

From: Lee Lansford
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Comments:

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My interests and comments are specific to the matter of "customary & reasonable fees". As personal background information and to provide some understanding of my perspective on the matter at hand, I have been a licensed appraiser since the inception of licensing in the early 1990s and I have been an appraiser since 1983. I am a professionally designated member of two professional associations (NAIFA & ASA; residential real property designations); I am 1 of approximately 600 AQB Certified Instructors of the USPAP (Uniform Standards of Professional Appraisal Practice); finally, I have served for the past two years as an appointed member of my state's appraiser licensing agency's "Appraisal Board". To the point: Since the inception of HVCC I have seen what had been ("had been", as in: from when an appraiser had been engaged directly for appraisal services from a regulated bank etc.) "customary and reasonable" fees diminish by +/-1/3; this, accompanied by the rise in the use of AMCs (appraisal management companies). Some MIGHT offer that this is nothing more than the "market at work". Another--and, more realistic perspective, I offer--is this: We have an oligopoly of AMCs and "big banks" who have, first, shifted the legitimate responsibilities of the "big banks" to the AMCs; and, second, shifted the legitimate costs of managing the appraisal process away from the "big banks" and placed the costs onto the backs of the appraisers. This is "good"...if one happens to be a "big bank" or one of the major (a relative handful of) AMCs; "not so good" if one happens to be a worker (aka, "appraiser"). I have lived through the period when mortgage brokers "managed" the appraisal process (appraisals for use in residential lending); one need only search the internet with key words "mortgage brokers pressuring appraisers" to learn how successful that arrangement was for the integrity of the mortgage lending system. For what were probably competitive reasons, the "big banks" embraced this system; just as this system was full of "land-mines", the current system under which many (most?) appraisers provide appraisals for mortgage lending-use is flawed. What we have is a system (selection and retention of

appraisers) which is heavily weighted in favor of appraisers who, #1, accept the lowest fee and, #2, agree to the fastest turn-around time for completing an assignment. A reasonable person might ask: "Is it a bad thing to require a 'low' fee and a 'fast' turn-time?" Well, when the mantra is "do 'it' fast and do 'it' cheap", pretty soon the participants understand what is REALLY important: "fast" and "cheap" appraisals (with, too frequently, I believe, unacceptable short-cuts employed in order to reach the goal). As to "Quality Control": I suspect that the large AMCs and "big banks" will point to some sort of "quality control matrix" and how the appraisals (and, the appraisers, I suppose) attain high-marks under the current system. Though I believe that many fine appraisers make herculean efforts to provide credible appraisals, I am also aware that many appraisers (knowing the system as they do...and if they are to remain a participant) make effort to communicate appraisals that have the "look" of having conformed to "guidelines" where a more exhaustive review of the work-product would indicate the contrary. Quality Control needs to be addressed, first, on the front-end of things. Though there have long been admonishments that a person's status as having a license to appraise is the MINIMUM requirement for appraising for FRTs, it has too frequently become "the" requirement (along with having Errors & Omissions Insurance :)). In summary:
#1: A "customary & reasonable" fee for an appraiser's service cannot have the costs of managing the appraisal process placed on the back of the appraiser.
#2: Over-emphasis on "fast & cheap" will, much too frequently, yield "fast & cheap" appraisals. Respectfully submitted, Lee Lansford, IFA, ASA