

November 21, 2002

From: Harry Quigley
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To: Mr. Ben Henson, Executive Director
Appraisal Subcommittee
2000 K Street NW, Suite 310
Washington, DC 20006

Dear Ben:

You have received my October 9 letter to Senator Sarbanes and, therefore, are aware that I am waging a war against AQB criteria which impose a forced apprenticeship on individuals who seek to become appraisers, while providing no other alternative way for a competent, qualified individual to become an appraiser. In Tennessee where 17% of the population have graduated from high school, and where 22% of those graduates have college degrees, an individual with only a high school diploma can enter the appraiser profession by finding a relative or friend who is a Certified Residential appraiser or Certified General appraiser to sponsor such aspirant in an apprentice program. Yet an individual who has completed a four year degree or a graduate degree with a major in Real Estate Appraisal cannot enter the appraisal profession in Tennessee without finding a Certified Residential or Certified General appraiser willing to apprentice such aspirant. Certified Residential and Certified General appraisers have chosen generally to not train their competition who would eventually obtain an equal level license and compete for undivided appraisal fees from the same pool of clients the sponsor is feeding on. The net result is that the market-supply of appraisers in Tennessee and those approximately twenty-five states which have adopted AQB criteria is exclusively controlled by the current body of Certified Residential and Certified General appraisers; this is monopoly, restraint of trade, bad public policy, an insult to fairness in government, contrary to the usual and customary manner in which America assures competence in its service providers, and usurpation by the appraiser-comprised AQB of the intent and power expressed in Title XI.

I did not ask you to respond to my Sarbanes letter, but I am asking you to answer the following questions. Your response should be important to Senator Sarbanes; Tom McCool at GAO; Governor-elect Bredesen of Tennessee, the Tennessee Legislature, the Tennessee Real Estate Appraiser Commission; perhaps some state and federal courts; and to the thousands of realtors and non-realtors who have taken or would take appraisal courses to become appraisers only to find a closed door bearing a huge sign: AQB MONOPOLY-ENTRY TO FAMILY AND FRIENDS ONLY.

1. No one disputes that the mandate in Title XI was to produce competent appraisers, and that the power to establish criteria for producing competent appraisers was delegated from the Financial Institutions Examination Council to the Appraisal Subcommittee to The Appraisal Foundation to the Appraiser Qualifications Board, comprised of five appraisers. Given the responsibility for establishing appraiser qualifications criteria, why did the five-appraiser-member AQB not prescribe a curriculum of classroom and field work including completed appraisal reports, followed by state or national exam, evidencing prima facie one's competence to enter the appraiser industry? Is it because the AQB appraisers were seizing an opportunity on behalf of appraisers to limit competition to their livelihoods (monopolistic regulations concocted by appraisers for appraisers)? Or did the AQB not have faith in the prescribed curriculum and examination method, even though it is the method by which America produces all professionals except appraisers, professionals such as lawyers, doctors, teachers, engineers, architects, accountants and teachers?

2. The ASC claims the power to levy non-recognition status against any state for non-compliance with AQB criteria, an action that would effectively suspend all mortgage lending in such state. Recently, the ASC threatened such action against the Tennessee Real Estate Appraiser Commission on an issue of "temporary practice". Despite such claim to power and threats of use of such power, however, the ASC has never levied such action against a state. Why has the ASC not levied non-recognition status against those approximately twenty-five states which have NOT adopted the AQB criteria? Is it because ASC believes the criteria are illegal and thus unenforceable? Is it because ASC fears a lethal injection of political backlash?

3. Why have one-half of the states not adopted AQB criteria? Is it because licensed appraisers are not willing to create their own competition, so that compliance would render such states unable to meet the demand for appraisers? Is it because those states deem the AQB criteria to be monopolistic and trade restraining, and thus in violation of federal or state antitrust laws? Is it because those states do not have an appraiser controlled board promulgating restrictions against competition?

