June 9, 2014

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Mail Stop 9W-11
Washington, DC 20219
RE: Docket ID OCC-2014-0002

Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve
20th Street and Constitution Ave., NW
Washington, DC 20551

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
RE: FDIC – RIN 3064-AE10

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Arlington, VA 22314-3428

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552
RE: Docket No. CFPB-2014-0006

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA61
Federal Housing Finance Agency
Eighth Floor, 400 Seventh St., NW
Washington, DC 20024

Re: Minimum Requirements for Appraisal Management Companies

To Whom It May Concern:

Title Source Inc. (Title Source) is pleased to submit its comments on the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Consumer Financial Protection Bureau, and Federal Housing Finance Agency's (collectively, the "Agencies") proposed rule to implement the minimum requirements in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to be applied by States in the registration and supervision of appraisal management companies (AMCs). As background, TSI Appraisal, a division of Title Source Inc., is a leading Appraisal Management Company (AMC) providing a variety of valuation products and services nationwide. By facilitating over 450,000 appraisals annually, TSI Appraisal is one of the country's largest AMCs utilizing industry "best practices," advanced data analytic tools and an unparalleled commitment to excellent customer service. Every appraisal is audited to guarantee compliance with the Uniform Standards of Professional Appraisal Practice (USPAP), the Financial Institutions Reform Recovery and Enforcement Act guidelines (FIRREA) and 100% compliant with the Dodd-Frank Act.

General Comments

Title Source thanks the Agencies for allowing us to comment on the proposed minimum requirements for appraisal management companies. While we support a number of the underlying

principles laid out in the proposal, we have a number of strong concerns with the way states will have the option to adopt or not adopt the rules without penalty. If a state chooses not to adopt these new proposed minimum requirements, or requirements of their own, an AMC not controlled or owned by an insured depository institution (non-federally regulated AMCs) would be prevented from doing business in that state. This approach is seriously misguided. This would drastically change the mortgage and appraisal markets in those states until they adopt the proposed minimum standards, if they ever choose to.

We propose that the Agencies mirror the proposed AMC minimum requirements to those used with the SAFE Act, requiring states to follow the minimum rules, and give the Agencies the ability to step in if the States do not have the minimum requirements in place by law or regulation and provide oversight and regulation for AMCs. AMCs should not be punished if a state chooses not to adopt the federal rule and do not have their own rules established. While some states may look to implement standards eventually, we believe that no appraisals should be able to be executed in the state until minimum requirements are established. This would ensure that states make the AMC requirements a priority and that consumers are not punished if a state does not choose to create standards immediately.

Additionally, we have concerns with the definition of an AMC and an appraisal management firm. We applaud the Agencies efforts to establish a clear and measurable federal definition for Appraisal Management Companies, but we ask that this definition be expanded upon in an effort to better differentiate between an AMC and an Appraisal Firm. Currently, the guidelines presented within the Dodd-Frank Act delineate between the two organizational types based on the number of individuals associated with an entity, where these individuals operate, the services they perform, and the way in which they are employed. We ask the Agencies to consider specifying "exclusivity" as a component of the test used to define Appraisal Firm. This provision will reduce the likelihood of either organizational type from being inaccurately identified as the other, and should additionally protect against the potential for the regulation to be circumvented by some AMCs acting as Appraisal Firms.

Specific Comments

- The Agencies request comment on all aspects of the proposed definition of an AMC an appraisal firm.

  Comment: We believe the Agencies direction with regards to their proposed definition of AMC is foundationally solid, but we again ask that additional consideration be given to the differentiating factors that separate AMCs and Appraisal Firms. Some appraisers will work for or contract with more than one appraisal company. By including a provision that requires an Appraisal Firm to maintain an exclusive relationship with each of their employees, the Agencies have an opportunity to effectively delineate between the two—AMCs versus appraisal firms. If left unaddressed, we risk further confusion with regards to this issue.

- The Agencies request comment on the proposed definition of "appraiser network or panel" and on the alternative of defining this term to include employees as well as independent contractors. The Agencies also request comment on whether the term "independent contractor" should be defined, and if so why and how, including whether it should be defined based upon Federal law (*e.g.,* using the standards issued by the Internal Revenue Service or standards adopted in other Federal regulations, such as those issued under the Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act)), or left to State law (so as to be consistent with existing AMC laws).

