

From: Appraisal House, Inc., Gary L. Martin
Subject: Regulation Z -- Truth in Lending

Comments:

Dear Sir / Madam,

I would like to provide my input. I am sorry it is a little longer than I would have liked, but appreciate your consideration of my input in this matter.

This "Reasonable & Customary" appraisal fee opens up a big can of worms. There is no one size fits all answer & this is a fluid point in a free market economy. Some factors we can control & to others we can only react.

The appraisal fee should be based upon the level of service. There is obviously a difference appraising a 1,600 SF ranch home in a uniform location with available three strong sales at lets say for example \$300 +/-; appraising the same 1,600 SF ranch in an less than uniform mixed area with few sales & a lender requiring 4 sales (2 within 90 days) & 2 listings placed in an adjustment grid, then applying a listing to sale price ratio to approximate a market sale. It might require \$425+/- to break even in time billing & hard costs.

Maybe appraising a rural property & including the same noted requirements with narrative explaining why there are no rural sales within 1 mile (much less neighbors) when you just drove 65 miles to look at the only available comparables. Your cost in time & expenses required say, a \$475 +/- fee. Then the lender or AMC wants another sale or two? (Do you charge more? Yes, you certainly should or at least should be able to. That seems reasonable, but is not always the case.)

This level of service may change with the addition of any other forms that are required or new forms. Case in point: the 1004MC form. In all but 2 MLS systems of 6 that I regularly source for data, this must be done manually. This data search, compiling, & entering it into the report typically adds 30 minutes & an hour & a half. Of course more time spent the greater the fee has to be.

Future changes by legislature, directive, or executive order in the appraisal requirements will likely require fee adjustments.

It is my fear, that this stated "Customary & Reasonable" fee will tend to freeze our compensation & not allow the market to react to those & other influences in a timely manner or not at all.

To lock into a single reasonable fee structure does not allow for economic changes. In this economic system, obviously if gas, power, & raw materials increase so must the fee necessary to sustain the business.

Case in point: At \$3.75 per gallon gas I had to add a \$10 to \$25 per report surcharge to compensate. Once the price dropped below \$2.50 per gallon the surcharge was dropped.

I guess the real point here is this cannot be uniformly be applied across

the board or even sort of generalized by region. Fee needs to be agreed upon on a case by case basis between the parties involved.

This proposal looks to tie the hands small business in terms of their ability to react to market changes. No set fees, in my opinion should ever be mandated.

Even using the terms "Customary & Reasonable" gives the reader the impression that if a base fee for a simple appraisal happens to be \$350 & a particular appraisal requires a \$450 fee the consumer is being over charged. When emphatically, that was not the case. (This again was simply tied to the level of service provided & possibly the complexity of the assignment.)

In the free market system, if a consumer does not like the price they are free to shop around. To circumvent this principle is not healthy for immediate business concerns nor beneficial for all in the long term.

Bottom line is that the appraiser & consumer of the report, information, and expert opinion alone; should decide what is customary & reasonable for each individual assignment's requirements.

Thanks for your consideration

Gary L. Martin ...
Appraisal House, Inc.