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Comments:

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Qualifications and Background In order that you better understand my perspective on the issues addressed in the interim final rule amending Regulation Z (Truth in Lending), please allow me a moment to state my qualifications and background. I am a Certified Residential Appraiser licensed in the State of Texas as well as a Real Estate Broker licnesed in the State of Texas. I have been directly involved in the valuation of residential real estate since 1997 and have a Bachelors Degree in Real Estate and Economics from Baylor University. Since 2006 I have been managing partner of Housewright & Bowen Real Estate, LLC, which provides appraisal and brokerage services in the Dallas/Fort Worth metropolitan area. I have had extensive experience working inside the mortgage industry and as an independent fee appraiser. I have worked with AMCs and directly with lenders and brokers and well understand the intricacies of these relationships as both an appraiser and business owner. Customary
and Reasonable Fees My primary concern with the interim final rule in this regard is that one of the two presumptions of compliance with the rule would appear to be contradictory with regards to the stated intent to "ensure that creditors and their agents pay customary and reasonable fees to appraisers. The Board states in the interim final rule that the alternative presumptions of compliance are designed to be consistent with the requirements of TILA Section 129E(i) and with HUD. Both required customary and reasonable compensation where the marketplace is the primary determiner of the value of appraisal services. Unfortunately, the alternative presumptions of compliance, as currently written, are a flawed design for this stated purpose. The primary flaw in the design is that the language contained in Dodd Frank regarding the exclusion of AMC fees in fee studies has been excluded from the first presumption of compliance. The implied intent in the law of the exclusion of AMC fee
related influences is to more accurately reflect a fair market decision, where the appraiser has negotiated the fee directly with the client and/or intended users of the appraisal. It is interesting that both presumptions of compliance

rely upon fee studies, but only the second presumption of compliance includes the prohibition on the inclusion of AMC fees for the fee study. The first presumption states that the "creditor or its agent must identify recent rates and make any adjustments necessary to account for specific factors..." The process of the identification of recent rates is in iteself a fee study, as is the process of determining the amount of an adjustment necessary for a given "specific factor". Given that the first presumption of compliance is based on fee studies by those who directly profit from the potential appraisal, it should be even more important that there be standards and guidelines in place for how to perform such as study, just as there are in the second presumption of compliance. The necessity of the exculsion of AMC fees in both presumptions of compliance becomes even clearer when considering the implied intent of the Boards statement "that if some creditors or AMCs dominate the market throgh illegal anticompetitive acts, "recent rates" may be an inaccurate measure of what a "reasonable" fee should be." Although not deemed illegal (pending litigation aside), the HVCC introduced a significant anticompetitive barrier to market based competition. Prior to the HVCC, AMCs held a relatively small share of the market. After the HVCC, AMCs became a dominant force in the market and were largely able to dictate fees to appraisers. This change took place not through market based forces, but through fiat. This obvious anticompetitive influence in the market is the reason why the exclusion of the AMCs influence on fees was critical to the Dodd Frank legislation. I submit that the presumptions of compliance be revised to speciically support the intent of Dodd Frank in order to allow the marketplace to determine equilibrium prices for appraisal services in any given market. Refuting AMC Arguments Regarding Reasonable and Customary Fees Many reasons are given by AMCs who fear losing their anticompetitive edge in the market for appraisal services. I have addressed many of these reasons below: 1) Cost increases - Many AMCs argue that if forced to compensate appraisers at a reasonable and customary rate, it may force them to charge more to the creditor and ultimately to consumers. This logic is flawed, as the services that an AMC provides are already services that were part of the creditors cost structure within the loan processing and underwriting functions. Therefore, if creditors choose to outsource these functions to an AMC, the cost of that outsourcing should be paid by the creditor, who receives the benefit of the services, not the appraiser who does not benefit from the AMC. 2) Quality Control Many AMCs argue that
they provide a quality control service to the appraiser. This logic is also flawed, as the quality control function is one that cannot be outsourced to the AMC. The appraiser is bound by his or her license to provide an appraisal that meets standards set forth by USPAP. No reputable appraiser would trust an unlicensed employee of an AMC to provide quality control, the failure of which could jeapardize his or her license. My personal experience with most AMCs is that what they call quality control is merely comparing the appraisal with a set of lender guidelines that may or may not have anything to do with providing an accurate and reliable opinion of market value in compliance with USPAP. This type of quality control is therefore also a service provided on behalf of the creditor. This is also an unnecessary service, in that if the creditors guidelines to be addressed have been fully communicated to the appraiser in the scope of work contractually agreed to, the creditor merely
has to refuse payment until the appraiser fulfills the contract. It is the appraiser's responsibility then only to accept assignments with a scope of work not so restrictive as to hinder the preparation of a USPAP compliant appraisal. To this end, the AMC provides no service to the appraiser, therefore the creditor should bear the burden of any such quality control measures, again as part of the underwriting function. 3) Other AMC services -

Many AMCs will also argue that they provide the appraiser with valuable marketing and administrative services, such as report delivery and billing. First and foremost, if an appraiser elects to outsource marketing, accounting, or billing services, it should be at the sole discretion of the appraiser as the owner or a business in a free country. In practice, marketing services have not diminished since the HVCC, but have increased since direct local marketing effors in the mortgage industry have been replaced by larger efforts to connect with
large regional and national AMCs who are far more concerned with viewing appraisals as a commodity than as a professional service. Also, my receivables have increased with AMCs as a significant portion of my business prior the HVCC included up front payment for appraisal services. I have also experienced many more AMCs which refuse to pay the agreed upon fee for appraisals for properties which do not meet the lenders standards for collateral (ie, properties found to be in poor condition, unique properties, mixed use properties, etc). Some AMCs have gone out of business leaving many unpaid obligations. Personally, I have seen my time and expense from accounting and billing increase, not decrease, as my work with AMCs has expanded. Even such simple matters as transmitting an appraisal to a client have become more complicated and time consuming, as many AMCs require the use of specific specialized software that allow them to 'data mine' reports so that they can sell data from the
appraisals in AVMs (Automated Valuation Models, or computer generated valuations). Again, in practice this has added time and expense to my company since expanding my work with AMCs. 4) Availability of fee data - Many AMCs will also argue that fee study data is not available, and when available is not applicable since the scope of work and complexity of assignments differ from area to area. This is obviously not true, as almost every AMC that I work with requires that the appraiser agree to a base fee, which tends to be fairly narrow in range across AMCs. These AMCs do not seem to have a problem promoting the agreement with a base fee structure currently, so the same should hold true if the base fee is instead derived from market based forces. In practice, prior to the HVCC, the same fee was charged for the vast majority of residential appraisals in my market with a very narrow variance. Since 1997, this fee changed very little, even though the prices and costs associated with most products and services in our economy changed significantly and frequently. Appraisal fees are among the easiest to study for any product or service in our economy, particulary since the fee has always been clearly stated on the settlement statement. The lack of data is just not an excuse. Although I have participated in several fee surveys, I do agree that objective fee studies (based on observable fee data such as settlement statements, or fee surveys from non-lender clients) should be relied upon first and foremost. Conclusion It is my fervent request that the final rules be amended to uphold both the wording and intend of Dodd Frank and provide specific provisions with any presumption of compliance that exclude the AMC influence from the determination of reasonable and customary fees. Thank you