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Appraisal Subcommittee

Federal Financial Institutions Examination Council

August 13, 2007

Ms. Nikole Urban, Administrative Director
Real Estate Appraiser Commission
Department of Commerce and Insurance
Division of Regulatory Boards
500 James Robertson Parkway, Suite 620
Nashville, Tennessee 37243-1150

Dear Ms. Urban:

Thank you for your June 5, 2007 letter responding to the Appraisal Subcommittee's ("ASC") April 20th field review letter. In our letter, we informed you that based on our December 11-12, 2006 field review of Tennessee's appraiser regulatory program ("Program"), Tennessee needed to address four concerns to bring the Program into substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI"). Based on your response, Tennessee resolved two of the four concerns.

On May 16, 2007, the Real Estate Appraiser Commission ("Commission") conducted a rulemaking hearing and approved new regulations. These regulations corrected inconsistencies with existing Appraiser Qualifications Board ("AQB") criteria. These regulations also incorporated the AQB's 2008 criteria changes.

Regarding the State's lack of adequate complaint file documentation, you stated that new administrative procedures have been instituted. These procedures ensure orderly, well-documented files. In addition, you noted that the Commission and its staff are implementing new procedures to better document the reasoning underlying Commission decisions resolving complaints.

In your letter, you noted that Tennessee has made significant progress in investigating and resolving complaints on a timely basis. Your letter explained the personnel issues that contributed to the backlog and discussed the progress made toward reducing the backlog during your tenure. We appreciate your efforts to bring the Program into compliance with ASC Policy Statement 10 E.

Our final concern related to the State's failure to process completed temporary practice applications within five business days of receipt as required by ASC Policy Statement 5. In your letter, you stated that you cannot cure this deficiency because it is "out of our control." You noted that temporary practice fees must be processed first by the State's cashier's office or the revenue department. These offices some times take more than five days to deliver the paid applications to your office, and that you must receive the paid applications before issuing temporary practice permits. You stressed that the failure to issue permits within five business

days was infrequent. During our field review, we reviewed 30 temporary practice applications. The State failed to issue permits within five days for 10 of these applications.

Failure to issue temporary practice permits within five business days of receipt of a completed application is a violation of Title XI and ASC Policy Statements. The duty to process temporary practice applications on a timely basis rests on the State, not on the specific entity within State government that is responsible for the Program. As stated in our field review letter, Commission and Department need to work with appropriate State offices to ensure that Tennessee complies with federal law.

Again, thank you for your response and efforts to resolve our concerns. We will return in November to assess the State's success in resolving these concerns. Our field review letter, your response, and any other previous correspondence between us regarding the field review are now public information and will become publicly available on our Web site.

Please contact us if you have any questions.

Sincerely,

Ben Henson
Executive Director