

Chairman Ben Bernanke  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, D.C. 20551

September 11, 2010

The very idea that TAVMA and the appraisal management companies don't know what customary and reasonable fees is incredible. There are AMC's paying full fee and appraisal work is not limited to the mortgage industry. Most independent fee appraisers have a website with their fees posted. Any loan officer knows what a customary and reasonable fee is in their market. Any question regarding what is customary and reasonable strikes me as stonewalling.

AMC's have taken advantage of a slow economy to milk every dollar out of appraisers they can. HVCC was intended to protect appraisers from undue influence and has done well in accomplishing that. However, the cost involved was placed on the appraisers and not the mortgage industry from whom we are supposed to be being protected. So now, we not only have to pay to be able to do our jobs independently and legally in the form of reduced fees, but those fees have been reduced so drastically and work requirements increased that we have to complete approximately 25% more work to make the same dollar amount we did 10 years ago.

The irony is that TAVMA and the AMC's are undermining the foundation of their own industry. The current business model is not sustainable for appraisers. The fees as they are now may be sufficient to support an appraiser if workload remained stable indefinitely and the appraiser is a robot. However, the appraisal business is notoriously one of feast or famine. Fees must be high enough to sustain an appraiser through the slow parts of the cycle. They are not.

If the appraisal business is not sufficiently rewarding, financially or otherwise, once the economy improves appraisers who are self-employed and ineligible for unemployment benefits will likely jump at other opportunities which provide greater financial stability. For the best and brightest, that should not be difficult. As the economy improves, hopefully, lending activity will also improve, but the AMC's are likely to find themselves faced with a shortage of appraisers, which will drive fees up. Said fee increase could be dramatic depending on the severity of the shortage. The industry cannot respond to a shortage quickly given it takes 2.5-3 years to generate a new licensed or certified appraiser. So, in the long run, it is a distinct possibility that AMC's will be forced to pay more in future than they would if they paid enough to sustain the appraisal industry now. The other possibility is that appraisers will unionize. There has already been a considerable amount of discussion on this point, but I don't think most really want to deal with unions, and are waiting and hoping for the Financial Reform bill to address the issue without the need of unions. Either way, it is in the best interest of AMC's to pay appraisers customary and reasonable fees now, than to allow the pendulum its full swing in the other direction.

Regarding the Coester survey indicating that most appraisers are paid between \$250 - \$350 per appraisal and that most have more than 5 years experience. That is true, they pay me \$300 per FHA appraisal; the same amount I charged 10 years ago. It is \$50 less than I charge my direct bank clients.

While that may not sound like much, when you multiply it by the average number of appraisal I complete each year, it amounts to about \$20,000 in net income. That \$20,000 that I am not getting each year is what would normally pay into my retirement, pay for my health insurance, my son's college, and an occasional real vacation, and carry me through times when business is slow. That money isn't there, so I have none of the above. I think most borrowers could afford the additional \$50 easily. I cannot.

While I understand that many AMC's are locked into contracts with clients and increased appraiser fees would be detrimental to their profits; perhaps, if they were stuck with the short end of the stick for a time, they would better appreciate the necessity of customary and reasonable fees.

Sincerely,

A handwritten signature in black ink, reading "Elaine S Farrington Johnson". The signature is written in a cursive, flowing style with a long horizontal flourish at the end.

Elaine S Farrington Johnson  
ES Farrington Appraisals Ltd