

To: Dodd-Frank Meetings

From: Kathleen C. Ryan

Re: Docket R-1394, Regulation Z—Interim Final Rule on Appraisal Independence

Date: November 19, 2010

On November 16, 2010, Lindsay Ries and Aaron Grau, GSP Consulting; Mark Johnson, Lender Processing Services; and Kathleen Rice, LSI, met with Jim Michaels and Kathleen Ryan, from the Board's Division of Consumer and Community Affairs. The attendees from GSP, LPS, and LSI expressed support for the interim final rule's approach to the requirement that fee appraisers receive a "customary and reasonable" fee for appraisal services.

Attachment



LSI Appraisal Services

PRINCIPAL DEFINITION OF AN APPRAISAL MANAGEMENT COMPANY (AMC)

- Operates network of individual appraisers for the completion of appraisal reports
- Pre-qualifies appraisers
- Receives orders from lenders and other clients
- Facilitates and manages entire appraisal delivery process
 - Tracks every order and its progress
 - Manages all communication between lender and appraiser
 - ❖ Insulates individual appraiser from any influence or coercion by lender; allowing lenders to comply with regulatory appraisal independence requirements
 - Reviews specific elements of appraisal report for compliance and quality
 - Ensures prompt delivery of completed appraisal report to lender
 - Collects and pays appraisers' fees for their services

KEY CONTACTS

- Mark R. Johnson – Valuations Executive
 - Ph: 949.622.4640 | Email: mrjohnson@lsi-lps.com
- Kate Rice – EVP, LSI Appraisal Operations
 - Ph: 412.299.4312 | Email: krice@lsi-lps.com

LOCATIONS

- Pittsburgh, Pennsylvania | Santa Ana, California | San Diego, California

EMPLOYEES

- 769
 - 140 certified appraisers

BUSINESS RELATIONSHIPS

- Nation's top 25 mortgage banks

YEARS OF SERVICE

- 30

GEOGRAPHIC COVERAGE

- All 50 states and territories

COMPLIANCE

- SAS 70 type II, Gramm–Leach–Bliley (GLB), Sarbanes–Oxley (SOX)
- Business Continuity Plan (BCP), Disaster Recovery (DR)
- Uniform Standards of Professional Appraisal Practices (USPAP)
- Generally Accepted Accounting Practices (GAAP)



November 15, 2010

Chairman Ben S. Bernanke Board of Governors of
the Federal Reserve System
20th Street and Constitution Avenue, Northwest
Washington, DC 20551

Re: Interim final regulations implementing “customary and reasonable” rate for appraisal services

Dear Chairman Bernanke:

On behalf of the country’s largest appraisal management company (AMC), LSI would like to thank the Federal Reserve Board for its interim final rule regarding the Federal Reserve’s implementation of the appraisal independence provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

LSI works with its network of property appraisers to value real estate transactions across the country. In 2009, LSI appraised 669,669 properties. LSI employs a total of 1,805 people. Its property evaluation division employs 778 including 147 appraisers scattered throughout the United States. There are 20,000 independent appraisers in LSI’s network.

Appraiser representatives' major concern is that, since the Home Valuation Code of Conduct (HVCC) took effect, AMCs have come to dominate the market and pay fees to appraisers that are unreasonably low. However, appraisal quality concerns that rose in the last five years were for loans that operated outside of AMCs. According to the Government Sponsored Enterprise (GSE) standards, the quality has statistically risen as that business is driven to AMCs. Moreover, fees have **not** risen as a result of HVCC. Fees rose slightly as a result of the Federal National Mortgage Association’s (FNMA) Market Condition Addendum report requirement.

LSI supports the Board’s approach to its requirement that fee appraisers be paid "customary and reasonable" fees, and allowing the free market to dictate “customary and reasonable.” AMCs have not raised their fees post-HVCC because they compete with other AMCs for creditors' business and consumer costs have not been materially impacted. LSI believes that the existing fee surveys do not establish "customary and reasonable" rates for appraisal services, in part because they do not differentiate between the costs of performing the appraisal and the costs of managing the appraisal process.

Thank you for your consideration of our views on this important issue. LSI looks forward to actively participating in rule-making and policy development conversations as they pertain to the real estate mortgage finance industry. Its size, impact on the industry, and deep experience make it and its professional opinion a valuable resource to federal policy and decision makers.

Sincerely,

Mark Johnson
Valuations Executive