



December 27, 2010

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

Re: Docket No. R-1394 and RIN AD-7100-56
Regulation-Z Interim Final Rule, Valuation Independence

Dear Secretary Johnson:

TSI Appraisal Services (“TSI”), a division of Title Source, Inc., is pleased to submit its comments on the Federal Reserve Board’s interim final rule regarding appraisal independence. By way of background, TSI is a leading appraisal management company (“AMC”) providing a variety of valuation products and services nationwide. By facilitating over 300,000 appraisals annually, TSI is one of the country’s largest AMCs utilizing industry “best practices,” advanced data analytic tools, and a commitment to excellent customer service. Every appraisal is audited to guarantee compliance with the Uniform Standards of Professional Appraisal Practice (“USPAP”), the Financial Institutions Reform Recovery and Enforcement Act guidelines (“FIRREA”), and the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

In general, TSI supports the changes the Federal Reserve Board is making to the appraisal process. The interim rule falls in line with the requirements of the Dodd-Frank Act regarding the customary and reasonable fees and appraiser independence. While TSI supports the overall rule, we have some suggestions regarding the final rule, and we also seek clarification in a few spots.

Customary and reasonable fees

Section 1472 of the Dodd-Frank Act specifically addresses the need for appraisers to receive what has been coined a “customary and reasonable fee” based upon the market where the subject property is located. Dodd-Frank provides guidance on the various approaches to crafting guidelines on “customary and reasonable,” including the completion of studies on the issue. However, per



Dodd-Frank, such studies must exclude appraisal assignments ordered by AMCs. We find this approach problematic. No such database of appraisal fees exists, and because most appraisals are ordered through AMCs, eliminating assignments ordered by AMCs reduces the pool even further. The Veterans Administration (VA) does have a fee schedule, but this schedule only has the highest permissible fee that can be collected for an appraisal on a VA loan. Therefore, we do not support any provision that uses the VA fee schedule as a measuring stick for the price of an appraisal.

We strongly support the Federal Reserve Board's viewpoint in the interim rule that the marketplace be the sole determiner for the customary and reasonable fees paid to an appraiser. TSI is pleased to see that the Board has decided against a broad-based schedule that means all appraisers in a certain location would be paid the same amount of money for the same work. This flat-fee approach would be detrimental to the stability of the housing market and consumer protection. We agree that the customary and reasonable fees be determined by third-party information such as studies, schedules, and surveys. We agree that the most recent rates paid should work as a comparable in establishing customary and reasonable. We are pleased to see that the Board has interpreted the Dodd-Frank Act in logical and fair terms so that appraisers can work in the most sound and safe way for not only the consumer, but for the housing market as well. The rule also encourages the further use of technology to help improve the appraisal process, a key step in maintaining safety and soundness.

Requests for Clarification

TSI seeks clarification on a few points within the rule. First, TSI seeks clarification on the issues of required reporting. The Board is soliciting comments on whether reporting should be required only if a material failure to comply causes the value assigned to the consumer's principal dwelling to differ from the value that would have been assigned had the material failure to comply not occurred by more than a certain tolerance, for example, by 10% or more. We request that the Board explain what exactly they mean by "material failure." We believe that the Board may have to take steps to include fraudulent and negligent behavior, as well.



Second, with regards to withholding compensation from appraisers for specific types of contractual obligations, TSI seeks clarification on what the Board considers to be a "contractual obligation." Would this include anything that is on the engagement letter? Can an appraiser's compensation be withheld for failing to meet the due date on the engagement letter?

Additionally, with regards to falsification or alteration, the Board is requesting commentary on whether there are specific types of alterations that other persons may make that do not affect the value assigned to the consumer's dwelling and, therefore, should not be deemed material. We believe that this section is a bit confusing because all reports are write-protected and coded to the specific appraiser. We seek clarification on how an individual, who is not the appraiser, may make an alteration to a report. Is this a case where an appraiser can write an addendum to the appraisal changing something in the report? Who is to state what will, or will not, affect the value?

TSI also seeks clarification on whether an agent of a creditor may look at factors that may require a fee adjustment. We have concerns that this rule could be interpreted to mean that only a creditor may make changes when, clearly, an agent has the better means to do so.

We thank you for this opportunity in allowing us to comment. Should you have any further questions, please feel free to contact me at (248) 312-2670

A handwritten signature in black ink that reads "David M. Majewski".

David M. Majewski
Vice President
Title Source, Inc.