CAMP
CALIFORNIA ASSOCIATION OF
MORTGAGE PROFESSIONALS

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October 14, 2010

Kathleen Ryan, Senior Counsel
Division of Consumer and Community Affairs
Federal Reserve Board
Washington, DC 20551

RE: Implementation of the appraisal independence provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Dear Ms. Ryan,

As you craft Interim Final Regulations to replace the Home Valuation Code of Conduct (HVCC), the California Association of Mortgage Professionals (CAMP) would like to offer suggestions to ensure the rule results in appraisal independence and accuracy. CAMP is a non-profit, professional trade association of more than 1,500 licensed mortgage brokers and affiliated service providers across California. The Association serves as a forum for financial education, community outreach, innovation, networking, legislative and regulatory advocacy, and it provides benefits and public relations for its membership. We are dedicated to the highest standards of professional and ethical conduct and committed to lending integrity, consumer protection and the preservation of maximum reasonable access to the American dream of homeownership.

We are pleased that Congress responded to the serious problems caused by the HVCC by passing language to repeal it in the Dodd-Frank Wall Street Reform and Consumer Protection Act. The HVCC has resulted in higher costs for appraisals, poor service, and the inability of a consumer to use one appraisal for more than one lender. In addition, appraisals under the HVCC are often of poor quality and it is difficult, if not impossible, to make corrections to inaccurate information on an appraisal report. While the evidence of the negative consequences of the HVCC is overwhelming, there is no indication that the HVCC actually worked to prohibit improper influence on appraisers and ensure appraisal independence.

As the Federal Reserve Board develops appraisal independence rules, we encourage you to also ensure that such rules do not unintentionally diminish the accuracy or quality of home appraisals or increase the cost of obtaining a mortgage loan for consumers. To help you achieve these objectives, we offer the suggestions below.

(1) The Interim Final Regulations should **allow mortgage brokers to order appraisals**. While the HVCC changed the standards of who may perform appraisals, CAMP supported the position of the Federal Reserve Board when reforming Regulation Z. The Board addressed this issue and declined to find that "any particular procedure for ordering an appraisal necessarily promotes" fraudulent appraisals. Rather, the Board found that "coercion of appraisers" whether by lenders

or brokers "is an unfair practice," and determined that appraisal regulations should apply equally to lenders and brokers alike. The Board decided that the evidence does not support applying appraisal regulations differently to lenders and brokers, as is done in HVCC. We encourage you to maintain the Board's prior position on this issue and apply appraisal standards to all involved in the real estate transaction without favoring one origination channel over another.

(2) To ensure those who order appraisals are not violating appraisal independence rules, we suggest that the Interim Final Regulations **require National Mortgage Licensing System (NMLS) numbers to be listed on appraisal reports**. Under the SAFE Act, loan originators must meet certain requirements to achieve a NMLS license, including: background check, finger printing, federal and state exams, 20 hours of pre-licensing education, 8 hours continuing education. By requiring the NMLS number of the loan originator ordering the appraisal to be included on the appraisal report, the accountability of the SAFE Act is carried over into the appraisal process.

(3) We also suggest that **loan originators who order an appraisal be required to certify in writing that they did not engage in any act or practice that violates appraisal independence**. This will allow all NMLS loan originators to be involved in ordering appraisals, while holding them to a higher standard of accountability by requiring a certification that there was no coercion in the process.

(4) The Final Interim Regulations should **only allow consumers to be charged bona fide appraisal fees that can be substantiated and such fees should be disclosed**. Under the HVCC, there were countless cases of management companies charging consumers an appraisal fee, but the appraiser who actually did the report was paid a substantially reduced fee for their services. We believe this is harmful to consumers and that consumers should only pay for the work associated with a quality appraisal on the home they wish to purchase or refinance.

(5) The Final Interim Regulations should **prohibit anyone from profiting from the appraisal process outside of the appraiser, including the payment of commissions for ordering appraisals.** We support the language in Dodd-Frank that prohibits appraisers and AMCs from having a direct or indirect interest, financial or otherwise, in the property or transaction. The Interim Final Regulations should implement this very important standard. In addition, commissions paid for ordering appraisals should be prohibited. Consumers will be best served by a streamlined process, as opposed to the elaborate labyrinth that has been developed under the HVCC. The Interim Final Regulations should eliminate the needless bureaucracy that has been put in the process between the person making the order and the appraiser who is conducting the inspection.

(6) The Final Interim Regulations should **allow for appraisal portability**. Portability will keep costs down for the consumer, as it will eliminate the need for consumers to purchase additional appraisals from each lender if they are shopping for the best mortgage product for their circumstances. If portability is allowed, consumers would not be obligated to purchase a new appraisal if they find a lower

cost mortgage with a different lender. This would be consistent with Federal Reserve Board policies to encourage shopping.

Thank you for your consideration of our views on this important issue of appraiser independence. We look forward to working with the Federal Reserve Board as you work to prohibit improper influence on appraisers and ensure appraisal independence in the Interim Final Regulation.

Sincerely,

Dale DiGennaro
President, California Association of Mortgage Professionals