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Federal Reserve System Docket No. R-1486*

Submitted to all addressees via www.regulations.gov.

Re: Proposed Rule, Minimum Requirements for Appraisal Management Companies

This letter is being submitted on behalf of StreetLinks Lender Solutions in response to the proposal published in the Federal Register by the Agencies on April 9, 2014, to implement minimum requirements for Appraisal Management Companies (“AMCs”) prescribed by section 1473 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. StreetLinks Lender Solutions appreciates this opportunity to comment on the proposed requirements and respectfully requests that the Agencies consider the adoption of the suggestions contained herein.

StreetLinks Lender Solutions provides an innovative and comprehensive suite of valuation services and lending technology solutions to banks, lenders and other mortgage industry firms. As an Appraisal Management Company, StreetLinks manages the appraisal procurement function for over 500 discreet bank and mortgage lending clients nationwide.

While StreetLinks Lender Solutions is supportive of the Agencies’ objectives to promote appraiser independence and protect the public interest and agrees with much of the current proposal, we are suggesting a few modifications which we strongly believe will enhance those objectives by eliminating the possibility of unnecessary, but significant increases in the timing of the typical mortgage process and associated costs to consumers.

Question 1: The Agencies request comment on all aspects of the proposed definition of an AMC.

StreetLinks is in basic agreement with the proposed definition of an AMC as outlined in the current proposal.

Additionally, StreetLinks would ask for the Agencies to clarify that, a technology solution or computer software platform offering a Software as a Service (“SAAS Model”) which enables a bank or mortgage lender, for a fee, to manage their own appraisal procurement process, be specifically excluded from the AMC definition. Many lenders who manage their own appraisal panels currently use such applications to facilitate the appraisal procurement process. These applications bring efficiencies which lower costs and increase service levels to consumers. Unfortunately, several of the leading technology products in use today have been inaccurately characterized by a few States as performing “appraisal management services” and, as such, are being pressured to meet State level AMC requirements. However, since they are only selling software as a service intended to be used by the bank or lender’s own employees to independently manage their own appraisal procurement process, usually at a very small “fee per click” model, there is no margin or headcount for such a provider to perform any of the functions that current State level AMC requirements mandate, such as obtaining a mandated number of minimum review appraisals, verifying appraiser licensure, etc.... Because the technology provider’s employees only provide software maintenance and technical support around the software usage and only to assist the bank or lender’s users in efficiently managing their own appraisal procurement functions, these companies should be specifically excluded from the definition of an AMC and excluded from current or future State or federal minimum AMC requirements.

Question 2: The Agencies request comment on the proposed definition of “appraiser network or panel”.

StreetLinks agrees that the definition of an appraiser network or panel should include only independent contractors as defined by the IRS. Additionally, only appraisers who are actively receiving work from the AMC (have performed any appraisal assignments within the prior 12 month period and that have not been notified of being removed from the AMC’s panel) should be construed as being part of the AMC’s panel when it comes to assessing registry fees. In order to be able to seamlessly expand their contractor base when market forces create an unpredictable spike in mortgage and appraisal volume, many AMC’s perform all of the necessary due diligence to approve an excess of appraisers to their panel and hold these appraisers in a reserve roll or capacity. These appraisers generally will not complete any assignments for the AMC until volume increases within their geographic area of competency creates the need. Requiring such “reserve” appraisers to be considered part of the AMC’s panel for registry fee purposes will cause AMC’s to restrict the size of their panel and reserve capacities, thereby creating a significant disruption in service levels to their lender clients and a constriction on mortgage volumes when market forces are at their most favorable for consumers.

Question 3: The Agencies request comment on the distinction between employees and independent contractors as a basis for exclusion of appraisal firms from the definition of an AMC.

StreetLinks agrees with the distinction that the Agencies have drawn between employees and independent contractors as a basis for exclusion of appraisal firms from the definition of an AMC.

