

From: Arizona Board of Appraisal, Dan Pietropaulo  
Subject: Regulation Z -- Truth in Lending

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Comments:

To Whom It May Concern:

MANDATORY REPORTING: - Docket No. R-1394; RIN No. AD-700-56

While it has always been incumbent upon lenders and others involved in the transaction to report violations to the local state boards it has not been done on any large scale. Often, as reported by some lenders, the result of a faulty appraisal has been the removal of the appraiser from the lenders approved appraiser list. Local boards have established procedures to regulate, educate, and sanction appraisers based on current workloads. These procedures and resultant staffing are difficult to change in many states due to budgeting, lack of staffing, appropriation requirements and other reasons.

In our Board office we constantly struggle to maintain enforcement and operate in compliance with the ASC due to the aforementioned reasons. It is difficult to estimate the increased workload on state boards as a result of the Dodd-Frank reporting requirements. A conservative estimate would indicate that if 9,000 appraisals were completed in a month in Arizona (conservative based on 1,800 appraisers completing residential appraisals at approximately 5 appraisals per month) and if only .005 of those were reported to the Board there would be an additional 45 appraisal complaints per month. We currently average approximately 14 complaints per month and the additional 45 complaints would total 59 complaints per month. The expected impact would be devastating to this Board and I'm certain all other state appraisal boards. Should our Board for any reason increase our complaint load by 4 times it would shut down our ability to enforce. If our workload only doubled it would have the same result. If it increased by 50% we would be over extended. We could only continue to pile them and process them in order of receipt. It would be impossible for our Board to regroup, add FTE's, increase fees, acquire appropriations, or in any way comply. It would put our Board in non-compliance with ASC requirements.

Perhaps the terms reasonable basis, ethical or professional requirements, effect the value assigned to the property, reasonable basis, and material failure to comply should be explicitly spelled out to eliminate subjectivity and be contained to egregious issues. I do believe that firm but equitable enforcement is material to successful compliance. I also believe that without mitigation of this portion of the Interim Final Rule local boards could essentially be shut down.

Mandatory reporting of appraiser misconduct.

The interim final rule provides that a creditor or settlement service provider involved in the transaction who has a reasonable

basis to believe that an appraiser has not complied with ethical or professional requirements for appraisers under applicable

federal or state law, or the Uniform Standards of Appraisal Practice (USPAP) must report the failure to comply to the

appropriate state licensing agency. The interim final rule limits the duty to report compliance failures to those that are likely

to affect the value assigned to the property. The interim final rule also provides that a person has a 'reasonable basis' to

believe an appraiser has not complied with the law or applicable standards, only if the person has knowledge or evidence

that would lead a reasonable person under the circumstances to believe that a material failure to comply has occurred.

PLEASE NOTE: These opinions and suggestions do not necessarily reflect the intent of the full Arizona Board of Appraisal as they have not been discussed as a Board. These opinions and suggestions are explicitly those of the Executive Director.

Dan Pietropaulo

Executive Director

ArizonaBoard of Appraisal