

From: Jay P. Walsh
Subject: Regulation Z -- Truth in Lending

Comments:

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I am a Certified Residential Licensed appraiser in Ohio and Kentucky and I am providing comments in regards to appraisers receiving "reasonable AND customary" fees for services rendered as stated in the Dodd- Frank Wall Street Reform and Consumer Protection Act recently passed. Since the introduction of the HVCC and the massive introduction of thousands of Appraisal Management Companies (AMC's) I have experienced an average of a 30% cut in my fees and a 35-50% increase in hours per appraisal assignment. I did not choose to cut my fees nor choose to work longer hours. My clientele and business relationships were literally stripped from me. I am no longer allowed to market my services with the clients I have had relationships with that lasted 5-10 years. Because the HVCC dissolved my business relationships I was required to research and identify AMC's to get approved with for business. AMC's are now 95% of my business.

I began applying to as many AMC's appraiser rosters for approval. There are no standards when applying for approval. In some cases it was a 20 minute process yet others took hours, and yet some took days. In many cases it was like applying for job. All application processes require the appraiser to list a fee schedule, counties covered, and services that can be provided. In most cases I was approved. Once approved an appraiser should be put into a rotation. It did not take me long before I realized I was not receiving orders to conduct appraisal assignments. I made some phone calls asking the AMC what could I do to get work. In most cases the AMC representative simply stated your fees are too high. The fees I quoted were market accepted fees prior to the HVCC. Ultimately the truth would come out and I will be instructed that if I wanted to do business for this AMC I would have to accept the fees they set. Appraisers are pretty attentive folks and it did not take long before we discovered the AMC's are creating their own invoices and attaching them to our appraisals with fees ranging from \$400-\$500 for a standard residential appraisal assignment. Of course these fees get passed on to the homeowner so in essence a homeowner is now paying \$100-\$200 more for an appraisal completed on their home that an appraiser pre-HVCC would have charged \$300 for. Now the appraiser gets paid \$195-\$250 for this service, the AMC's mark up the invoice, and the end user now pays significantly more at the expense of the appraiser and the profit margins of the AMC's.

Working with AMC's can be very tedious work. They have automated systems that require a lot of time to manage. I have made comments to my peers that I often feel harassed by the AMC's. They are relentless with multiple emails, fax communications, phone calls and even texting. It is not uncommon that I have

to answer the same question via fax, email, and multiple phone calls from different people all asking for the same information. The amount of time management to satisfy an AMC's expectations is huge. Many might think "why not hire an assistant to help manage the communications in your office?" The simple answer is "since my traditional fees have been cut, I can't afford an assistant." Pre-HVCC I had an "appraiser in training". He worked for me for 1.5 years and had built up most of his "appraisal hours" to qualify for testing for licensing. It is unfortunate that today he is not an appraiser. When applying to get approved with AMC's, most AMC's would and still will only allow Certified Residential Appraisers complete appraisal assignments. Ultimately this made me a "one man shop" again since my associate was no longer able to complete assignments. My assistant could not assist with my work load. I could not afford to pay him an hourly wage because AMC's would not allow me to charge my traditional fees. If I charged my traditional fees I would not get work. I was directly told, "if you won't do it for these fees we will find an appraiser that will!" They will and do find appraisers that will (less experienced and less qualified). I feel I was forced to accept these fees in order to support my family (wife and 3 children) and maintain my costs of living.

There were 90,000+ appraisers looking for work and with the fees that were being paid each would have to do 1.5 appraisal assignments just to receive the cash flow we were accustomed to. That's easily turning a 40 hour work week into a 60 hour work week just to maintain status quo. Honestly, most of my peers worked 60+ hours week pre-HVCC. AMC's are searching for the lowest bid appraiser because this helps their profit margins. It's a shame that an appraiser with 2 years experience are receiving the same fees as a veteran appraiser with 15-30 years experience. This is a severe quality concern. Appraisers are working longer hours for less pay and are burdened with creating appraisal reports with more data and information required before the HVCC was put into place. For example: A standard appraisal in the past required 3 comparables sales written in summary format. Today it is not uncommon for an appraisal to have 5-6 comparable sales and or listings and pending sales and the commentary required is becoming more and more narrative in nature. AMC requirements vary from company to company. Requests for additional information over and beyond USPAP requirements like aerial images from google maps, interior photos of comparables, statistically data that is client specific, regression analysis, cost studies, and addenda for the "curious" underwriter. While these requests may seem reasonable from a lending point of view and some being outlandish, these services are expected to be completed at no charge. The AMC's come up with very creative ways to require certain information in their reports that other AMC's do not require as an attempt to make their end product look better than the competitions, but at the appraiser's expense. This competitive spirit rapidly moves through the industry and before you know it other AMC's start requiring the same data and again without a fee increase.

More and more data is being required but not a single AMC that I am aware of compensates their roster appraisers with higher fees for the added work. Collectively appraisers already took what felt like a mandated fee cut now we are expected create summary reports that many times resemble a narrative report. We feel "bullied" as a group. There is not a fair market process in regards to fees. Appraisers are not paid based on experience, expertise, or reputation. The best appraiser's get paid the same as the worst and many AMC's only hire the less experienced appraisers because they are more willing to accept the lower fees. Keep in mind the novice or less experienced appraisers are accustomed to being paid a percentage of the invoiced fee the firm they work for charges. I.E. if a firm's invoice is \$300, the "split fee" appraiser would be paid 40-50% or \$120-\$150. Now with fees averaging \$225 the split fee

appraiser would make \$90-\$112 per assignment. Now understand this, if these appraisers are licensed and most would be, they could easily leave the firm they worked for, apply to several AMC's, get approved on paper with some of them and start accepting fees equal to the firm they left and cover territories they have little to no experience working in. Again experience doesn't seem to matter any more. These firms that lost staff and split fee appraisers cannot replace them. They cannot mentor associate appraisers because most AMC's will not allow non-licensed appraisers complete assignments. Appraisal firms are shrinking and one man shops increasing with very few potential appraisers entering the field. In recent years the requirements to become a Real Estate Appraiser have become more rigorous and demanding. Our industry has increased the minimum education requirements, increased the experience required before sitting for the national test, a supervisor's role has increased, and new testing procedures have replaced the old. It is not easy to become an appraiser today. AMC's hinder this. I urge you to survey the State Licensing Boards and discover for yourselves how many appraisers are entering the field and how many are leaving. You will be astonished. More are leaving/retiring than entering. From my experience and from having had discussions with my peers, it is virtually impossible to mentor an Appraiser Associate with today's standards.

