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Appraisal Subcommittee

Federal Financial Institutions Examination Council

May 16, 2007

Mr. Glenn Wilson
Commissioner, Department of Commerce
85 – 7th Place East, Suite 600
St Paul, MN 55101-3165

Dear Mr. Wilson:

Thank you for your staff's cooperation and assistance in the March 29-30, 2007 Appraisal Subcommittee ("ASC") review of Minnesota's real estate appraiser regulatory program ("Program"). Based on our review, Minnesota needs to resolve its longstanding weakness regarding the timeliness of complaint investigation and resolution 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"). ASC staff will return in approximately 12 months to evaluate your progress in resolving this concern.

- **Minnesota does not have an effective complaint investigation and resolution program because complaints are not investigated and resolved in a timely manner.**

Under Title XI and Appraisal Subcommittee ("ASC") Policy Statement 10 E, States need to investigate and resolve complaints in a timely manner. Complaint resolution generally should occur within one year of complaint receipt.

Minnesota improved its complaint investigation and resolution program somewhat since our previous field review in March 2006. The number of complaints outstanding for more than one year, however, remains at unacceptable levels. The following chart summarizes complaint statistics:

| Field Review | Complaints received during review period | Complaints outstanding | Complaints outstanding more than 1 year |
|---------------------|---|-------------------------------|--|
| August 2004 | 240 (80/year) | 76 | 31 (40.7%) |
| May 2005 | 192 (256/year) | 93 | 60 (66.5%) |
| February 2006 | 117 (156/year) | 72 | 24 (33.3%) |
| September 2006 | 70 (120/year) | 90 | 21 (23.3%) |
| March 2007 | 72 (144/year) | 110 | 28 (25.4%) |

It appears that the State's complaint investigation and resolution program suffered from turnover in investigatory positions and an overall lack of investigatory resources. Minnesota had one vacant investigator position at the time of our 2006 field review. In the year since that review, one investigator retired and another investigator resigned. In the last quarter of 2006, the Department took steps to fill these three positions.

The Department has taken additional remedial steps. First, the Department filed a request in the current legislative session to hire three additional investigators. Second, the Department plans to reactivate the appraiser board. The Department hopes that the board will offer advice and expertise regarding the complaint investigation and resolution program. Finally, the Department stated that it would provide ongoing training to the new appraiser investigator.

To resolve the weakness in its Program, the Department needs to continue its efforts to ensure that appraiser-related complaints are investigated and resolved in a timely manner, and that the backlog of aged complaints is eliminated. Please continue providing an electronic copy of the complaint log quarterly to Denise Graves at denise@asc.gov.

Please respond to our findings and recommendations within 60 days from the date of this letter. Until the expiration of that time period 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.

Please contact us if you have any questions.

Sincerely,

Virginia M. Gibbs
Chairman

cc: Bonnie Polta, Market Assurance Supervisor
James Pearson, Licensing Director