

December 23, 2010

Chairman Ben S. Bernanke
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, Northwest
Washington, DC 20551

Re: Interim Final Regulations Implementing Section 129E of the Truth in Lending Act

Dear Chairman Bernanke:

I hope this letter finds you preparing for the Christmas holiday and that you and your family are well. I had the opportunity to hear you speak at the symposium "Mortgages and the Future of Housing Finance" in Arlington. Your presentation was well delivered and I will never forget your comments on the importance of home ownership and that it is only good if sustained. I could not agree more. I was in attendance representing real estate professionals from various states that have a desire to protect the public and the financial stability of our nation.

As you are aware, the new Frank/Dodd Financial Bill and HUD have determined that licensed and certified real estate appraisers will be compensated "Customary and Reasonable Fees" for appraisal reports completed for federally regulated transactions. Yet it has not been determined what the criteria are to declare a fee "customary and reasonable".

Customary and Reasonable (C&R) fees cannot be determined without accurately defining what a customary and reasonable assignment entails. **In compliance with Title XI FIRREA of 1989, and again with Title XIV of 2010, real estate appraisers are responsible, per the Uniform Standards of Appraisal Practice, to determine the necessary "scope of work" to produce credible results.**

1. There are many factors to consider when completing an appraisal assignment.
For example, an appraiser must take into consideration location, population, market activity, data availability, improvements and the complexity of the property.
2. Each assignment requires adequate time for it to be completed in a diligent and competent manner. The integrity of the appraisal report should not be compromised by a "one turn time fits all" policy which could result in a less than credible assignment conclusion.
3. There are substantial differences between an ethical professional appraiser and an industry appraiser.
 - A professional real estate appraiser completes a comprehensive physical inspection of the subject property. The appraiser collects and reports accurate legal information and researches the market data. Data is collected and analyzed uncompromised by the desires of the client and the intended users. The professional appraiser takes the time to complete the appraisal process in an accurate and diligent manner which allows for credible results.
 - In contrast, the industry appraiser is a fairly recent phenomenon. Large banks and Appraisal Management Companies (AMC) desire quick turn around times and have created

fee schedules that are below the usual and customary charges of professional appraisers. The lending industry is the only user of industry appraisers and the low cost and fast products they provide. The industry appraiser is expected to complete the entire appraisal process and produce credible results often in 48 hours or less. The reliability of the appraisal report is compromised.

4. The lenders' desire for immediate profits paved the way for AMC's to become the main source for fast and cheap appraisals. However, the consumer has not received the savings of the appraisal cost since the fees charged to them are similar to or higher than the usual and customary charges of a professional appraiser in their market area. The AMC pockets the difference.
5. It is best to seek the counsel of experienced professional appraisers in the effort to establish Customary and Reasonable fees.
6. Precedence has already been established in the medical and dental fields for Customary and Reasonable fees. This was done by surveying the Usual and Customary charges of these professionals in a given market.
- 7. Usual and Customary Charges in the medical field are defined as follows:**
 - a. Fee that is the most consistently charged by the physician for a particular procedure.
 - b. Fee that is usual for a particular procedure charged by the majority of physicians with similar training and experience within the same geographic area.
- 8. Usual and Customary Charges for the Professional Appraiser would read as follows:**
 - a. The fee that is most consistently charged by the professional appraiser for a particular type of appraisal assignment.
 - b. Fee that is usual for a specific and particular appraisal assignment charged by the majority of professional appraisers with similar training and experience within the same geographic area.
9. Without detailed surveys of what professional appraisers with similar education, training and experience charge in a specific market area, Customary and Reasonable Fees that results in fair compensation cannot be established.
10. Veterans Administration (VA) fees, while similar to actual Usual and Customary fees for Federal Housing Administration (FHA) appraisal assignments, are not an acceptable means of setting minimal or mandatory fees for conventional appraisal assignments. Conventional, VA and FHA appraisal assignments have distinctly different inspection, reporting and knowledge requirements.

My services, as well as those of the members of *INTEGRITY ~ An Association for Real Estate Professionals* is available in assisting with all aspects of implementing the requirements stated in the Frank/Dodd Financial Reform Bill.

Chairman Bernanke, home ownership can only be sustained if the evaluations in the loan packages are honest, accurate and credible.

At your service,

A handwritten signature in black ink, reading "Andrew J. Anderson", with a long horizontal flourish extending to the right.

Andrew J. Anderson
CEO

INTEGRITY ~ An Association for Real Estate Professionals Inc.
P.O. Box 100
Coarsegold, CA 93614

E-mail: integrity@sti.net
Phone: (559) 642-3021