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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

July 30, 2009

James E. Wade, Jr., Chairperson  
Real Estate Appraiser Commission  
Department of Commerce & Insurance  
500 James Robertson Parkway, Suite 620  
Nashville, TN 37243-1166

Dear Mr. Wade:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Tennessee real estate appraiser regulatory program (Program) on January 12-13, 2009. This is the final ASC Compliance Review Report (Report) on that Review.

The ASC has considered the staff's preliminary findings regarding the Review and the State's response. The ASC has determined that the Program is in substantial compliance with Title XI of the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989, as amended (Title XI). Details regarding the ASC staff observations, the State response, and required/recommended State actions are included in the attached Report. The ASC identified the following concerns:

- ASC Policy Statement 10E - States must resolve complaints within one year of receipt, except for special documented circumstances. While Tennessee appears to be in substantial compliance, the ASC has made recommendations in the attached Report to further strengthen the Program in this area. Furthermore, the ASC is requiring that a quarterly complaint log be sent to the ASC to monitor this area.
- Title XI, SEC. 1118. (b) (2) - States must have sufficient legal and other administrative resources to perform Title XI related duties. Because the recent staff reductions could negatively impact the Program, the ASC has provided recommendations in the attached Report to further strengthen the Program.

In response, the State indicated it has taken corrective actions, which are detailed in the attached Report. The reported corrective actions appear to be appropriate. ASC staff will confirm that these corrective actions have taken place during the next Review. Please also be advised that this letter and the attached Report are public record and available on the ASC website in accordance with the Freedom of Information Act.

Please contact us if you have any questions.

Sincerely,

Deborah S. Merkle  
Acting Chairman

Attachment

cc: Nikole Avers, Administrative Director

### ASC Compliance Review Report

Tennessee Appraiser Regulatory Program (Program)								
Tennessee Real Estate Appraiser Commission (Commission)			ASC Compliance Review (Review) Date: January 12-13, 2009			Review Period: 11/07 - 01/09		
Umbrella Agency: Department of Commerce and Insurance (Department)			Number of Tennessee credentialed appraisers on National Registry: 1964		Issue Date: July 30, 2009	Page 1 of 2		
Requirement/Guidance	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
<b>Tennessee Statutes, Regulations, Policies and Procedures:</b>	X		X	See below.	See below.	N/A	See below.	See below.
States must have sufficient legal and other administrative resources to perform Title XI related duties. Title XI, SEC. 1118 (b) (2) [12 U.S.C. 3347].				Because of a hiring freeze, there is only one staff person dedicated to the Program. The Program once housed a five-person staff.  While the State is currently in compliance with Title XI, the recent staff reductions make the Program vulnerable and could negatively impact compliance for the Program in the future.	Following the on-site Review, the Commission reported that it was training existing staff from other areas of the Department in various functions to ensure that Program services are not interrupted and to assist with day-to-day matters as needed.	No further action required.	To strengthen the Program, Tennessee should explore ways to achieve and maintain the necessary resources, and/or policies, and procedures, to perform its Title XI-related duties. More specifically, Tennessee should focus on: (1) issuing temporary practice permits within five business days of application receipt; (2) submitting National Registry data and payments in a timely manner; and (3) investigating and resolving complaints against appraisers within one year from the date of receipt.	N/A
<b>Temporary Practice:</b>	X			No compliance issues noted.	N/A	N/A	N/A	N/A
<b>National Registry:</b>	X			No compliance issues noted.	N/A	N/A	N/A	N/A
<b>Application Process:</b>	X			No compliance issues noted.	N/A	N/A	N/A	N/A
<b>Reciprocity:</b>	X			No compliance issues noted.	N/A	N/A	N/A	N/A

Tennessee Appraiser Regulatory Program								
Tennessee Real Estate Appraiser Commission			ASC Compliance Review Date: January 12-13, 2009		Review Period: 11/07 - 01/09			
Umbrella Agency: Department of Commerce and Insurance			Number of Tennessee credentialed appraisers on National Registry: 1964		Issue Date: July 30, 2009	Page 2 of 2		
Requirement/Guidance	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
<b>Enforcement:</b>	X		X	See below.	See below.	See below.	See below.	See below.
States should resolve complaints within 1 year, except for special documented circumstances (ASC Policy Statement 10E ).				<p>Tennessee had 66 outstanding complaints; 13 were over one year old. Of the 13 aged cases, 7 are exempt under special documented circumstances, as discussed in ASC Policy Statement 10E. Therefore, during the Review Period, a total of 6 outstanding complaints were over one year old.</p> <p>Tennessee's complaint investigation and resolution program is minimally compliant. There is concern that without sufficient resources, the Program will be unable to investigate and resolve complaints within one year from the date of receipt.</p>	<p>The Commission believes that most of the aged cases are due to continuances granted by administrative law judges despite the Commission's objections.</p> <p>Following the on-site Review, the Commission started to implement two initiatives to combat the delay in bringing cases to final resolution within one year: first, complaint review and expert witness contracts were consolidated with one appraiser; and second, two-day Commission meetings were scheduled for every other month.</p>	<p>The Commission must submit quarterly complaint logs to the ASC. Staff will analyze each log. If progress is not being made, the ASC may place additional reporting and/or data collection requirements upon the Commission.</p> <p>The ASC Policy Manager assigned to Tennessee will work with Commission staff to determine the timing and content of the complaint log.</p>	<p>To strengthen the Program, Tennessee should explore ways to process complaints of appraiser misconduct or wrong doing on a timely basis to ensure compliance with Policy Statement 10E.</p>	<p>During the next Review, the ASC expects to see an improvement in Tennessee's complaint investigation and resolution program.</p>