

Mr. Ben Bernanke, Chairman  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street & Constitution Avenue NW  
Washington D.C. 20551

January 28, 2011

Re: Financial Reform Bill  
Appraisers and AMCs

Dear Mr. Bernanke:

I have been a residential appraiser for twenty years in the Puget Sound area. I worked long and hard to build a clientele based on doing the extra for them in terms of service whenever it was needed. ~~I was able to negotiate my fee and give them a lower cost when it meant that they would get the applicant so we both had work.~~ But I had a choice of whether to change my business procedures or not and it was truly a business decision. Appraisal management companies have gagged appraisers with low fees, ridiculous turn around times, etc.

While I understand that separation and no pressure is appropriate, since FIRREA the pressure has been greatly reduced and those that do pressure me don't get my services again. There is never just one value for a property, but always a range. If someone wants me to revisit my report, I am happy to do it and ask if they have any other sales they know of that I may have missed. There is about a 10% miss between county data information and the Multiple listing services due to mistyped addresses, names or just slow updating so I am always willing to look again. A better solution for getting rid of bad appraisers would have been to have every fourth or fifth appraisal reviewed. This would have created more work and weeded out the poor appraisers.

Since May 1, 2009 I have lost 50% of my work. Even though banks are not required to use management companies, about 80% of them have chosen to do this and have gone from paying \$450 to \$250. What is worse is that the consumer is charged \$500 or \$600 with the AMCs pocketing the rest of the cost. Additionally, the AMCs strip the data out of my report and build an AVM electronic database thereby giving them another item they can sell to value properties. I don't want to have to negotiate every fee from a bottom of the barrel, unreasonable starting point. While I have and continue to diversify my client base, there is still too large a chunk of the market that has been taken out of the appraisers' business pool – only to fund the banks and AMCs.

I could take all the above, but the fact that appraisers' fees are being reduced 50% (which is going to the management companies) is not right. Why should I pay for something that is being outsourced by the bank/lender? They are the ones who should pay for this service. They are not having to pay an employee to do this work anymore. I would be willing to give up \$25 or \$50 in order to help institute a new process, but I am being punished by these low fees. Also, there is no free market left in which to operate my business. This is a complete restriction of trade in one targeted industry.

A homeowner saw my website and contacted me to do her appraisal. I give a \$50 coupon if you order online. I told her she couldn't designate me as the appraiser anymore, but she insisted I call her lender. The lender also thought I could call the AMC their company was using so I persisted and phoned two or three times until I reached someone there. They informed me that neither the homeowner or the lender could pick me and that they pay under \$250 and "have lots of appraisers that will work for that amount". So all my marketing and relationships are gone; I can't negotiate my fee and the AMC's are setting my fee.

Now we will have another group of people (appraisers, loan officers, real estate agents, loan processors, escrow companies) who will lose their houses because they don't have the income to pay their bills as fewer loans are completed and they are forced out of the marketplace. Already California has lost one third of their appraisers by non renewal. That's 13,000 people out of work and climbing. What is worse is that we have people who are uninformed and have no experience in the housing market with power over the group who are providing valuations!!! Crazy.

I know that many of the older appraisers are leaving the field ten or twelve years early. This will create more problems because there won't be enough experienced appraisers to handle the volume of loans. I have heard that we can't say we won't work for under \$XXX because we will be price fixing. This is exactly what the AMC's have done by telling me what they will pay me to do a job. It is not a business decision to not work for them if they have control of most of the appraisal orders because of Cuomo's agreement.

~~There are three or four AMC's in this area that have been started by appraisers. They pay close to full fee and charge the lender the difference. However, they will not be able to compete with the bank owned AMC's (a conflict of interest isn't it?) because of their captured market and customer base at the banks' branches. It started out that banks could only own 30% of AMC's, but that rule is gone. How is it that Cuomo, who is on the board of an AMC, could make a deal with FNMAE and FreddieMac to stop investigating what they did wrong (buying loans with no down payment) if they would go along with his rules? The housing bubble would not have happened if lenders had to keep no down payment loans in their own portfolios. This started it all. The rules Cuomo made benefits AMC's and banks by taking a chunk of our money and keeping it for more profit. Appraisal fees have not changed much in the last fifteen years while all the other mortgage related fees have gone up. Why are we being cheated and punished?~~

The only aspect of the financial reform bill that was a bright spot for appraisers was the rule that we had to be paid customary and reasonable fees based on independent surveys that did not include what AMCs have been forcing on us the past year and a half. Now I see that TAVMA has written a letter saying there is no basis for these surveys.

