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I am submitting the comments below anonymously for fear of being blacklisted by lenders and appraisal management companies that currently have control of the appraisal process. The appraisal profession has long been a trusted source for property valuations however over the past few years the quality of the appraisals provided to lenders has decreased. Appraisal management companies (AMCs) have been around for several years however the increase in assignments from these entities coincides with the decrease in the quality of the reports.

As a Certified Residential Appraiser I know first hand that AMCs shop appraisers for the lowest fee. On many occasions I have been contacted for a "fee and turn time quote" however in 90% of the cases the fee was the determining factor for obtaining an assignment. I have personally spoken with borrowers that paid \$200 - \$300 more for an appraisal than was actually paid to the appraiser. For their "cut" of the appraisal fee many AMCs claim that they manage the appraisal process however in many cases they simply input the assignment in a database which locates nearby appraisers and then have an employee review the appraisal once it is completed. In many cases the reviewer is not licensed or certified in the state in which the assignment was performed or any other state for that matter. Many of the reviews are an automated process performed by computer software after the appraisal management company has unlocked or "hijacked" the appraisers' original report. Employees of 2 AMCs I have spoken with stated that the AMC portion of an appraisal assignment can be completed in less than 1 hour total. AMCs should be prohibited from requiring independent fee appraisers from signing indemnification and hold harmless clauses. If AMCs wish to continue to stay in business they should be held responsible for their wrong doings, including hiring incompetent appraisers, Customary and reasonable fees based on fee surveys or even the Veteran's

Administration fee schedule are a good starting point for establishing fees however contrary to statements by AMCs and their representative groups the VA's fee schedule is NOT the high end of the fee range in many areas. In the markets

in eastern North Carolina that I service the VA fee schedule is the lower end of the fee range. The VA set the fee schedule in an effort to assist military personnel and veterans in obtaining housing at reduced fees. Changes in the appraisal inspections process for FHA and VA have been revised in recent years to a point where the inspections and reporting process is very similar to conventional lending guidelines. In fact in many cases the conventional lenders are requiring more information and research from the appraiser than the VA and FHA. This information includes adjusting active and pending listings which is a useless practice in the many homes in the current market where prices are well above market value with little data to provide or support adjustments for list price to sale price ratios. Pending sale adjustments are difficult because confidentiality prohibits real estate agents from providing the appraisers with information regarding the pending transaction. This additional information in some cases actually doubles the amount of research needed to complete the appraisal assignment. The fees for "managing" the appraisal process should be the burden of the lender and not taken from the appraiser's fee for performing the valuation. Independent fee appraisers should be allotted adequate time to complete a quality valuation report. This time should not be constrained to an AMC "due date". In many cases appraisers accept assignments without being able to determine the complexity of the assignment. In fact, most of the time it is at the time of the property inspection that the appraiser is able to get an accurate idea of the amount of work needed to perform the appraisal. Turn times should be at the sole discretion of the appraiser and subject to change as needs based on the amount of time needed to complete an accurate estimation of market value. Studies of Automated valuation models (AVMs) have shown that these programs can be manipulated by the user. In most rural areas the data is too inconsistent or non-existent for these programs to work properly. Moreover the AVMs cannot provide the user with an interior perspective of the condition of the property. In the past 9 years I have seen homes that looked good on the outside however the interior conditions ranged from being in the process of being remodeled to being completely stripped. Similarly Broker Price Opinions (BPOs) performed by real estate agents are not healthy to the lending process because many agents are not trained in valuating properties. Although the agents have access to the same data as appraisers the agents are in many cases unfamiliar with how to use the data and adjust for dissimilar amenities. Inconsistent listing and sales data on similar homes in the local market are excellent indicators that agents/brokers are not familiar with proper real estate valuation techniques. In fact, many local agents contact the appraisers for assistance with how to make adjustments. In North Carolina brokers can only perform BPOs, for compensation, for existing or potential clients for the purpose of obtaining a listing. This potential listing creates a direct interest in the outcome of the BPO because the agents' ultimate goal is to obtain the opportunity to advertise a property for sale to attract buyers. AMCs owned, wholly or in part, by lending institutions is in and of itself a conflict of interest. The lender's goal is to make a loan so that it can profit from the interest paid on that loan. If the lender owns the AMC then the lender has direct interest in the outcome of the appraisal rather than the indirect interest stated in the Final Rules. If an AMC is owned by a lending institution then the fees paid to the AMC should be shown, and paid, separately on the HUD-1 Settlement Statement as this is a fee paid to the lender who ultimately profits from the AMC. Lenders who own AMCs have historically offered "no appraisal fee" or "reduced closing costs" loans because they can manipulate the fees of their AMC. This would appear to be an anticompetitive practice for lenders who do not own AMCs. AMCs that also provide title insurance to borrowers also have a direct interest in the appraisal outcome. If the appraisal does not meet the sales price or the amount

needed to close the transaction then the title services cannot be provided. This has potential to cause AMCs to attempt to influence the appraisal process so that all of there services can be provided. One of the more influential issues of the appraisal process has not been dealt with. The sales contract in a purchase transaction is an item required to be reviewed in the appraisal process that provides many appraisers with a "bulls eye" or target value in which needs to be met. It is the opinion of many in the industry that the review of the sales contract should not be a part of the appraisal process. Although items such as sales concessions affect the value of comparable properties there is nothing from an appraisers stand point that would affect the subject property. The sales price of a subject property provides nothing to the appraiser other than a number to "aim for" and/or "hit". The sales contract should not play any role in the appraisal process and it should be a requirement that the sales price of a property be restricted from the appraiser, at least until after the appraisal report is completed. A solution to this would be to provide the appraiser with the sales contract a minimum of 1 week after completing the report with a separate form to complete at that time. On too many occasions appraisers have had to explain why the market value was less than the contract price when the market data obviously shows that the sales price was inflated. If the "target" wasn't there the appraiser would have no clue and truly independent, unbiased market valuation could be completed.