

From: Valerie Rose
Subject: Regulation Z -- Truth in Lending

Comments:

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Regarding "reasonable and customary appraisal fees", the whole matter is not being approached correctly. The approach is to believe the current fees that have been driven down by appraisal mngt. companies are "reasonable" to sustain a business. The current fees I am being paid by appraisal management companies are the same fees I was making 18 years ago, or less. The appraisals I do in Washington have a lessor fee than I was making 18 years ago. What other industry professional hasn't had an increase in 18 years, and in fact has gone down in fees? I was getting \$400 per appraisal 18 years ago, and I am getting that, or less, today.

Today vs 18 years ago:

1) the reports are taking twice as long to write as more is demanded in each report (some reports have 5 pages or more of specialized instructions, making all reports custom). The reports are longer, the MC form was added, and more analysis and several hours more time is involved in every report. More sales and listings have to go into the reports.

2) Most lenders are demanding specific items in sales selected, plus listings, so there are no more only 3 sales only in each report. Typically, the reports have 4 to 7 sales and 2 listings, adding substantially more hours of work. The document #'s, verification of sales, extensive narrative on each sale, extensive research, and custom items all add several more hours to each report. None of the appraisal mngt. companies or lenders are consistent in what they want. They all want different things, and all those things can be buried in the 5 pages or more they send of instructions. Which take a long time to read through and then add to the reports.

3) Educational costs, licensing cost, and liability insurance have gone up considerably in 18 years. Licensing requirements have increased substantially.

4) Appraisal software costs have increased substantially in 18 years.

5) The cost of conducting business, business expenses, car expenses, gas, office expenses, etc. have gone up considerably in 18 years.

Determining the fair cost of an appraisal should be based on what "reasonable and customary appraisal fees" were before all of the appraisal management companies got involved, and a "raise" should be allocated to those old fees due to increased cost of doing business.

The appraisal mngt. companies have driven down fees the past few years by utilizing appraisers who would be out of business if it weren't for them, helping trainees go into business for themselves by offering work

to them, and selecting the poorest quality appraisers available who were willing to work for fees below market, and willing to turn out reports fast. Selecting appraisers who were not good appraisers created all of the poor quality work and lack of consistency. I met appraisers in classes who were new to the business that were in business only because of appraisal mngt. companies. They gladly worked for below market fees because they were getting paid more than their former cuts. But, it isn't enough to sustain a business long term, nor does it create the quality of report that is demanded. Over the past few years I got several calls from appraisal mngt. companies shopping around for the quickest turn around times and lowest fees. They selected appraisers off the Internet, not based on quality of work. All they cared about was getting the cheapest and the fastest. They didn't believe that translated into inconsistent appraisals and inaccurate values. And the powers to be want to base fees on what they paid???

It's not fair, customary, or reasonable to determine that costs should be based on what appraisal management companies did to this profession. They have done considerable damage by not having any respect or regard for the top quality appraisers, and choosing appraisers who would do the quickest and lowest cost work. They contributed greatly to creating the situation of poor quality appraisers. Their fees have no relevance in this industry. They are not appraisers. They are users of appraisers. One of LSI's representatives told me once that he wished he could still use some of the appraisers he used to use, but the policy was to find appraisers who would work for lower fees, so they were always on the hunt to add appraisers who would work for less. He said the only way he could give work to appraisers he wanted to use that had been bumped down the list was if those appraisers would agree to work for less than the appraisers they found who would work for less.

The appraisal management companies want the contracts with the lenders, and to get those contracts they guarantee the lender they will deliver reports faster and at lower costs than other management companies. That is the biggest appraiser influence of all, and no one has even tried to stop it. So, to pay for that, they demand that the appraisers work for less fee, and quicker turn around times. The pressure put on appraisers to do reports faster and faster does not create good analysis or solid appraised values. The appraisal management companies have done the most to hurt this profession.

So for customary and reasonable fees to be based on anything the appraisal mngt. companies have created is a travesty. The fees have got to be based fairly on making sure appraisers are fairly compensated for all of the extra work they are doing. The fees have got to be greater than they were 18 years ago in order to compensate for all of the extra time and all of the increased costs and liability since that time.

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From Appraisal Buzz-

What happened? Language is critical and it all hinges on one syllable words like "may" and "shall". Lenders and their agents (AMCs) _must_ pay

a reasonable fee but they shall report. They may use fee surveys, academic studies or government fee schedules. Interim Final Rules published two additional presumptions of compliance-

1) A creditor and its agent is presumed to have paid a customary and reasonable fee if the fee is reasonably related to recent fees paid for appraisal services in the relevant geographic market, and, in setting the fee, the creditor or its agent has:

*Taken into account specific factors, which include, for example, the type of property and the scope of work; and

*Not engaged in any anti-competitive actions, in violation of state or federal law, that affect the appraisal fee, such as price fixing or restricting others from entering the market.

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