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Appraisal Subcommittee

Federal Financial Institutions Examination Council

BY FAX

March 30, 2001

Mike Brown, Director
Office of Banks and Real Estate
310 South Michigan, Suite 2130
Chicago, IL 60604-4278

Dear Mr. Brown:

Thank you for your March 9, 2001 letter responding to our January 30th field review follow-up letter. Your explanations and attachments clarified most of our questions. The sole remaining issue appears to be the disposition of the certified appraiser credentials issued to four appraisers in violation of Federal law.

In our previous communications, we directed Illinois to downgrade to the appropriate classification appraisers who cannot document the necessary experience for their current credentials. In your March 9th letter, you stated: "We are not aware of any legal theory, mechanism or procedure that would allow us to summarily accomplish the action that you propose without subjecting this agency to significant liability for violations of state and federal due process (42 U.S.C. 1983). We have researched and explored this request thoroughly and do not know how we can legally accomplish your request. Illinois law simply does not grant an administrative agency the right to cancel or revoke a professional license that has been properly issued."

We understand your concerns. Our intention was not that you "summarily" cancel or revoke the appraisers' credentials. We expected you to downgrade the credentials to the appropriate level consistent with Federal law. We agree that you must follow due process. Our intention was that you promptly initiate the necessary due process procedures to bring this issue to resolution. We first notified you of the necessary actions in our July 24, 2000 field review letter. We now are eight months later, and it appears that you have not taken the necessary curative actions regarding the credentials held by the four appraisers.

Today, you and Assistant Commissioner Norman Willoughby spoke with Marc Weinberg, the ASC's General Counsel, about this situation. You agreed to downgrade these four appraisers to the appropriate classification on a prompt basis. Upon receipt of this letter, you intend to send a letter to the appraisers informing them of the downgrading of their credentials to licensed status, together with a copy of this document. Please inform us, as soon as possible, of the your anticipated timetable for these actions.

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, ("Title XI") requires the Appraisal Subcommittee ("ASC") to "maintain a national registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions." Many federally insured financial institutions and other users of appraisal services rely on the National Registry to identify appraisers who meet Title XI's requirements. We have a statutory responsibility to reflect an appraiser's legal eligibility accurately on the National Registry. Because the four appraisers you identified do not meet the

Appraiser Qualifications Board's minimum criteria for the certified level, we cannot continue to list them on the National Registry as certified. If you have not effectively downgraded these appraisers by April 15, 2001, we will have no choice but to change their National Registry status on that day to Licensed to reflect their Title XI-based federally related transaction eligibility.

Given progress to date, we agree that you need not submit further monthly reports. As stated in your letter, please notify us as soon as possible regarding the April 1, 2001 hearings results for the two appraisers who failed to respond to your request for information.

If you have any questions, please let us know.

Sincerely,

Ben Henson
Executive Director

cc: Patrick Brady, Deputy Commissioner
Norman Willoughby, Assistant Commissioner