



December 23, 2010

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Re: Docket No. R-1394, RIN No. AD-7100-56

Regulation Z Interim Final Rule

Dear Ms. Johnson:

The member companies of the Real Estate Valuation Advocacy Association, REVA, commend the Board and its staff on issuing the Regulation Z, Interim Final Rule on appraisal independence. In issuing this Interim Final Rule, the Board has addressed serious and complex issues regarding real estate valuation and the need to maintain a reliable process for collateral valuation in our evolving system of mortgage finance. Our members appreciate being included in the Board's outreach efforts to gather information on issues arising out of Section 1472 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

REVA is an industry trade association with member companies dedicated to the maintenance and further development of high quality standards within the real estate valuation industry and the advocacy of related causes. Our members promote high ethical standards, innovation, and the advancement of the real estate valuation industry as a whole. REVA is comprised of companies that produce and deliver real estate valuation products including appraisals, Broker Price Opinions (BPOs), Automated Valuation Models (AVMs) and other innovative valuation approaches that benefit mortgage investors, servicers, originators and consumers. Our members employ and utilize thousands of professions and individuals throughout the country and are seen as progressive innovators in their local communities.

As we know, the real estate mortgage finance system has struggled in recent years and many observers predict several more years before we see a recovery in housing. Congress, the Board and other agencies are taking necessary steps to ensure that the catastrophic cycle we have experienced, does not recur. As employers and sustaining entities, REVA members believe that innovation and competition in the services and products necessary to assure dependable mortgage financing is vital to our economic recovery. We believe the action taken by the Board serves to promote a dependable and reliable mortgage finance system that benefits consumers and accommodates innovation and integrity in the marketplace.

In the Rule, the Board addresses complex issues and recognizes that our system is in the process of change and adaptation and, in that regard, has called for additional comments on various sections of the Rule. Yet, in our view, the Board addresses the issues required in the Dodd-Frank Act deftly and adequately. Nonetheless, regarding the presumptions of compliance relating to customary and reasonable fees, we offer one additional comment.

In regard to fees, the Board has made clear that market forces are best utilized to determine reasonable fees. Specifically:

The Board interprets the statutory language of TILA Section 129E(i) to signify that the

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Market place should be the primary determiner of the value of appraisal services, and hence the customary and reasonable rate of compensation for fee appraisers. The “customary and reasonable” compensation provision that Congress adopted as part of TILA is identical to a requirement included in a HUD Mortgagee Letter obligating FHA lenders to ensure that appraisers are paid “at a rate that is customary and reasonable for appraisal services performed in the market area of the property being appraised.” HUD’s statements regarding this provision recognize the role of the marketplace in determining rates for appraisal services and the importance of accounting for factors that can cause variations in what is a customary and reasonable amount of compensation on a transaction-by-transaction basis. Similarly, TILA Section 129E(i) focuses on the market place by permitting use of objective market information to determine rates. The statute also makes allowances for factors that the marketplace acknowledges add to the complexity of an appraisal and thus value of appraisal services in a given transaction, such as “increased time, difficulty, and scope of work.” (75 Fed. Reg. 66554 Oct. 28, 2010)

We fully support such a market based approach, particularly in regard to the first presumption of compliance. As for the alternative presumption which calls for studies and surveys, among other things, we believe such an approach is problematical. We are unaware of reliable and objective data that accommodate the wide variance in valuation related services and therefore do not believe a “safe harbor” should be created for reliance on yet to be defined surveys and studies. We note in particular, that such studies would exclude data from management companies that currently provide the majority of mortgage related appraisal services. This, we believe, will unreasonably bias any such determinations.

Again, we commend the Board’s efforts in developing and promulgating a balanced Rule on such complex matters. We stand ready to assist your ongoing efforts in any way we can. Please do not hesitate to contact me with any further questions you may have, or if you wish to discuss any of our responses further. Don.Kelly@revaa.org or 202.942.9461.

Sincerely,



Donald E. Kelly
Executive Director
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