

From: Chris Smith
Subject: Regulation Z -- Truth in Lending

Comments:

From: Chris Smith
Sent: Tuesday, October 26, 2010 6:35 PM
To: regs.comments@federalreserve.gov
Subject: Comments for Docket No. R- 1394 and RIN No.

Docket No. R- 1394 and RIN No. AD-7100-56

The appraisers are going to hit a brick wall when it comes time for the AMC's to start raising the fee paid to the appraiser because, now they are forcing appraisers to sign contracts with them. The contracts state that for the appraiser to receive an order they must accept the fee before even knowing what it is they are appraising and/or they must agree with the fees the AMC's already pay to receive anymore work. If the contracts aren't signed, that appraiser will no longer receive work from them. Equifax Settlement Services is one of the AMC's that have already stopped sending work because this contract was not signed. I hope that the new rules that go into effect by April 1st, 2011 will void any contract that the AMC's are making appraisers sign.

I do not understand why AVMs are not included in these rules. Everyone in the industry knows that an AVM does not perform proper research, they almost always go by age and living area but, do not consider quality, view, remodeling, upgraded features in the improvement. With this type of research 1500 sqft 1965 year built house with crown molding, stainless steel appliances, granite counters, and a pool might be compared to a 1200 sqft double wide manufactured home built in 1970. That is hardly what should happen. Most AVM are also using multiple appraisers work that has been data mined due to the now required ACI/AI-Ready formatted appraisal reports that almost all clients demand. So to be clear, not only is the information used in AVMs stolen from appraisers work but, they also provide unreliable results. If AVMs are allowed by lenders and or anyone else in this business, this already damaged economy will never correct itself and will stay on a downward spiral. The stealing of appraisers data for uses unintended can be stopped by forcing clients to only accept PDF's and/or Hardcopies of Appraisal reports.

ACI/AI-Ready report are required by clients not only so they can data mine it but also because it is easier to remove the appraiser's signature and change any part of the report. Any changes made by that client that causes the report to be in violation can then be used against the appraiser in court because, the appraiser can not prove that he/she did not make those changes.

As for customary and reasonable fees are concerned, unless the AMCs are required to accept a check directly from their client for the service they provide and another check is sent from the client directly to the appraiser the AMC will continue to take over 50% out of the appraisal fee charged to the client and give the appraiser what is left over. This is basically telling the appraiser to perform competent work for left over scraps. We are considered professionals but are treated like work horses, you

do what your told and you will get just enough to keep from starving. We are not allowed to charge for the extra work needed to fill out the required Market Condition Form, REO Addendums, additional comparables (for which we have to perform more research, fill out more comparable sections, and drive take a photo of the property), additional comments etc.... This is completely unacceptable. The AMC must have to prove that they are not paying below customary and reasonable fees before this law will have any affect on this matter.

There is also a section in the rule that says it is acceptable for the appraiser to receive less than customary and reasonable fees if they will have volume appraisal assignments. This wording will be used by AMCs, which are the only way independent appraisers will receive work, as a loophole for them to keep paying the apprasier a non reasonable and customary fee for their work provided.

Although a business may have too few employees on staff to create a firewall in there own company does not mean they should be exempt from this rule. They can simply go through an AMC. Hopefully the issues appraisers and the economy have with the AMCs will be reconciled on April 1st, 2011.

So far the new rules appear to be a complete rewording of the HVCC with the appraiser being remove and anyone performing a valuation being added. This code was supposed to be fixed by the new rules but, the problems will still exist until AMC's are taken out of the business. Since the HVCC was put in place, anyone involved in the lending process had no where to turn but to an AMC. When this accord Appraisal Management Companies were given almost the entire residential market. Once they realized this, they have pretty much been a dictator in what goes in an appraisal. Appraisers are being forced into violating USPAP because, the AMCs are requiring the appraiser not to use the USPAP approved certification number formats. If the certification number is not in the report in the USPAP specified manor, the appraiser will be fined and or suspended and if the appraiser has already finished the report but will not do this the order is reassigned and the appraiser losses all work from that AMC. The AMCs are forcing appraisers into not using USPAP approved methods. This is just one example of the many problems appraisers are facing with AMC's. The AMCs that have required this in the past, that I have have had personal experience with and can no longer perform assignments for, are Landsafe, LSI, Velocity, Equifax, ISGN (formerly Fiserv and GAC), Greenlink, EAppraisit and MIS. There is no telling how many other AMCs are requiring these types of violations because clients are requesting them. I have had to quit appraising because the HVCC made it possible for this to happen and was hoping that the new Dodd frank Rules would fix these problems but, I see that unless the rules are rewritten by April 1st 2011 (April Fools Day to most) that nothing will change.