4. Why have one-half of the states adopted the AQB criteria? Is it because the AQB criteria provide a cover to legitimize monopoly and protect appraiser livelihoods? Is it because they fear non-compliance would bring non-recognition status and suspended mortgage lending? Is it because they believe the AQB plan is a sound way to assure competence in appraisers?

5. The Tennessee Association of Realtors includes 17,000 members, yet there are only 1450 Licensed/Certified appraisers in Tennessee. Hundreds of those realtors are value experts in certain property areas, everyday completing Competitive Market Analyses and advising their clients at what price to sell or purchase a property. Hundreds of those realtors have taken or would take appraisal education courses to become appraisers only to find no Certified appraiser willing to apprentice them. Is that good public policy?

6. Do you believe the AQB criteria as adopted and applied by some states have effectuated a monopoly over the supply of appraisers in those states? Why or why not? 7. Do you believe that the best goods and services, at the lowest prices, flow from openmarket competition? Do you support continued exclusion of the supply of appraisers from the open-market system?

8. If you were a mortgage lender or an investor in a mortgage of \$300,000 on a property in Tennessee, which of the following two individuals would you most trust in performing an appraisal to support your decision: (1) Theodore who just received his Masters Degree in Real Estate Appraisal from John Hopkins University but can't find an appraiser to apprentice him in Tennessee, or (2) Billy Bob who just graduated from high school in Tennessee, took 30 hours of appraisal courses, then began an apprenticeship with Uncle Randy?

9. It is commonly accepted in the appraisal industry that there are three approaches to valuing property: Sales Comparison Approach; Cost Approach; and Income Approach. The essence of being a competent appraiser is not an endless or excessive number of appraisals of certain property types; the essence of being a competent appraiser is knowing which value approach is appropriate for each type of property, and how to apply that approach to determine a value. Why do you agree or disagree with these two statements?

10. ASC Policy Statement I declares that AQB criteria "must not unduly restrict entry" into the appraisal profession. What is meant by that statement?

11. There is no inherent competence in any number of experience hours or calendar months, but there is inherent knowledge in a prescribed curriculum of classroom and field work including completed appraisal reports, followed by state or national exam on that curriculum. Why do you agree or disagree?

12. For each appraiser license level, the AQB criteria specify a number of experience hours to be accumulated, and a MINIMUM number of calendar months in which those hours can be completed. Are these requirements purely arbitrary, or can you cite underlying principles and reasons?

13. Suppose Congress established a subcommittee to establish education and experience requirements for every profession in America, and all such committees forced an apprenticeship on all professional aspirants, the way AQB has forced an apprenticeship on appraiser aspirants. Jim Villa just completed four years of undergraduate study at George Washington University, followed by three years of law school at the same school. He has now passed the DC bar examination and would like to practice law in Washington, DC. All DC licensed lawyers have his resume, but no lawyer is willing to apprentice him. He notices that some lawyers have hired friends and, yes, some firms have second and third generation family names on their plaque. As months go by, Jim Villa discovers that most of his law school classmates have met his fate: no licensed

lawyers willing to apprentice. Soon, Jim finds that his fate is shared by all professional aspirants in America, doctors, engineers, teachers, architects, etc. America has become a society not based on open-market competition, but on the monopolistic whims of those professionals who were licensed at the time Congress passed the enabling legislation. What should Jim do? He knows that his abilities are wasting, and the Public Interest has been plundered. He knows Billy Bob, the recent high school grad who took 30 hours of appraisal courses and began an apprentice with Uncle Randy in Tennessee; Billy Bob may be able to "hook up" Jim with Uncle Randy. Jim is aware that Senator Sarbanes chairs the Congressional committee with oversight of all the subcommittees. Jim decides to appeal to the intellect and reasoning of Senator Sarbanes to effect change in the licensing and experience requirements, not merely that Jim can fulfill his aspirations to practice law in DC, but for the absolute good of all Americans. Did Jim make the right call, Ben?

Sincerely,

Harry Quigley

Copies to Senator Sarbanes; Tom McCool at GAO; Jim Villa at DOJ; Alison Zane at Tennessee Real Estate Appraiser Commission.