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Appraisal Subcommittee

Federal Financial Institutions Examination Council

November 3, 2000

Patrick Brady, Deputy Commissioner
Office of Banks and Real Estate
310 S. Michigan Avenue, Suite 2130
Chicago, IL 60604-4278

Dear Mr. Brady:

Thank you for your September 26, 2000 letter responding to our July 24th field review letter. We have copied Mike Brown, Director of the Appraisal Division, and Appraisal Board Chairman Mildice. As you requested, we will direct future correspondence to Mr. Brown, with copies to appropriate parties.

In the opening paragraphs of your letter, you noted that our review covered a three-year period, two and one-half of which were under the tenure of Mr. Brown's predecessor, and that we failed to note that fact in our letter. The Appraisal Subcommittee ("ASC") review is a review of Illinois' appraiser regulatory program ("Program"), not a review of individuals. Unless we name a specific person in our letter, our comments are directed toward the State, not individuals.

We appreciate your cooperation in including the ASC in the revision process for your statute and regulations. We will review draft language for compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act, as amended, ("Title XI") and promptly inform you of our findings.

Regarding the specific areas of concern identified in our July 24th letter and your response:

- **The Board's enabling statute ("Statute") and Administrative Rules ("Rules") do not comply with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989's ("Title XI") minimum requirements regarding acceptable appraiser experience.**

This concern resulted from Illinois' statute and regulation allowing appraiser experience credit to be awarded for time spent in real property management, real estate sales, and real estate brokerage. Specifically, the statute and regulation provide that an appraiser applicant, under certain conditions, can be awarded 40% of the total appraiser experience requirement for his or her real estate broker or salesperson experience. During our review, we identified one instance in which a Licensed appraiser was awarded 1,000 hours of appraiser experience based on his tenure as a real estate broker/salesperson. Illinois used this 1,000 hours in determining that the appraiser had the necessary 2,500 hours of appraiser experience to qualify for the Certified Residential classification. This violates Title XI because real estate broker or salesperson experience is not acceptable appraiser experience under the Appraiser Qualifications Board's ("AQB") minimum appraiser qualifications criteria.

Action step #1 in our July 24th letter instructed Illinois immediately to stop issuing certified appraiser credentials to persons who do not meet the minimum AQB criteria. In your September

26th letter, you stated that the Office of Banks and Real Estate (“OBRE”) would pursue a legislative change in the Spring 2001 session to eliminate granting experience credit for real estate experience. You further stated that, “Until that time OBRE is obligated to enforce state law.” Please be informed that to grant appraiser experience credit as discussed in this paragraph for either the certified general or certified residential classification violates Federal law (*i.e.*, Title XI) and is not an acceptable practice by OBRE or the State of Illinois. Any appraiser obtaining a Illinois certified appraiser credential using such experience will not be eligible to appraise federally related transactions, transactions sold on the secondary market to Fannie Mae or Freddie Mac, or transactions insured through the Department of Housing and Urban Development’s FHA program. You may wish to discuss this issue with your attorney general’s office. We would be happy to participate in a conference call, if you wish.

Action steps 2-4 involved identifying appraisers who obtained a certified credential by using real estate broker or agent experience and providing a listing of those names to us within 60 days of your receipt of our July 24th letter. You stated in your September 26th letter that you had identified 24 appraisers who used the real estate experience credit, 14 of whom hold a certified credential. You stated that Mr. Brown is auditing their experience logs and that he will provide us a report upon his completion. We are now more than 90 days past the date of our July 24th letter and you have not provided the listing nor requested a time extension. Your failure to respond in a timely manner concerns us. Please provided the necessary information as soon as possible.

Action step #7 instructed you to provide written progress reports to us monthly. We have not received any reports, other than your September 26th letter. Please provide a written progress report within 10 days of receiving this letter.

- **Temporary practice permits are not issued in compliance with Title XI and ASC Policy Statement 5.**

We appreciate your response to our temporary practice concerns. On October 23, 2000, we received a copy of the proposed revisions to your statute and will be reviewing it for consistency with Title XI and our Policy Statements. We will address those comments in a separate letter.

- **The Board’s complaint investigation and resolution process and the supporting documentation are inadequate.**

We appreciate the complaint log included with your September 26th letter. Our review of the log revealed the following:

- Illinois has received 983 complaints – 740 have been closed, 243 remain open;
- Of the closed complaints, we noted several with apparently erroneous information – one with a 12/1/1900 open date; one with a 1/14/2009 closed date; two with a 10/21/2007 closed date; and 129 without a closed date;
- A number of the remaining open cases have been open for extended periods – one from 1993, one from 1994, one from 1995, five from 1996, 19 from 1997, and 43 from 1998;
- 206 complaints have been closed this calendar year, including 115 since our May on-site review. We are impressed by your prompt action and trust that these complaints were investigated adequately and that appropriate disciplinary actions were taken. We will review a sample of these cases when we perform our follow-up review.

From your description, it appears that Mr. Brown has implemented an effective program for investigating, documenting, and resolving complaints. When we perform our follow-up review, we will further evaluate the enforcement program and provide additional comments at that time.

If you have any questions, please contact us.

Sincerely,

Ben Henson
Executive Director

cc: Mike Brown, Director – Appraisal Division
Joseph T. Mildice, Chair – Appraiser Board