



PENNSYLVANIA FINANCIAL SERVICES ASSOCIATION

151 PITTSBURGH ROAD, BUTLER, PA 16003

Ms. Sandra F. Braunstein, Director

Division of Consumer and Community Affairs

Board of Governors of the Federal Reserve System

20th and Constitution Ave., NW

Washington, DC 20051

RE: Interim Final Regulation on Valuation Independence

Section (d)(1)(i) "*Prohibition on conflicts of interest*"

Dear Ms. Braunstein:

I represent the Pennsylvania Financial Services Association, a trade association of consumer finance companies located in the state of Pennsylvania. Our membership base consists of privately held lending institutions. We originate and hold our own loans. Because we do not sell loans in the secondary loan markets, many of the FNMA/FHLMC mortgage loan "standards" are not applicable to our type of lending.

We rarely, if ever demand a third party appraisal. Instead, we lend locally, we know our communities, and we usually determine property values based on that local knowledge. Because we do not sell loans, we would certainly have no motivation to inflate property values, since doing would only risks our own loan portfolio.

Only senior personnel would ever make such a property evaluation, yet, under Section (d)(1)(i) of the interim rule entitled "*Prohibition on conflicts of interest*" we can no longer assess property value and participate in the loan decision.

Granted, we might sell our companies and therefore our loan portfolios perhaps once in a lifetime, to another lender. Therefore I would suggest that the rule be amended to state that any loan where the appraiser also participated in the loan decision be clearly documented, and that such loans simply cannot be sold in the secondary loan markets without a counter-authorization and acknowledgement of such participation by both the buyer and the seller of the loan.

The existing rule presumes a lender motivated to simply make every loan he possibly can, without regard to the underlying value of the collateral securing the loan. Such a rule is appropriate, I think, for loans being routinely bought and sold; but it is a direct contradiction to our long-standing, simple, safe and secure way of making loans to be retained in our own portfolios for the life of the loan.

Sincerely,

PENNSYLVANIA FINANCIAL SERVICES ASSOCIATION

Jeffery E Gatter, President