Question 4: The Agencies request comment on whether references to the NCUA and insured credit unions should be removed from the definition of “Federally regulated AMC” and other parts of the final regulation to clarify that AMC CUSOs are subject to State registration and supervision.

StreetLinks agrees that the NCUA and insured credit unions should be removed from the definition of ‘Federally regulated AMC’ and other parts of the final regulation in order to clarify that AMC CUSO’s are subject to State registration and supervision.

Question 5: 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?

StreetLinks has no comments on this topic.

Question 6: The Agencies request comment on the proposed minimum requirements for State registration and supervision of AMCs.

As currently proposed, the AMC minimum requirements do not compel States to establish regulation of AMC’s, nor is a State penalized for lack of same. However, AMC’s that are not regulated within a State within 36 months of the finalization of these minimum requirements and that are not owned by a Federally Regulated Financial Institution are subsequently barred from providing appraisal management services for federally related transactions within non-enacting States. Should a single State ultimately decide not to participate in AMC regulation, this situation has the potential to create a significant disruption or restraint of trade, while providing an anti-competitive result whereby the lack of uniformly applied requirements leads to a clear advantage in the marketplace to lenders whose affiliated AMC business is only a secondary business concern, while potentially crippling AMC’s whose primary business model is geared to provide appraisal management services on a national scale.

It should be noted that the marketplace has identified an undeniable need for the services of national AMC’s. Based upon GAO study 11-653, up to 80% of appraisal orders for federally related transactions are managed by an AMC. This is generally the case because lenders lack the resources, core competencies and operational efficiencies to manage the appraisal procurement process, and more specifically, to institute the necessary barriers in order to ensure appraiser independence. Additionally, many larger lenders who do business on a national scale have a clear need to establish relationships with an AMC that can manage their appraisal procurement and appraiser independence needs on the same scale. Should the current proposal be adopted as written, it would create a significant financial burden on lenders to

bring their appraisal procurement process “in-house” or establish their own affiliated AMC, while likely increasing the chances for compromised appraiser independence, which is in direct conflict with the spirit of the Dodd-Frank Act. Additionally, the increased operational costs and the disruption in service levels would ultimately be borne by the end consumer.

StreetLinks proposes that all AMC’s, including those owned by federally regulated financial institutions, be subject to the same State registration and supervision requirements. Additionally, we propose that the final rule be amended in order to require all States to enact AMC registration and supervision programs or be subject to penalties for failure to do so. Otherwise, StreetLinks must propose that if a State does not enact AMC registration and supervision within 36 months from the time the Agencies issue the final AMC rule, or if any State repeals an existing registration Act after the issuance of the final AMC rule, AMC’s should not be prohibited from providing appraisal management services in connection with federally related transactions within such a State. Rather, affected AMC’s should be required to register with an existing federal regulator or as part of a separate registry process defined by the Agencies, while being held by such regulator to the minimum requirements outlined within the AMC final rule.

Question 7: The Agencies request comment on the proposed approach to the appraisal review issue.

