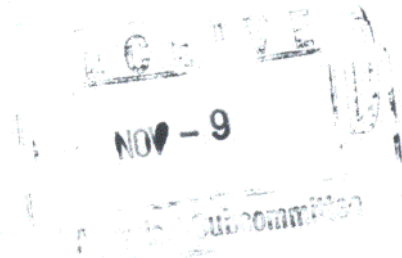




November 9, 2004

Ben Henson
Executive Director
Appraisal Subcommittee
2000 K-Street NW, Suite 310
Washington, DC 20006



Dear Mr. Henson:

This letter responds to your August 30, 2004 letter regarding the Appraisal Subcommittee ("ASC") field review of the regulatory program ("Program") of the Puerto Rico Real Estate Appraiser Examining Board ("Board") on March 2004. On our executive meeting on November 5, 2004 the Board has agreed to reassess one of the recommendations contained therein.

As you mentioned in your August 30, 2004 letter, it appears to be that there has been a misunderstanding between the ASC and the Board about the May 30, 1997 written agreement.

Nevertheless, on May 11, 2001 we received the findings of the compliance audit performed for Puerto Rico's certification program during March 6-7, 2001. In that letter the ASC encourage Puerto Rico to "adopt and implement the regulations as written", without regard that those regulations did not consider the 24-month validity period of the examination, which became in effect in July 2000.

Based on the preceding facts, the Board recognizes that due to the existing requirements under PR Law, as amended to reconcile the specific agreement between PR and the ASC, all certifications and licenses granted and approved from 1998 (the amendment of the PR law was on December 26, 1997 and was adopted on January 1, 1998) to December 20, 2002 have been processed adequately. Furthermore, the Board acknowledges that this group of appraisers has a valuable property interest protected by the Constitution of Puerto Rico.

On 2002 the educational requirements for the local license were changed and have been different from the ones for the certifications. Therefore, the AQB criteria should have been applicable for all new candidates for the certifications since that date.

As noted, the Board had taken the appropriate steps to ensure that each person seeking to qualify as a certified or licensed appraiser has demonstrated his or her competency. To demonstrate competency, the Board has to evaluate each individual to meet the level

of education, testing and experience, as required by the PR statutes and regulations, as amended in 1997 in accordance with Title XI.

Consequently, as mentioned in our August 10, 2004 letter we reaffirm that those certified appraisers addressed on your March 2004 review were issued in good faith, following the May 1997 agreement and the existing AQB criteria.

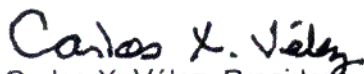
Finally, based on the ASC Policy Statement #1 we will adopt your recommendation effective December 20, 2002.

On the other hand, we are working on your suggestions to the other findings of the March 2004 review and hopefully on your follow-up February 2005 visit we will have most of them resolved. At 15-years, the appraiser regulatory system is relatively young. We expect continued adjustments and challenges as the system matures.

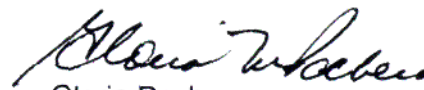
In exercising its responsibilities, we believe that the Board actions had been guided by its serious commitment to protect the public trust in the State's legal procedures. The Board is dedicated to enforce that the provisions of the Puerto Rico laws and regulations are in compliance with Title XI, so as to ensure competency in the appraisers that it regulates. The Board will strive to provide comprehensive protection of the public that it serves, particularly applicable to the federal related transactions in the financing industry.

You can rest assured that the Board has had, and continues to have, every intention to continue working together with the ASC and the AQB in achieving full compliance with federal requirements for certifications. If you need additional clarification, please do not hesitate to contact the undersigned.

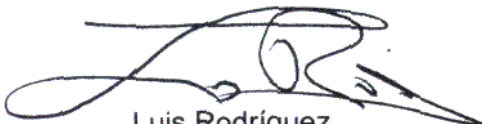
Sincerely,



Carlos X. Vélez, President
Board of Examiners of Professional
Real Estate Appraisers



Gloria Pacheco
Member



Luis Rodríguez
Member

cc: Hon. Anibal Acevedo Vila, Resident Commissioner, US House of
Representatives
Hon. José M. Izquierdo Encarnación, Secretary of State
Francisco Toral, Auxiliary Secretary for Examining Boards
Carmen A. Carreras, Esq, Director Board of Examiners
Don Kelly, Vice President, Government Affairs, Appraisal Institute
David Bunton, Executive Vice President, The Appraisal Foundation

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF STATE OF PUERTO RICO
BOARD OF EXAMINERS OF PROFESSIONAL REAL ESTATE APPRAISERS**

RESOLUTION

WHEREAS, on March 24-25, 2004, the Appraisal Subcommittee (the "ASC") performed a field review of the regulatory program of the Puerto Rico Real Estate Appraiser Examination Board (the "Board").

WHEREAS, through a letter dated June 7, 2004, the ASC proceeded to detail several findings and recommendations for corrective action. One of the findings listed by the ASC is the alleged non-compliance with the ASC's interpretation of the criteria that certifications cannot be issued when an exam was taken more than 24 months prior.

WHEREAS, the Board through letter dated July 28, 2004 requested the ASC to reconsider its position regarding the aforementioned alleged noncompliance in order to avoid a possible class action on behalf of the appraisers whose license the ASC recommended to be revoked and/or not issued.

