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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

April 25, 2005

The Honorable Christopher S. "Kit" Bond  
Office of Constituent Services  
308 East High Street, Suite 202  
Jefferson City, MO 65101

Dear Senator Bond:

Thank you for your April 11, 2005 letter forwarding the concerns of your constituent, Mr. Larry W. Keating, on behalf of the Missouri Association of Realtors<sup>®</sup> ("Association"). In his letter, Mr. Keating expressed the Association's concerns about the Appraisal Subcommittee ("ASC") causing the Missouri Real Estate Appraisers Commission ("MREAC") to retest certified appraisers who passed a certification examination more than 24 months before certification and to downgrade those unable to pass or unwilling to take the exam. Mr. Keating noted that, should Missouri fail to comply, it risks decertification, which would "preclude ALL Missouri certified appraisers from participating in federally related transactions." The Association stated its belief that "appraisers who have acted in good faith, should not be penalized by the Federal government for the State's failure to comply with the ASC," and it requested "your assistance in ensuring the transfer of real property is not adversely affected by this issue."

The ASC is a Federal government agency responsible, among other things, for overseeing State real estate appraiser regulatory programs under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI"), 12 U.S.C. 3310 and 12 U.S.C. 3331, *et seq.* In exercising our oversight, we must ensure that each State and territory maintains an appraiser regulatory program that, consistent with Title XI, licenses and certified real estate appraisers who can perform appraisals in connections with federally related transactions.

A critical component of the State's responsibilities is to ensure that persons obtaining credentials as certified residential and certified general real estate appraisers meet the Appraiser Qualifications Board's ("AQB") appropriate minimum qualification criteria ("AQB Criteria"). Title XI requires States to ensure that all certified appraisers meet the AQB Criteria. These Criteria consist of specific education, examination, and experience requirements. To measure compliance with this and other Title XI requirements, the ASC, among other things performs periodic on-site reviews of each State's program.

The ASC's most recent field review of Missouri's appraiser regulatory program performed on October 4-5, 2004 prompted these actions. For your information, we have enclosed a copy of our November 18, 2004 field review letter to MREAC containing the ASC's findings and determinations relating to this field review.

The Association's concern involves the ASC finding that Missouri issued certified appraiser credentials based on examinations that fail to conform to an April 2000 Interpretation to the AQB Criteria specifying that examination results are valid for not more than two years. AQB

Interpretations to the certification criteria are an integral part of the Criteria, and, as such, Title XI jurisdictions must comply with them. This Interpretation applies both to persons applying to become certified appraisers for the first time and appraisers seeking an upgrade from a non-certified classification to certified residential or certified general status.

Missouri knew about this Interpretation before its effective date. The Interpretation became effective on July 1, 2000, and the AQB notified Missouri, and all the other States, about this requirement in an April 28, 2000 letter. In addition, the ASC notified Missouri, and all other States in a May 22, 2000 letter about the AQB's adoption of the Interpretation and its impending effective date. Finally, the interpretation was included in each issue of the AQB *Real Property Appraiser Qualifications Criteria and Interpretations of the Criteria* since July 2000.

Contrary to the Interpretation, §339.515 (3) of Missouri's appraiser regulatory statute provides that appraiser examination results are valid for three years. We brought this conflict to MREAC's attention in our December 19, 2001 letter, following our 2001 field review of Missouri's appraiser regulatory program. In its January 15, 2002 response, MREAC pledged to introduce curative legislation. That legislation, however, was not introduced in the legislature. As a result, Missouri issued certified appraiser credentials for more than four years that fail to conform to AQB Criteria and, therefore, do not comply with Title XI.

To retain legal eligibility to perform appraisals in connection with federally related transactions, the State provided affected appraisers with two free opportunities to retake the certified residential examination. To make this process as painless as possible, the State also provided them with the opportunity to take two free exam preparation courses. We understand that 49 of the 57 affected appraisers chose to take the examination. Only one appraiser failed the examination. (We understand that it is highly likely that this appraiser will retake the examination.) Eight appraisers chose not to take the examination.

We currently are in discussions with Program officials regarding Missouri's situation and the status of the credentials of the nine affected appraisers. The ASC is committed to working with Missouri to remedy this situation in the most equitable and expeditious ways possible within the limits of our authority.

Please contact us if you have any further questions.

Sincerely,

Ben Henson  
Executive Director

Enclosure

cc: Mr. Larry W. Keating, President  
Missouri Association of Realtors