Comment: We propose the term "independent contractor" be defined in conjunction with the S.A.F.E. Act and at a federal level, with the included provision that these providers be non-exclusive, and their non-exclusivity be a component of the federal definition. Allowing the states to derive their own interpretation of the term "independent contractor" may lead to an unintended contradiction between states, and ultimately increase the costs associated with services in those areas.

- The Agencies request comment on the distinction the Agencies have drawn between employees and independent contractors as a basis for exclusion of appraisal firms from the definition of an AMC.

  Comment: We agree that a distinction between Firm and AMC is required, but we ask the Agencies to consider our proposal to include the term "exclusive" when defining the nature of a Firms relationship with its W2 employee appraisers as a requirement when differentiating between the two organizational types.

- The Agencies request comment on the proposed definition of "secondary mortgage market participant." Are the types of entities cited in the proposed definition appropriately included in this context? Should any other types of entities be expressly included or excluded from this definition, for the sake of clarity? Should any other types of entities be considered "an underwriter or other principal in the secondary mortgage markets" for the purpose of the definition of AMC in the Dodd-Frank Act?

  Comment: We believe that this is an area where the Agencies need to tread very lightly. Currently, there are broad debates happening in the Senate, the House, and within the Administration about the future of the Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac, and the secondary mortgage market. Accordingly, any changes that the Agencies make to the definitions of mortgage market participants or similar definitions will need to be closely aligned with the new mortgage finance system. And while it's hard to tell where the debate is headed in the near future, it's clear that change is coming for the secondary mortgage market. The Agencies should evaluate the current debate and be engaged with the lawmakers and the Administration so that any definitions work in coordination with the new secondary market.

- What barriers, if any, exist that may make it difficult for a State to implement the proposed AMC rules?

  Comment: Creating and applying the AMC rules would be a big challenge. We have concerns that states may have limited resources in applying the AMC rules. Additionally, states that choose not to adopt these rules and don't already have AMC rules will then have to create their own provisions. This could take time and would be open to changes in political landscapes that would stretch out the timing for implementation. This would mean that AMCs would not be able to operate during this time.

- What aspects of the rule, if any, will be challenging for States to implement within 36 months? To the extent such challenges exist, what alternative approaches do commenters suggest that would make implementation easier, while maintaining consistency with the statute?

  Comment: We believe that 36 months is a reasonable timeframe, but every state has its own unique challenges. The Agencies should discuss the challenges with every state and reasonable timeframes for them before setting a concrete timeline.

- Are there any barriers to a State collecting information on Federally-regulated AMCs and submitting such information to the ASC? And if so what are they?

  Comment: While we have no concerns, we do worry that states will have limited resources to collect this information and protect it adequately. If the provisions are too burdensome, they may choose to not adopt the rules, which create many of the problems we've discussed above.

- Are any questions raised by any differences between State laws and the proposed AMC rules? Should these be addressed in the final AMC rules and, if so, how?

  Comment: Title Source believes all associated State laws should mirror the rules developed by the Agencies. In addition, we feel that preventing an AMC from conducting business in a state that fails to implement AMC licensure standards is unfair and ultimately inconsistent with the intent of the Dodd-Frank Act. If this aspect of the proposed regulation remains intact, the cost for residential appraisal services are sure to increase exponentially and the time associated with this part of the mortgage lending transaction will be protracted unnecessarily.

- The Agencies are seeking comment on the proposed approach of not imposing minimum requirements for appraisal reviews or defining appraisal review and verification activities. The Bureau seeks data on the types of review and verification services provided by AMCs, and in particular, AMCs that meet the definition of small entities, as well as the frequency with which each type of practice is performed.

  Comment: We agree, the Agencies do not need to impose minimum requirements for appraisal reviews, nor should they attempt to define appraisal review or verification activities.

Summary

We thank you for this opportunity in allowing us to comment. Should you have any further questions, please contact Kristine Hughes at (313) 877-1770 or at KristineHughes@titlesource.com.

Jeff Eisenshtadt
CEO
Title Source