

From: Barkalow Appraisals, Ltd, Susanne Barkalow
Subject: Regulation Z -- Truth in Lending

Comments:

I am a certified residential real property appraiser and a designated member of the NAIFA, a professional appraisal association. I support the letter and comments submitted to you jointly by NAIFA, AI, ASFMRA, and ASA, regarding the above referenced docket number.

In addition, I would like to make several additional comments:

First, it is important for public trust and transparency for the consumer that separate disclosures be made, on the HUD-1, for the appraisal fee and the appraisal processing fees. My office had a phone call from a property owner within the last couple of weeks asking how much an appraisal would cost. After a few questions, a general range of fees was quoted. Her response: Why does it cost that much if you do an appraisal for me, and my bank told me it would cost \$725 for an appraisal because the bank had to use some outside company to hire the appraiser? This lender is in a small, rural community in our state, and the \$725 quoted was more than triple what local appraisers are typically paid by AMCs.

Second, studies have indicated that the cost to process an appraisal, from ordering through closing, is approximately \$100. AMCs in my market are certainly keeping far more than \$100 of the fees paid by the consumers. Again, in the interest of public trust and transparency, additional disclosures should be required.

Third, the fees paid by AMCs to local appraisers do not reflect the usual and customary fees paid by non-AMC clients. This includes not just the VA but other local lenders. AMC appraisal fees should not be considered as the basis for determining usual and customary appraisal fees. The Dodd Frank Act specifically states "usual AND customary." That should be the basis - and usual and customary does NOT include AMC fees, which are based on a scale established by the AMC, not the appraiser

Fourth, while the appraisers in our office have worked for AMCs for many years, the fees paid are basically the same as paid 15 years ago. This is despite many changes in the forms used, the research required to produce credible, non-misleading appraisals, and the often absurd requirements imposed by AMCs (4 or 5 closed sales and at least 2 or 3 active listings - more properties than are required by relocation companies!). In one recent instance, an appraisal was submitted on a property with an unusual floor plan; there were 5 sales and 2 listings on the report, attempting to bracket the various aspects of the property. The AMC had new requests regularly - "better" sales, sales with similar floor plans, sales that closed in the last 30 days. On the second request for better sales, the AMC demanded that the additional sale included as a result of the first request be removed, along with all language in the narrative addendum referring to the additional sale. It is unknown who made the additional requests, an AMC employee or an actual review appraiser - we were told that was immaterial. We work in a small market, with limited sales of any specific type house, during any given time period; there are far fewer sales during the winter months. This type of pressure from AMCs is becoming more common - apparently they want the loans to close, and expect appraisers to

ensure this happens.

Fifth, I am unclear on the rationale for exempting creditors with assets less than \$250 million from the Dodd Frank Act requirements. On what basis was this threshold amount selected? Technology today must certainly afford even small lenders the opportunity to segregate the origination and the appraisal processes, to ensure independence.

Sixth, USPAP (Uniform Standards of Professional Appraisal Practice) specifically states an appraiser's compensation cannot be contingent on the closing of a loan, yet the Interim Final Rule seems to suggest such a practice would be acceptable. There is a definite need to clarify the statements made regarding this situation.

Seventh, there is another definite need to clarify when compensation can be withheld from an appraiser. Again, this could potentially conflict with specific ethical requirements of USPAP.

Eighth, clarification is needed regarding under what "material" circumstances (an "erroneous" value?) an appraisal should be referred to a state regulatory agency for investigation. An appraisal may contain the "right" value for a loan to close, yet contain significant errors, in terms of USPAP and state regulatory compliance. In addition, such referrals should not be based on anything but complete reviews by appraisers licensed in the state in which the appraisal was completed (geographic competence).

Finally, no settlement service provider should be exempt from the rule. Compliance should not be a burden, while exempting one category or another opens to the door to requests from other providers that they, too, should be exempt.

If you have any questions, or would like additional clarification about any of these comments, feel free to contact me, at this address or at the phone number below.

I appreciate the opportunity to provide input, and sincerely hope that you seriously consider the input provided by the independent fee appraisers who took the time to respond to your request for input on the Interim Final Rule.

Susanne Barkalow, IFA
Barkalow Appraisals, Ltd