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Appraisal Subcommittee

Federal Financial Institutions Examination Council

January 22, 2001

Gary Standifer, Chairman
Tennessee Real Estate Appraiser Commission
Department of Commerce and Insurance
500 James Robertson Parkway, Suite 620
Nashville, Tennessee 37243-1166

Dear Mr. Standifer:

Thank you for your cooperation and your staff's assistance in the December 11-12, 2000 Appraisal Subcommittee ("ASC") review of Tennessee's appraiser regulatory program ("Program").

Based on our review, we believe that most aspects of your Program function well. We particularly commend the Tennessee Real Estate Appraiser Commission ("Commission") for its efforts to better ensure the competency of new, in-State, appraiser applicants by requiring face-to-face interviews with Commission members prior to granting licensure or certification. We believe Tennessee is the only State requiring such interviews. These interviews appear to offer personal counseling to applicants on the appropriate application of appraisal techniques and standards. The interview process also serves as an effective auditing mechanism to review the work of existing credential holders serving as supervisors of these applicants and as an enforcement tool to identify supervisors who employ inappropriate appraisal techniques and standards.

Our review, however, disclosed that Tennessee's temporary practice statute, regulations, and procedures remain inconsistent with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, ("Title XI") and ASC Policy Statement 5. These longstanding inconsistencies must be resolved before your Program can be viewed as generally consistent with Title XI. Tennessee charges \$75 per property being appraised and restricts, by statute, the time permitted to complete a temporary practice assignment involving multiple properties to 60 days. Title XI, as implemented by ASC Policy Statement 5 on temporary practice, among other things, requires States to charge no more than \$150 for each temporary practice assignment, with "assignment" defined as the appraisal of one or more properties under one contract. The Policy Statement also requires States to issue temporary practice permits for at least six months.

We now understand that you have made significant progress towards curing these inconsistencies. Much of this progress can be attributed to our staff's December 11, 2000 meeting with you, Assistant Commissioner Stephanie Chivers, Office of Regulatory Boards Assistant Commissioner Scott White, Staff Attorney Christy Allen, Assistant Attorney General Wyla Posey, and Administrative Director Sandy Moore. From subsequent telephone conversations with Tennessee staff, we have learned that you were successful in including the necessary statutory changes in Governor Sundquist's legislative package for introduction in the current legislative session. Your staff also informed us that our letter to Governor Sundquist requesting his assistance no longer was needed.

We continue our offer to assist you in your efforts to ensure the prompt passage of the legislative amendments. If you wish, among other things, we could send a letter to the appropriate State legislative committee and provide written or oral testimony in legislative hearings. Your successful efforts to bring your temporary practice provisions into compliance with Federal law will ensure that the ASC will not need to resort to more serious administrative remedies. Please provide us a copy of the proposed amendment when you submit it to the legislature and provide monthly updates on the status of your curative efforts. Further, we have learned that changes in your temporary practice regulations will be “fast tracked” as soon as the proposed legislation becomes law.

Finally, we note that processing temporary practice and reciprocal applications often are delayed because Tennessee requires letters of good standing directly from the licensed or certified appraisers’ States of residence. We documented average delays of two weeks in processing otherwise complete applications, while waiting for letters of good standing. To eliminate these delays, we strongly encourage the Commission to take the necessary action to permit the use of the License History Report feature available on our Web site (www.asc.gov).

Please respond to our findings and recommendations within 60 days from the date of this letter. Until the expiration of that time or the receipt of your response, we consider this field review to be an open matter. After receiving your response or the expiration of the 60-day response period, whichever is earlier, this letter, your response and any other correspondence between you and the ASC regarding this field review become releasable to the public under the Freedom of Information Act and will be made available on our Web site.

If you have any questions, please contact us.

Sincerely,

Thomas E. Watson, Jr.
Chairman

cc: Sandy Moore, Administrative Director
Tennessee Real Estate Appraiser Commission

Stephanie Chivers, Assistant Commissioner
Department of Commerce and Insurance