estate Appraisal Board regarding House Bill 1258, the Appraisal Subcommittee ("ASC") strongly urged Oklahoma not to adopt legislation permitting grandfathering of individuals into any real property classification. A copy of that letter is attached for your convenience. Oklahoma's decision to adopt the legislation, including the grandfathering provision, has created a situation in which users of appraiser services may unintentionally retain a Licensed appraiser who does not meet AQB experience criteria.

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, ("Title XI") and ASC Policy Statement 2B require that a State's requirements for its Licensed classification must be "meaningful." To be meaningful, the Licensed classification may not be established in a manner that might mislead users of appraisal services (*e.g.*, Federal agencies, federally-insured financial institutions, and the public). As of July 1, Oklahoma has a Licensed classification composed of two differently qualified groups of appraisers – those who meet the AQB experience criterion and those who do not. Users of those appraisers have no way to identify which Licensed appraiser meets the AQB's experience criterion and which appraiser does not. Under Oklahoma's new law, users of appraisal services could be misled into believing that all Oklahoma Licensed appraisers meet the AQB's minimum criteria. This misconception could cause agencies, institutions, and individuals to use appraisers whom they otherwise would not use. We have been notified that, because of this confusion, one Federal agency is planning to not accept appraisals from any Oklahoma Licensed appraiser and will require appraisals be performed by Certified Residential appraisers. Oklahoma needs to act promptly to reduce this possibility for confusion in the appraisal services marketplace.

To help avoid potential user confusion and ensure that users of appraisal services better understand the qualifications of the appraisers they retain, Oklahoma must take the following steps:

- (1) Identify all Licensed appraisers who were grandfathered into Oklahoma's newly defined Licensed classification on July 1, 2001;
- (2) Require these appraisers to provide documentation supporting their appraiser experience;
- (3) Determine what submitted experience is acceptable under AQB criteria;
- (4) If an appraiser does not have sufficient experience to meet the AQB minimum criteria for Licensed appraisers, recall the appraiser's paper license, pocket card, and the like, and issue replacement documents that have a clear and conspicuous statement on its face saying, "The License holder has not documented that he/she meets the minimum experience criterion of the Appraiser Qualifications Board;" and
- (5) Send a notification to all federally regulated financial institutions within Oklahoma explaining the two classes of Licensed appraisers and the meaning of the conspicuous notice.

Please provide us with a detailed plan by September 15, 2001, that outlines how you will complete these steps by no later than December 31, 2001. Also, please be aware that other government agencies (*e.g.*, the Federal financial institution regulatory agencies and the Department of Housing and Urban Development) might take additional actions.

If you have any questions, please let us know.

Sincerely,

Thomas E. Watson, Jr.
Chairman

Enclosure

cc: Rep. Larry E. Adair, Speaker, Oklahoma House of Representatives
Senator Stratton Taylor, President Pro Tempore, Oklahoma Senate
Derek McCammon, Vice Chairman, Oklahoma Real Estate Appraisal Board