WHEREAS, the Board through letter dated August 10, 2004, requested a second reconsideration to the ASC based on Puerto Rico's unique situation, not only due to the provisions of the May 1997 Agreement but also due to a prior exemption granted to Puerto Rico by the ASC of one of its criteria's interpretations.

WHEREAS, the ASC answered the Board's letter through letter dated August 30, 2004 wherein it reaffirm its decision and fails to address Puerto Rico's unique situation as explained later herein.

WHEREAS, the ASC's duties and the States rights upon actions taken by the ASC arise out of 12 U.S.C.A. § 3347, which states:

"(a) In general

The Appraisal Subcommittee shall monitor State appraiser certifying and licensing agencies for the purpose of determining whether a State agency's policies, practices, and procedures are consistent with this chapter. The Appraisal Subcommittee and all agencies, instrumentalities, and federally recognized entities under this chapter shall not recognize appraiser certifications and licenses from States whose appraisal policies, practices, or procedures are found to be inconsistent with this chapter.

(b) Disapproval by appraisal subcommittee

The Federal financial institutions, regulatory agencies, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Resolution Trust Corporation shall accept certifications and licenses awarded by a State appraiser certifying the licensing agency unless the Appraisal Subcommittee issues a written finding that-

- (1) the State agency fails to recognize and enforce the standards, requirements, and procedures prescribed pursuant to this chapter;
- (2) the State agency is not granted authority by the State which is adequate to permit the agency to carry out its functions under this chapter; or
- (3) decisions concerning appraisal standards, appraiser qualifications and supervision of appraiser practices are not made in a manner that carries out the purposes of this chapter.

(c) Rejection of State certifications and licenses

(1) Opportunity to be heard or correct conditions

Before refusing to recognize a State's appraiser certifications or licenses, the Appraisal Subcommittee shall provide that State's certifying and licensing agency a written notice of its intention not to recognize the State's certified or licensed appraisers and ample opportunity to provide rebuttal information or to correct the conditions causing the refusal.

(2) Adoption of procedures

The Appraisal Subcommittee shall adopt written procedures for taking actions described in this section.

(3) Judicial review

A decision of the subcommittee under this section shall be subject to judicial review."

WHEREAS, under Puerto Rico Law appraisers seeking a certification in Puerto Rico cannot begin to accumulate the necessary experience hours until the local license is obtained, which in turn requires the prior approval of the Certified General examination pursuant the May 1997 Agreement.

Furthermore, an appraiser with a local license under Puerto Rico Law has to wait at least 24 months before applying for a certification. As such, the ASC's interpretation of the criteria imposing upon Puerto Rico appraisers a 24-month deadline to request a certification after taking the only exam offered in Puerto Rico, cannot be applicable since it would be legally impossible to comply with.

WHEREAS, the intent of the ASC's interpretation for the 24-month deadline was to eliminate the possibility of "warehousing" of exam eligibility and said possibility is non-existent in Puerto Rico for the following reasons:

- a. The Board's criteria for the Certified General and Certified Residential requires, as a minimum, a bachelors degree, 180 classroom hours, 15 of which must be a USPAP course that includes examination.
- b. Once the education requisites are satisfied, the state allows the applicant to take the examination, which is the Certified General Examination, regardless of the certification being pursued.
- c. It is not until the education requisites are fully satisfied, the examination successfully completed and the State License issued, that the applicant commences to gather the appraisal experience of 3,000 hours for the CGA (in no fewer than 30 months) and 2,500 hours for the CR (in no fewer than 24 months), assuring the adequacy of the certification candidate to appraise.
- d. During this experience gathering period, the state license holder must complete 56 hours of continuing education of which 15 hours must be USPAP courses including examination.

WHEREAS, in a prior field review of our program completed by the ASC on or about March 2001, the ASC revised the 1997 amendments to PR Law 194, which was intended to ensure that our regulatory program complies with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("Title XI"), and encourage Puerto Rico to "adopt and implement the regulations as written", without regard that those regulations did not consider the 24-month validity period of the examination, which became in effect in July 2000.

WHEREAS, based on the aforementioned ASC's finding of an alleged noncompliance of the Board with the ASC's interpretation of the criteria that certifications cannot be issued when an exam was taken more than 24 months prior, the Board proceeded to make a public announcement in the form of Informative Bulletin, dated March 2004, stating that as of the effective date of December 2003 the examination will have a validity period of 24 months.

In addition, the Board had begun to offer a separate type of examination for each appraiser classification: state license, certified residential and certified general.

WHEREAS, the Board recognizes that due to the aforementioned requirements under Puerto Rico Law and that the affected appraisers have been providing appraisal services to financial institutions for up to approximately 5 years, the competency of all the affected appraisers has been fully demonstrated and these will not threaten the safety and soundness of the financial institutions.

THEREFORE, the Board cease and desist of its prior requirement made to the Puerto Rico appraisers affected by this situation to re-take the examination, and reaffirms that the ASC's recommendation for a new examination to applicants whose exam was taken more than 24 months prior to the requested certification will be adopted, but it will only be applicable to appraisers not currently certified and which are seeking a certification based on examinations taken after December 20, 2002.