

From: Cedar Run Appraisal Services, LLC, Rita TenBroeck
Subject: Regulation Z -- Truth in Lending

Comments:

Morning, As an sole practitioner who has over 12 years experience in the Virginia market I would like to comment on the above laws currently under public comment.

Let me preface this by saying I lost business during the refinance boom for my failure to "play ball"; or not satisfy my clients "business expectations" all of which are euphemisms for "hitting the number" a loan officer needed. I also paid the price for reporting health and safety issues which unless repaired would prevent a refinance loan closing. I agree that separating the commission loan production staff from any appraiser is wise.

The issue here is simple. The current AMC approach is seriously flawed. AMC's also push you for value. For example, I have been asked to check comps, and to provide a verbal value before I inspect the home, neither of which are USPAP compliant. I have also been asked to change my report to "bring it in line" with other value matrix systems in use most frequently a desk valuation system. I refuse and presto that AMC states I don't meet their quality guidelines!!

Reasonable and customary fees have not changed since the late 1990 in this area. \$325-350 was the norm back then, based on size of land, homes over #4,000 SF were considered more complicated. I charged it, even when we added the 1004MC because I was losing clients if I charged extra. The AMC's - they think \$225 (on average) is reasonable.

Reasonable and customary since the AMC's have been allowed to "take over" the appraisal process has neither reasonable nor customary. I have personally seen a significant decrease in business volume as I refuse to take a 30% decrease in fees with an increase in liability and report forms.

Many will say the 1004MC, market change form is no additional work - I beg to differ. I have always dissected the market in a similar fashion, but to require a pre-determined set of 90 day intervals of a very limited sub section of any market does not provide a clear picture of the market conditions. It is, in my opinion, a page of useless facts. I include my own assessment of the market specific to the subject property because I and am required by due diligence.

Numerous AMC's are appraisers who have lost their license. There is one in Maryland who keeps calling with work, yet they have a reputation I do not wish to be associated with; there is no licensing for these guys!

I did work for an AMC in another State whose fees were about 10% less than the reasonable and customary and guess what: they never paid their bill; I called them and the bank they represented. The bank paid the AMC and the AMC went out of business leaving me unpaid. The bank stated their responsibility ended when they paid the AMC. Yet another example of the problems with this system.

Reviewers - the first line is clerical, I've had many conversations with these folks who are only trying to do a job, they are poorly trained and do not have the big picture. The next line of reviewer in all cases I've found are not appraisers and the reports that they see are homes which do not fit the pre-determined mold.....there are situations which require a level of training and appraisal law understanding to absorb; hence I spend time getting my report past these reviewers. Its insane.

The general public - they are paying more for a standard 1004 appraisal than ever! I've been told its \$450-500. They are not being told how the fee is divided; IF an appraisal comes in low (to that pre-determined value!) the loan officer orders a new one. I've been on both sides of this one . A purchaser whose initial appraisal comes in low relative to the sales price needs to be informed. Period. Let the purchaser work with the realtor to decide if they want to go forward with the purchase; if they want to get another appraisal completed. Keeping this secret is a disservice to the general public. It is the purchaser who shoulders the responsibility for the loan being underwritten.

Solutions: require banks and loan companies to have a "firewall" between commissions staff and those assigning and reviewing appraisals. Require reviewers to be licensed appraisers. For small companies - outsourcing would work, the big banks can manage a firewall efficiently and many have them now. AMC's have convinced the big banks they need an AMC to comply with the regulations.

License the loan brokers,the independents those that operate outside the formal banking industry. Require them to be licensed in each State they operate. I believe the big banks utilize this loop hole and own some of these smaller broker firms, close this loophole.

I acknowledge there have been appraisers who did not perform due diligence and allowed themselves to be "bought" by a loan officer with the promise of more work...Its true in each profession. We need good strong oversight.

The federal government needs to help the States adequately fund their oversight departments. I'm talking police the loan originators and appraisers with real consequences...By giving States more money to fund their investigators appraisers and loan officers alike could actually believe they have a chance of being caught if they break the law. Currently the Virginia department is very underfunded.

FHA Work is not exempt from this mess!

I have completed FHA work for approximately 10 years and in the past 2 years have done FHA REO work also.

As of this new fiscal year, FHA REO department has changed their contractor and the difference does NOT represent any kind of improvement. I have serious questions regarding the Property Condition Report being prepared on a subject property, this PCR is the fundamental tool buyers and appraisers use to determine the condition of the property and whether or not it qualifies for mortgage financing. I questioned it both to the new contractor and to FHA directly, this took many hours of time. The response essentially was live with it. I also questioned this sudden, unexplained 25% decrease in

appraisal fees, the vendor said FHA gave them the parameters for competitive bid and FHA says the vendor will only be reimbursed for fees up to a certain level, so catch 22.

The result: I am working with less information on property condition AND am being required to determine its market value, the cost of repairs with insufficient information and now are told to assume this level of liability for a fee that is now absurd. FHA response, we all have business decisions to make. Indeed!

Earlier the FHA dropped the VC Sheet form requirement in appraisal reports, many in this industry believe an appraiser no longer has to perform the inspection of the items on the VC Sheet AND no longer has any liability for the findings. NOT TRUE! The only difference is we do not have to fill in the form. Appraisers are still responsible for the issues on the VC Sheet such as well and septic locations and distances, functionality of windows, HVAC, roofing, etc. The perceived reduction in work since the VC Sheet is no longer included in the report of the appraisal has led to a significant reduction in appraisal fees. Again, the appraiser has the liability, must complete the inspection and assume responsibility for items reported or NOT reported and the lender thinks we do less!!

Solutions: again as above, good, active policing of all stages of the loan process and true reasonable fee structure. Revamp the VC Sheet for rural versus suburban properties and require it back in each report. Currently many aspects of the VC sheet do not apply to urban or suburban areas; lets improve the VC Sheet.

Please consider checking out the fee structure provided by Dave Biggers of Alamode and I believe the Appraisal Institute is weighing in on this issue.

As a professional I abhor the practice of treating appraisers like commission sales people (you get an email "blast" and first one gets the job) or (you get an email that quotes a \$199 fee on a 1004 full appraisal) ! Of course, the other side of that is appraisers need to stop reacting to these emails.

As a viable profession, one that can support a family with hard work and good business ethics, I would no longer recommend the appraisal profession and that is sad.

I welcome an opportunity to speak with you regarding these matters.

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