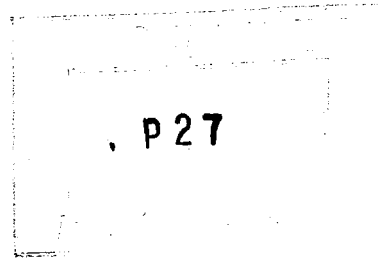




September 26, 2000

Mr. Thomas E. Watson, Jr.  
Chairman  
Appraisal Subcommittee  
2000 K Street, NW  
Suite 310  
Washington, D.C. 20006



Dear Chairman Watson:

Please accept this letter as a formal response to your letter addressed to Mr. Joseph Krass and dated July 24, 2000. Allow me to make some general remarks before I address your specific concerns.

When Mike Brown was appointed to serve as Director of the Appraisal Division in January, Commissioner Darr made it clear to Mike that he would be expected to upgrade the regulation of the appraisal industry in Illinois. From day one, Mike instituted a review of the deficiencies in the Appraisal Division and initiated many remedial measures. As such, the Appraisal Subcommittee's (ASC) review of appraisal regulation in Illinois comes at an opportune time.

Nonetheless, I hasten to add that your characterization of the program as having "serious weaknesses," is unfair in one important respect.. While ASC's review covers a three-year period, two and one-half of which were under the tenure of Mike Brown's predecessor, that fact is omitted from your letter. This omission appears to implicate the fine work Mike has done. I am certain that was not your intent, but I thought it important enough to clarify.

Many of the issues you identified in your letter require legislative changes in order for OBRE to comply with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI). As such, the Office of Banks and Real Estate (OBRE) is pursuing a re-write of the Appraisal Act. It is important to note that while OBRE is working with representatives from the Governor's office and the Illinois General Assembly to ensure that the re-write ma- be considered in the Spring 2001 session, OBRE does not control the legislative process. You can be certain that OBRE will include ASC in the process and keep you informed of the developments. The issues

you identified that do not require legislative changes are currently being addressed by the Appraisal Division.

With those general remarks made, allow me to specifically address the issues you identified.

- 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.

A careful review of OBRE records reveals that 24 licensees applied for the real estate experience credit. Of the 24 licensees in questions, 10 licensees were of the "154" rank. The "154" rank is the entry-level license in Illinois, referred to as the State Licensed Real Estate Appraiser. As written, the Appraisal Act does not require State Licensed Real Estate Appraisers to report any experience for initial licensure, as Title XI does not mandate it, and OBRE records show clearly that these 10 licensees have not since upgraded their license rank.

As for the remaining 14 licensees in the certified ranks, Mike Brown has initiated an audit of the experience logs. While the audit is not yet complete, the logs reviewed to date reveal that each of those claiming real estate experience credit would have qualified without the real estate experience credit. When this audit is concluded, Mr. Brown will provide ASC with a complete report.

In order for OBRE to comply with Title XI's minimum appraiser qualifications standards as stated in the Appraiser Qualifications Board's (AQB) qualification criteria, legislative change is required. As mentioned earlier, OBRE will pursue a legislative change in the Spring 2001 session that eliminates the experience credit for real estate experience. Until that time OBRE is obligated to enforce state law.

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

OBRE has initiated steps to amend the rules to adjust the fee schedule in order to comply with Title XI, as interpreted in ASC Policy statement 5. It is important to note that rule changes must be filed with the Joint Committee on Administrative Rules. We anticipate filing this rule change and others indicated in this response by October 31, 2000. Once they are filed, the process requires two 45-day comment periods prior to adoption.

In addition, our intent in the proposed legislative changes will include a provision concerning temporary practice permits, which is in accordance with the ASC Policy statement 5, and will allow for 6 month temporary permits with an extension for specific assignments.

- The Board's complaint investigation and resolution process and supporting documentation are inadequate.

Upon Mike Brown's introduction to the Appraisal Division, he was faced with a considerable backlog of complaints that were not adequately chronicled. Well in advance of ASC's review, Mr. Brown initiated the process of building a comprehensive log **that** would chronicle all complaints and their resolution. The process of constructing the complaint log involved collecting data from the various tracking systems. In order to ensure that the log is comprehensive, Mr. Brown requested any and all appraisal complaint records that might be on file with the Illinois Department of Professional Regulation (DPR), the state agency responsible for the regulation of the appraisal industry prior to 1995. Please see the enclosed complaint log which we believe to be comprehensive, pending a response from DPR.

In addition to reconstructing the complaint log, Mr. Brown has developed and initiated a comprehensive complaint investigation and resolution process. A January 2000 inventory by Mike Brown revealed more than 350 unresolved complaints. Mr. Brown quickly established a process to resolve the aged complaints and initiated a process to ensure the timely resolution of current complaints. As a result of Mr. Brown's efforts, the Appraisal Division has fewer than 80 unresolved aged complaints in a backlog status. It is expected that Mr. Brown will have the Division current by January 1, 2001.

The complaint resolution system now in place establishes ambitious but achievable goals. The system requires 80% of all complaints to be resolved at the investigative level within 10 days. Of the complaints forwarded to prosecutions, 80% are required to be resolved within an additional 110 days. The complaints received in the current year have met this ambitious schedule.

Documentation outlining the complaint resolution process has been added to the files that we are currently working. OBRE has initiated a policy that ensures that adequate documentation is contained in each complaint file.

- The Statute and Rules contain additional provisions that do not conform to AQB criteria and provisions that are inconsistent.

Section 25 (a)(1) of the act authorizing educational credit for Board members will be eliminated in the language we submit to the General Assembly in the re-write.

Independent of the rewrite, the rule that permits OBRE to waive continuing education requirements for initial licensees is in the process of being changed. As with the previous rule change, this will be filed by October 31, 2000.

The confusion resulting from Section 10 of the Act, which calls for use of the 1998 edition of the Uniform Standards of Professional Appraisal Practice (USPAP), and

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Section 1 10 of the Act, which refers to the current edition of USPAP will be resolved in the re-write.

I can assure you that the staff involved in working on the proposed re-write, is working hard to ensure any conflicts between our current Statute and Title XI will be addressed. In addition, we will forward a copy of the draft to you for your input.

Please note that Mr. Joseph Krass, to whom your letter was addressed, serves as the Chairperson of the Real Estate Appraisal Board (Board). Pursuant to our Statute, OGRE is the administering agency, and the Board serves OBRE in an advisory capacity. In addition, Mike Brown serves as the statutory Director of the Appraisal Division. As such, all future official communication should be directed to Mike Brown.

Please accept my gratitude for the cooperation that OBRE has received from ASC during the period that involved the appointment of Mike Brown as the new Appraisal Director, up to and including the review. Should you have any questions or concerns related to this letter, or any other issue related to appraisal regulation in Illinois, please feel free to contact Mike Brown or me.

Sincerely,



Patrick Brady  
Deputy Commissioner

cc: Commissioner William A. Darr  
Members, Real Estate Appraisal Board