The implications that the AMCs don't want to happen by continuing to restrict our fees is that they will not be able to stay in business. The TAVMA letter states that customary and reasonable fees should not be implemented because it does not help appraiser independence. What you may not know is that although AMCs keep a list of people who have applied with them, if you don't change your adjustments or take comparables out of a report at their request, they don't order from you again. When you call to ask why, they either say there's no work or that there is nothing wrong with your profile, but you still don't receive orders. Also, they allow lenders to each have their own list with no minimum number of appraisers on it. So they could have only two appraisers on their list and the lender effectively still chooses the appraiser.

Saying there are no authoritative surveys is absurd. You only need to ask twenty or thirty appraisers in each area what their normal fees were before May 1, 2009 and you will have a consensus. The letter by TAVMA is now saying that complex or rush jobs should warrant different fees, but they never worried about that before. Each state or county could have a rotational system that would at least ensure we would all get some work instead of this patchwork of companies that are not regulated and can blackball appraisers if you don't do what they want you to do.

In closing, let's impose a management company for all the other industries out there. If they couldn't talk with their clients, manage their businesses and negotiate their own fees, there would be an uproar. Let's tell the politicians that they can only speak about pertinent items when they are matched up with a lobbyist selected by a group of people

who have never been in their industry before and by the way, you are paying their salaries and overhead out of your pocket.

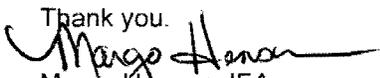
My concern now is that since requiring AMC's to pay customary and reasonable fees in the wording of the financial reform bill, it has already been pushed back to a 4/1/2011 start date. Believe me when I say that the AMC's will create surveys in the next few months that support a lower fee so they can keep more of the money. It has already started as there was an article in Appraiser News regarding this. See below.

""""While other provisions of the Dodd-Frank Bill are to take effect immediately, payment of "customary and reasonable" fees to appraisers will reportedly not be implemented and enforced until April 1st, 2011. It is understandable if many appraisers view this as an "April Fool's Day" prank and doubt whether this provision will actually become law. Nothing has occurred, however, that would lead us to this conclusion and lenders and AMCs will face penalties of up to \$10,000 per day for failure to comply. It has been suggested that the VA fee schedule may become the guide for setting appraisal fees but it is likely that the VA fee schedule will be just part of a fee schedule that will be based on a number of studies and sources with provisions for high value and unique properties. Appraisers who might be curious about the fee structure in their geographic area can contact the VA .""""

Why is this part of the bill being ignored? Will there actually be an agency that we can report violations to IMMEDIATELY if some company tries to force less than the reasonable and customary fees on us? The implementation of the HVCC rule that would have given appraisers a complaint department was never created and this summer it was announced (after 16 months) that they were not going to ever create it. If we do not have a place where the lenders/AMC's will be immediately fined, it is another useless section of the bill. I will end with my oft repeated comment. Why isn't there a trade restriction lawsuit being filed for appraisers? Because the banks benefit. Most of the large AMC's are owned by banks. The government has already helped the banks again by putting off the reasonable and customary fees until 4/1/2011. Why was this aspect of the bill given a longer-timeframe-than-the-rest-of-it? Why are the AMC's being given this advantage instead of the thousands of small business people who have owned appraisal companies for years or decades? I don't think there is another answer other than the government is run by the banks and their lobbyists.

The only outcome if this is not repaired is more ruin in our country, more foreclosures and more of our citizens losing their jobs. Wake up.

Thank you.

  
Margo Henson, IFA  
Market Appraisal, Inc.

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**MARKET APPRAISAL, INC.**

7019 14th Avenue NW  
Seattle, WA 98117