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It seems many issues are confused when discussing reasonable and customary fees. AMCs defend the job they do in processing orders for lenders, managing appraiser panels, and handling payables. No doubt, all these functions take time and cost money, and those costs are PART of getting an appraisal. Another part of producing an appraisal that will be part of a loan package, and serve as certified documentation of the collateral value, is review and acceptance by the lender's underwriters. And most importantly, is the product in the middle of this sequence of events, the appraisal report, which is produced by a licensed professional using professional experience, public and private data, as well as numerous resources ranging from professional education, to data and membership services, vehicle and computing expenses, and other soft costs of being a small business: insurance, tax compliance, and general overhead. If each of these three areas were broken down into their actual costs, plus an entrepreneurial profit, which is the only motive for performing the service, the actual cost of ordering, completing, and reviewing/accepting an appraisal would be many times what is currently being charged to the consumer. Many of these costs have already been "hidden" in other fees. For example, the lender does not charge the borrower an appraisal underwriting fee, they include that cost in loan fees, or in the interest rate they charge for the loan.
Previously, the lender did not charge the borrower an appraisal ordering and management fee either. That was built in to the loan, as with underwriting, in the form of fees, points or interest rate. However, the appraiser must be independent, so appraisers have traditionally been hired as contractors, not employees, to complete assignments. This has been a particularly beneficial relationship for the lenders. If there are fewer borrowers, say when interest rates are high, or during the slower winter months, there is no overhead in maintaining appraisers. When volume picks up, the lender simply uses more contractors, or gives their panel more work. Previously, the lender might balance their own internal workload by hiring temporary workers to answer phones, and process payables to vendors. More recently, lenders have outsourced all the administrative work of ordering, receiving and paying for appraisals to

AMCs. Again, this allows the lender to have little or no overhead, or costs associated with valution of the collateral for the loans they are making, if business is slow or nonexistant. Now look at the flip-side of that equation: the appraiser. He/she must maintain licensure, continuing education, insurance, a reliable vehicle, and all the tools of the trade including membership to data services and real estate boards, etc, regardless of whether work is coming in or not. These memberships and requirements all tend to be annual and don't allow for an appraiser to "lie fallow" during a slow season. If an appraiser does 1 appraisal or 1000 in a year, there are substantial costs associated with just being ready, willing, able and compliant to do just that first appraisal. Previously, the uncertainty of work volume could be mitigated by a number of options: Appraisers could group together into a practice, sharing resources; experienced appraisers could use trainees as lower cost employees to help complete a higher volume of work; new clients could be sought out via advertising and use of one's reputation to acquire new business. Typically an appraiser-owner might spend 50% of his/her time appraising and reviewing the work of subordinates, and the other 50% continually cultivating the business and managing the erratic volume, so that everyone involved was reasonably and customarily paid. This meant the insurance company got their premium and the auto dealer got the car payment, and the receptionist got an hourly wage and the office supply store got paid for goods, and yes, the appraiser
got compensated as a licensed professional, and business owner, with all the risks and rewards involved. This entire system has been torn apart and an attempt to put it back together is being approached incorrectly. The correct economic cost of an appraisal is what it truly costs, from the moment the loan application is made, to the time the loan is closed and funded. Truth in Lending will only occur when the consumer is presented all these costs and understands which ones he/she is being asked to pay for. The wrong approach is to say "the consumer can only afford $350, therefore we will MAKE an appraisal cost that much." There is a cost to providing a real property appraisal to a lending institution so that it may reliably value its collateral, in order to make loans, which is its core business function. The real question is, do we as an economic system value the need for that real property valuation to such a degree that we will pay what it costs? If we do, then we better getbusy figuring out the true cost and deciding who is responsible for paying which parts. If we don't care, then our lending institutions can do away with real property valuation and make any loan they want to. They just can't ask the government, the GSE's or the people to be responsible for the outcome. To those of you making the decisions about reasonable and customary fees: is there any product right now in the free market, barring those that are subsidized like some farm products are, for which pricing is based solely on what the consumer wants to pay? Please break down the cost of another great American product by this logic: the automobile. The cost of a car includes materials, labor, insurance, distribution, management, advertising, liability, training and the pensions and insurance of retired workers in the industry. Each car bought today helps pay the pension of someone who worked years ago. However, I can assume that most Americans do not want to pay $20,000- $40,000 for a car. We all think that a car (mortgage loan) is a right, and we want to pay only $10,000 ($350) for ANY car. It shouldn't matter if the car is large or small (urban or rural), diesel, gas or electric (complex, luxury or unique), old or new (historic or under construction) or if it has extra trimlines (acreage, swimming pools, upgrades). We the consumers believe we should all get the car we want for one price. Now the government is going to figure out how to get us those cars for $10,000 when the true cost is 2-4x that amount. What will give? Who will not be paid? Eventually those not being paid what they are worth,

acting rationally within the labor market for their services, will leave the industry; quality and materials will suffer; shortcuts will produce questionable results; and safety will be compromised My estimate is that the true cost of an appraisal is between $1000-1500 for something in the middle of the bell curve. It may be close to double that for a complex or multi-unit property and it may be somewhat less for the third identical tract home on the same street when the inspections are done at the same time. The variables in pricing appraisals are almost entirely the burden of the appraiser. That very uncertainty has to be compensated. And those differences in appraisal assignments are solely the responsibility of the appraiser, per USPAP. The appraiser develops the scope of work, i.e, the work to be done, in order to produce credible results. Each and every additional requirement, by virtue of what the assignment demands for compliance, costs money.   So I ask you, finally, to please have your best economists tally up the REAL cost of an appraisal and lets get to work getting them paid for in the market. The AMC SHOULD make the $100-200 they claim it costs to process an appraisal order from start to finish - they are providing a service to the lender and offloading not just those costs, but the balancing of the workload, from the lender. The lender
SHOULD earn interest on the loan and make a profit, and be able to pay the salary, benefits, vacation and 401K for the underwriters. And the appraiser SHOULD be able operate a business, pay expenses, contribute to retirement savings, and make a salary commensurate with the requirements of the position: education, advanced analytical skills, industry knowledge, risk and liability, physical ability, etc.