StreetLinks agrees with the proposal to schedule a separate rulemaking to determine “appropriate” appraisal review for compliance with USPAP in connection with federally related transactions. As the review requirements relate to AMC’s, we offer the following perspective. Historically, the marketplace has dictated that reputable AMC’s provide quality control examinations of completed appraisals prior to delivery, which, in essence, are similar to and/or augment the lender/client’s own collateral underwriting process. This type of “review”, which does not rise to the level of an “appraisal review” as it is defined by USPAP, is typically completed on many, if not all appraisal reports obtained by the AMC and is intended to determine the completeness and consistency of the appraisal, along with identifying possible risk factors that may require further explanation or verification. It is through this process that appraisal reports are identified which present the AMC and/or the lender with a reasonable basis to believe that a more thorough “appraisal review” would be appropriate to be obtained from a licensed or certified and geo-competent local appraiser. In an attempt to address the “review” requirements outlined within the Dodd-Frank Act, many States have now adopted their own varied interpretations for the number of and/or frequency of local and/or outsourced “appraisal reviews” that an AMC must complete for each of the appraisers on its panel in order to remain compliant. This is an additional layer of “random” appraisal review due diligence to the already significant requirement for a 10% random sample placed upon most mortgage lenders who sell their loans to the GSE’s. Requiring “appraisal reviews” to be performed by AMC’s on a defined sampling of appraisal reports where an initial QC examination does not identify associated risk factors represents a significant increase in operating costs to the AMC and the AMC’s clients, which again, are ultimately borne by the end consumer. The need for and/or frequency of “appraisal reviews” necessary in order to demonstrate an AMC’s compliance should be left to the open market to determine, as users of an AMC’s services are more than capable of defining the level of quality they are receiving and identifying a need for greater due diligence. StreetLinks currently maintains an ongoing dialogue with our clients whereby the level of quality is constantly measured and any deficiencies are identified and mitigated in order to ensure that the lending institution is able to meet their own regulatory scrutiny.

Question 8: What barriers, if any, exist that may make it difficult for a State to implement the proposed AMC rules?

State Appraisal Boards, who are generally being tasked with AMC registration and supervision, are already challenged by lack of funding in many States. Adding another layer of significant oversight to their responsibilities could prove financially burdensome to the point that they choose not to enact.

Additionally, unlike when State appraiser registration was enacted as the result of FIRREA, there is a distinct possibility that certain States will choose not to enact AMC registration and supervision programs, or repeal existing Acts, simply because they do not understand the indirect positive results that AMC's bring to consumers. While AMC's provide significant services to creditors which provide efficiencies and cost effectiveness in maintaining their appraisal procurement and appraiser independence functions, which ultimately benefit consumers in reduced costs and timeliness of the typical mortgage process, the use of an AMC is not a requirement, as is the use of an appraiser, in order to obtain a mortgage in a federally related transaction. In fact, the State of Hawaii has already published a study whereby they have determined a lack of understanding for the need of an AMC registration and supervision Program. Should a State like Hawaii ultimately decide not to participate in AMC regulation, it has the potential to create a significant disruption or restraint of trade to the industry, while providing an anti-competitive result whereby the lack of uniformly applied requirements leads to a clear advantage in the marketplace to lenders whose affiliated AMC business is only a secondary business concern, while potentially crippling AMC's whose primary business model is geared to provide appraisal management services on a national scale.

Question 9: 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 it easier, while maintaining consistency with the statute?

Based upon the 38 States which have already enacted AMC registration and supervision Acts, many of which go beyond the current final rule proposal, all States should be able to implement all aspects of the rule within the 36 month time-frame given.

Question 10: 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?

How would a State know which AMCs are federally regulated without spending significant time and resources to vet them? In effect, it would represent an unfunded mandate to require States to acquire information, research business records and then present their findings for unregistered federally regulated AMC's for the purposes of administration of the AMC National Registry. StreetLinks renews our proposal that all AMC's, including those owned by federally regulated financial institutions, be governed by the same State registration requirements, including sharing the same impact for operating within a non-participating State. State registration and renewal fees are becoming a significant financial burden from which the institution owned AMC's are currently exempt. This creates an anti-competitive market influence and a restraint of trade.



Question 11. 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?

The optimal structure would be to create a single National Standard with State enforcement. As noted previously, AMC's currently have 38 very different State registration and supervision programs with which they must maintain compliant. Managing to the great diversity between these programs represents a significant operational cost to the AMC, the AMC's client, and is ultimately borne by the end consumer. These increased costs make it ever more difficult for lower income or under-served borrowers to be able to afford the mortgage application process. StreetLinks proposes that the final rule establish a single set of AMC Requirements that could not be augmented by the individual States, but would be enforced at the State level via the registration and licensure process.

Sincerely,
StreetLinks Lender Solutions