



October 7, 2011

Ron Phipps, President
National Association of REALTORS
500 New Jersey Ave., N.W.
Washington, D.C. 20001-2020

Dear Mr. Phipps:

Thank you for your August 11, 2011, letter expressing the National Association of REALTORS' (NAR) views regarding appraisal management companies (AMCs) and the use of indemnification clauses in appraiser service contracts. As explained in your letter, NAR is concerned that these provisions are interfering with appraisers' independence and objectivity. I appreciate you bringing these concerns to my attention.

As you may know, the Federal Financial Institutions Examination Council (FFIEC) does not have direct regulatory authority over AMCs or appraisers. The federal financial regulatory agency members of the FFIEC (National Credit Union Administration, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency; collectively, the Agencies) are responsible for the issuance of appraisal regulations for federally-regulated institutions. The Agencies have long been concerned about the independence of real estate appraisers and oppose practices that would compromise the ability of appraisers to provide fair and unbiased appraisals. Appraisal independence is a core standard in the Agencies' appraisal regulations that was reaffirmed in the Interagency Appraisal and Evaluation Guidelines issued in December 2010. The Guidelines include an extensive discussion of appraiser independence.

The FFIEC's Appraisal Subcommittee (ASC) was created to monitor the federal and state appraisal regulatory framework. The ASC promotes uniform appraisal standards, as well as competent and professional conduct by appraisers. The ASC has direct responsibility for monitoring state regulatory authorities that supervise the appraisal industry, as well as monitoring regulations governing appraisal standards issued by the Agencies.

There are several provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that concern residential mortgage lending, including the Truth in Lending Act requirements for appraiser independence, conflicts of interest, and customary and reasonable appraiser fees. The Federal Reserve Board issued an interim

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final rule implementing these provisions last October, compliance with which became mandatory on April 1, 2011. The Dodd-Frank Act contains other provisions that address future regulation, state registration of AMCs, and standards of independence relative to the real estate appraisal process. In accordance with the Dodd-Frank Act, the Agencies, together with the newly-created Consumer Financial Protection Bureau (CFPB), are charged with promulgating regulations that identify the minimum requirements states must use in registering AMCs. The Agencies and CFPB have already started developing these regulations. The Dodd-Frank Act specifies that these regulations must include a requirement that appraisals performed through AMCs be conducted independently and free from inappropriate influence and coercion.

The Dodd-Frank Act vests the ASC with additional responsibilities and authority, including the oversight of the registration of AMCs by the states. Once the AMC rules are adopted by the Agencies, the ASC will be responsible for monitoring the appropriate regulatory authorities in each state for compliance.

I believe the existing regulations and guidance, as supplemented by the new authority of the Agencies and ASC, will result in stronger appraiser independence and oversight of AMCs. I strongly encourage NAR and its members to participate in the rulemaking process, particularly through the submission of public comment letters.

The FFIEC and its members recognize the importance of qualified, independent appraisers to safe and sound real estate lending. We also appreciate that a robust real estate market plays a critical role in the overall recovery of the nation's economy. As chair of the FFIEC, I will focus on these and other important issues affecting the financial sector.

Sincerely,

A handwritten signature in black ink, appearing to read "Debbie Matz", with a large, stylized flourish at the end.

Debbie Matz
Chairman
Federal Financial Institutions
Examination Council

cc: John Walsh, Acting Comptroller of the Currency
Martin Gruenberg, Acting Chairman of the Federal Deposit Insurance Corporation
Daniel Tarullo, Member, Board of Governors of the Federal Reserve System
Raj Date, Spec. Advisor to the Secretary for the Consumer Financial Protection Bureau
John Munn, State Liaison Committee Chairman
Shaun Donovan, Secretary of Housing and Urban Development
Eric K. Shinseki, Secretary of Veterans Affairs
Ed DeMarco, Acting Director, Federal Housing Finance Agency
Jennifer Johnson, Secretary, Board of Governors of the Federal Reserve System
Carol Gallante, Acting Asst. Secretary for Housing – Federal Housing Commissioner
Michael Williams, President and Chief Executive Officer, Fannie Mae
Jim Park, Executive Director of the Appraisal Subcommittee
Charles Haldeman, Jr., Chief Executive Officer, Freddie Mac