Now I understand that TAVMA, a trade organization that lobbies for the AMC's, wants to repeal the "reasonable and customary" appraisal fees from the Dodd-Frank Wall Street Reform and Consumer Protection Act passed earlier this year. What is reasonable and customary? Well it's not the current fees the AMC's mandate. Appraisers feel fees were fair prior to HVCC. Appraisers will also agree that pre-HVCC fees are too low for today's reporting requirements. A suggestion noted throughout the industry recommends the VA appraisal fee schedule be adopted as a basis. I, personally, am not opposed to this. It's a start. It will make appraisal fees more reasonable and apparently they are customary for VA panel appraisers. It is unfortunate that this system does not account for experience, expertise and reputation. These fees will give appraisers more incentive to create better quality appraisal reports. All appraisers understand that all our reports must meet USPAP and supplemental lender requirements, but at least the VA fee schedule will justify the increase in our labor hours per assignment. TAVMA disagrees with this. TAVMA does not seem to care about the lives of the everyday appraiser. TAVMA seems to think appraisers can work harder and longer for less. TAVMA must believe fighting for the profits of the AMC industry justifies the added costs to the consumers. TAVMA does not seem to care about the 90,000+ appraisers' livelihoods or their families. The adoption of the VA fee schedule cannot happen fast enough. A bill was passed, and it is clear, "reasonable and customary" fees have to be paid to real estate appraiser, but the AMC's were already given until April 1, 2011 to comply. Appraisers were given only days to comply to our "fee cut". Every application completed for an AMC roster approval required immediate compliance to their fees. Interesting how a service provider has no control over their fees. Business decisions are based on costs and margins. When gasoline went from \$2.50/gallon to \$3.85+/gallon, office rents increase, utility costs increase, licensing fees increase, continuing education costs increase, business taxes increase, equipment costs increase, IT costs increase, health insurance costs for the self employed increase, subscription cost to data bases increase all effect overhead and cut into the appraisers' and appraisal firms' margins. All costs for the average appraiser have increased while the fees paid have decreased. I am confident that if I requested a fee increase from most AMC's to cover my increased overhead costs and have a margin enough to support my family my request would be denied and or removed from their roster of appraisers. With the current fee structures, if I worked a 40 hour work week,

it would not take long before bankruptcy becomes a real, scary, and good possibility.

It is amazing to me that the industry has come this. It is my opinion the single most important document in a mortgage loan file is the appraisal. So much is dependant on this report. This is why appraisers were coerced in the past. It was not uncommon for the appraiser's client to threaten their pipeline if targeted or predetermined values were not hit. Thanks the HVCC this stopped. I was fortunate to have reasonable clients in my career and this was not a common experience. I did lose clients for not hitting the needed number though. While I can't prove it, it was not a coincidence worked stopped because (1) appraisal value was not satisfactory to the client but a consequence. The borrowers approval is based on credit, payment history, retirement funds, money in the bank, assets etc. The best qualified borrower could be 50% "upside down" in the value of their home and suddenly the lender has to make a real difficult decision or a very easy one (deny the loan). So many things are dependant on the appraisal: rate, loan to value, condition of property or collateral position, and mortgage insurance rates. The final decision is based on the appraised value of the home, the collateral. The appraisal is typically the last document collected to finalize the entire lending decision after the borrower has been approved. Loans may have to be re-structured based on the appraised value of a home. Homeowners even know this. They wait nervously for the final loan approval until the appraisal is submitted. So what has happened in the past 2-3 years, appraisers took a pay cut and required to produce higher quality reports that are more labor intensive, and have an incredible amount a pressure applied them to get the report completed as quickly as possible. An appraisal cannot be completed fast enough. The most important document in the a mortgage loan file and it's the last document collected, that has to be completed accurately, professionally and competently in as little time as possible for the lowest fee.

I urge you to listen to the appraisers working in the trenches. You will be getting a lot of letters, emails, faxes from my peers. Read their requests, understand them, put yourself into their shoes and make a decision that will positively affect 90,000 appraisers (tax payers, consumers and voters) and understand the intensions of TAVMA and understand what they are lobbying for. I am sure the readers of this letter own a home, have owned a home, and maybe own multiple homes. I am also confident you have had your home appraised for one reason or another. If my suspicions are correct you were also very concerned about the value of your home because you knew your lender was going to make the final decision based on this value. If you are a proponent of banks making wise decisions and not lending more money to a borrower than what their collateral is worth (which we all should be) than you do understand how important the role of a Real Estate Appraiser from a homeowner's and a administrative perspective. We protect the banks' investments ultimately protecting the tax payers. We have to avoid another housing crisis. HVCC help with increasing appraiser independence, but failed greatly in foreseeing the horrible consequences in how appraisers are compensated and valued. My personal life has greatly suffered from socially and financially as well as may quality of life and family life.

I hope this shed some light on the big picture. I am just one appraiser but likely resemble thousands.

Thanks for your time,

Jay P. Walsh