

From: Appraisal House Texas Appraisal House USA, Michael Lay
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Name: Michael Lay
Affiliation:
Category of Affiliation:
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

Regarding: Docket No. R- 1394 and RIN No. AD-7100-56, Regulation Z - Truth In Lending Act [R-1394] To Whom it May Concern: As an appraiser and also the owner of a small appraisal management company, I believe I have a distinct perspective from both sides of the "Customary and Reasonable Fees" discussion. I was a typical fee appraiser for many years, working with local banks and mortgage companies. With over 15 years of professional sales experience in the technology industry, I came into this business with the intent of using my sales and marketing skills to build a successful appraisal practice, which I did. In 2008, when the HVCC first came into view, my company was providing appraisals in the four largest cities in Texas, and we enjoyed a good reputation of providing high quality reports for our clients, for which we were paid at the top of what most appraisers considered "customary". Please note that this was accomplished by my work in going out to meet with new clients, attending local business luncheons, web site development and marketing, word of mouth advertising, and similar methods. Nothing spectacular, just a lot of hard work and sweat. However, when I began examining the provisions of the HVCC, it was apparent to me that all of the work I had done was soon going to be meaningless -- the HVCC essentially mandated that I apply to be on the lists of these major AMC companies and then wait by the phone until they call me. And of course, they wanted to offer me the same job I had done the prior week for a fraction of the fee. By the way, one thing I notice that is not often discussed is that AMC's tend to offer the lowest fees where there are a lot of appraisers, which of course makes sense since there are more appraisers fighting over the same piece of pie. However, this also means that the vast majority of appraisers are affected by these lower fees, and the occasional "happy with the AMC's" appraiser is typically one out in the country who has little competition. This also calls into question the typical range" that AMC's like to advertise that they pay. Sure, they will pay \$400

for a typical fee, but only to the appraiser in Pecos County Texas where there is only one appraiser within 100 miles. Anyway, in 2009 I started a small regional AMC and convinced two of my (former) clients to try me. From there I have built a small AMC that does business in about 20 states (though primarily in Texas), and continue to expand. The point I want to make is that I can tell you FROM EXPERIENCE that it costs me about \$50 per report in overhead. Please keep in mind that the \$50 is based on a fairly manual process of writing orders, managing appraisers, doing research, checking reports, and collecting payments. So when I large AMC with an array of technology at it's disposal complains that they "are not making any money", I can tell you that they are lying. If I had the automated systems in place that they do, I would estimate that the actual cost of an appraisal would be less than \$10. So when they call me to do an appraisal that I would charge \$400 for and offer me \$190, they are including an awful lot of profit. As a businessman, I have no problem with profitability -- our government should try it sometime -- but you need to keep in mind the old adage that "You can have it fast, cheap, or good. Pick any two." When you want to pay me \$190 for 7-10 hours worth of work and are not paying for any of my overhead expenses (software, computers, gas, memberships, licenses, etc.), I might as well go work at McDonalds. Some appraisers that rely on these companies to keep their rent paid and electricity on will tell you that they do just as good a job as I do. But as someone who occasionally sees these appraisals, I can tell you that they do not. And the good appraisers, that make the extra effort, will not work for those fees and are leaving the profession. So at the end of the day, do you know who is essentially in control of the entire housing market? The lenders who make the loans (who own the major AMC's), who could care less whether the valuation is correct as long as it meets their requirements so that they can sell it into the secondary market. And you know who is coming up with those valuations? The lowest paid appraiser, who likely needs to "make that number work" in order to pay their own bills, since their income is down 60% from last year due to the advent of the HVCC, and who has no choice but to "please" the AMC in order to continue getting work. There is a simple solution to this AMC issue. Require them to pay customary and reasonable fees to the appraiser, and have the banks and lenders that use them pay them their fee directly. When I needed software built for my company, I outsource it to another company, which charged me for their services. They didn't do it for free and tell their programmers that they had to work for 1/2 their usual pay. If the lender cannot handle the appraisal management task in house, then they need to pay to outsource that service to the AMC's. Then, the AMC's could compete to see who can do the best job for the least amount of money. Lets see how they like it! Mike Lay
Appraisal House Texas Appraisal House USA