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Comments on the Interim Final Rule

Comments on the Interim Final Regulations: Docket No. R- 1394 and RIN No AD-7100-56

There has been some concern since the start of the HVCC that, in the case of AMC's which are affiliated with or in contract with creditors, the appraisal function is not truly independent and never can be. The temptation for collusion is always present in these circumstances and thus defeats the purpose of the Dodd-Frank Act. eAppraisalT and WAMU collusion that caused, New York AG's investigation that resulted in the HVCC? Many Lender/Banks own AMC's which is the same and would need to be addressed.

AMC's often select appraisers based solely on price and turnaround time, without regard to the appraisers' knowledge of the local market in which the property is located or the level of competence and expertise needed for the assignment. Do not get me wrong if the appraiser say's he is competent the AMC would have a hard time saying he is not. It is my hope that all licensed appraiser are competent and are doing what is required (USPAP). If not why would they be licensed?

The requirement to report appraisers to the state appraiser licensing agency for being unethical or unprofessional conduct is too vague and broad. The interim final rule should require reporting only of material misconduct to prevent every consumer, lender or realtor that is unhappy with an opinion of value from overwhelming state appraiser agencies with unsubstantiated complaints. To further prevent frivolous reporting, the final regulations should require a person reporting misconduct to articulate reasonable, fact-based grounds for alleging that misconduct has occurred.

Appraiser independence should apply to all residential consumer credit transactions, whether that involves a primary residence or second home. Broker price opinions (BPOs) and other non-appraiser valuations should be covered by the interim final rules in order to protect consumers in transactions for which appraisals are not required. Specifically, BPOs should not be the sole basis of making a lending decision on a primary or second residence.

AMCs in general are exempt from accountability in the interim final regulations unless the States have something in their rules and regulations. AMC's need to be held responsible for their part in alleged appraiser misconduct and their own misconduct including pressure for turn times, pressure for values and harassment of appraisers by onerous assignment conditions and excessive reviews.

Customary and Reasonable Fees has become a large issue and it is my opinion that not all appraisals are equal and a definite fee cannot always be the same. It is up to the appraiser to determine what the assignment entails and what steps are necessary to produce a credible result. Factors that go into producing a reasonable scope of work for each assignment include, among other things, location of the property, type of market, availability of data (comparable sales, income data, building materials and labor costs), the complexity of the improvements and size of the property. An appraiser must also have enough time to complete the assignment depending upon its complexity as well as time for verification of data used in the reports.

In other words, assignments can be relatively easy- involving standard research, relatively short driving distances and a shorter time to develop the results. An assignment can be complex or more difficult- requiring longer driving distances, more involved research. The time needed to fully develop the report may take days instead of hours. Because appraisal assignments differ so greatly, the fees that should be charged for each kind of assignment cannot be reduced to a simplistic fee schedule approach. Each assignment should command a fee that is reasonable for that type of assignment and for the level of risk associated with the product. This is not to say that the customary and reasonable fee cannot be set it just means that would the norm for the normal SOW report of non-complex property.

It is my opinion that with the VA panel being in business for some time now and with what they consider to be fair for certain areas would be a fair starting point for Customary and Reasonable fees to be paid for appraisers. I would not think that this would be price fixing as it is the Gov. that came up with the fee.

I hope that the Board in writing the final regulations, consider the consumer's interest, the lenders needs, and to protect the appraiser so he can do the assignment as an independent appraiser following all the USPAP rules as he has been required to do from the start.

With all this being said and with the new rule going into place sometime. If there is not away to police the rule it will not work. Please make sure that the new rules are followed somehow, not just think that it will because you made a new rule.

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