



**NATIONAL
ASSOCIATION of
REALTORS®**

Steve Brown, ABR, CIPS, CRS, GREEN
2014 President

Dale A. Stinton
Chief Executive Officer

GOVERNMENT AFFAIRS DIVISION

Jerry Giovaniello, Senior Vice President
Gary Weaver, Vice President
Joe Ventrone, Vice President
Scott Reiter, Vice President
Jamie Gregory, Deputy Chief Lobbyist

500 New Jersey Ave., NW
Washington, DC 20001-2020
Ph. 202-383-1194 Fax 202-383-7580
www.REALTOR.org

June 6, 2014

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
Washington, DC 20552

Mr. Thomas J. Curry
Comptroller of the Currency
US Department of the Treasury
Washington, DC 20219

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
Washington, DC 20429

The Honorable Janet L. Yellen
Chair
Board of Governors of the
Federal Reserve System
Washington, DC 20551

The Honorable Melvin L. Watt
Director
Federal Housing Finance Agency
Washington, DC 20024

RE: Proposed Rule on Minimum Requirements for Appraisal Management Companies

[Transmitted electronically through www.regulations.gov]

- CFPB: Docket No. CFPB-2014-0006; RIN 3170-AA44
- OCC: Docket No. OCC-2014-0002; RIN 1557-AD64
- FDIC: RIN 3064-AE10
- FED: Docket No. R-1486; RIN 7100-AE15
- FHFA: RIN 2590-AA61

Dear Director Cordray, Comptroller Curry, Chairman Gruenberg, Chair Yellen and Director Watt:

I am writing on behalf of the one million members of the National Association of REALTORS® (NAR) to submit our comments on the proposed rule to establish minimum requirements for Appraisal Management Companies (AMCs). NAR appreciates the Agencies' efforts to guide States in registering and supervising AMCs. It is critical that States ensure that AMCs provide quality services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction.

The National Association of REALTORS® (NAR) is America's largest trade association, including NAR's eight affiliated institutes, Societies and Councils, five of which focus on commercial transactions. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®. NAR represents a wide variety of housing industry professionals, including approximately 30,000 licensed and certified appraisers, committed to the development and preservation of the nation's housing stock and making it available to the widest range of potential homebuyers.

NAR submits the following comments in response to specific questions raised by the Agencies proposing this rule:



REALTOR® is a registered collective membership mark which may be used only by real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics.

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

The agencies define an AMC as overseeing an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more nationally within a given year. Under the proposed rule, an appraiser is deemed part of the AMC's appraiser panel as of the earliest date the AMC accepts the appraiser for consideration for future appraisal assignments, or contracts with the appraiser to perform one or more appraisals on behalf of a creditor or secondary mortgage market principal, including an affiliate of such a creditor or principal. An appraiser is deemed to remain on the panel until the date on which the AMC sends written notice to the appraiser removing the appraiser from the panel, receives written notice from the appraiser asking to be removed from the appraiser panel, or receives notice of the death or incapacity of the appraiser. If an appraiser is removed from the panel, but re-admitted at any time during the twelve months after an appraiser's removal, the removal will not be counted.

NAR is concerned that having an appraiser considered to be on an AMC panel upon acceptance by the AMC, but before receiving an assignment, to be burdensome for an AMC. AMCs retain specialty appraisers with an expertise in areas such as waterfront, resort, luxury, and green to be able to provide the level of competence dictated under The Truth in Lending Act (TILA); however, an AMC may not always require the services of these specialty appraisers within a given year. Requiring a fee to be paid by the AMC when an appraiser becomes an accepted member of a panel would be a deterrent to this practice. Many AMCs also implement quality control supervision (QC) on all work by new panelists after becoming accepted. If an AMC determined that an accepted panelist's work was not satisfactory because of QC and dismissed the appraiser, an AMC would still be required to pay the registration fee under the proposed rule.

It would be more equitable for an AMC to calculate panel membership based on whether or not an appraiser actually accepts and fulfills at least two assignments from an AMC in a given year. If this proposed definition of an AMC is not changed, an AMC may dismiss appraisers to manage the size of the panel and avoid registry fees. Many AMCs, other clients and errors omission insurance providers require appraisers to disclose removal from approved lists or panels. If the AMC dismisses an appraiser, it could result in a severe career impediment to many innocent and qualified appraisers even if the dismissal was not due to substandard or non-compliant work.

Appraisers are currently required to pay a \$25 annual registry fee for each state in which they are licensed or certified. Any State AMC registration fee should not fall on AMC panel appraisers. The proposed rule should specify that an AMC must bear the cost of the registry fee and be prohibited from charging the appraiser for the fee. It should not be a pass-through to the appraiser.

Question 3: 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 AMC.

The proposed rule does not require appraisal firms to register as AMCs or require that appraisal firms be subject to supervision. NAR agrees with the Agencies that appraisal firms should not be treated as AMCs because their business models are different. Appraisal firms are operated by licensed and certified appraisers and have independent licensed or certified appraiser contractors and firm employees who directly provide valuation services. Employees and independent contractors are supervised by the firm's owner or another qualified appraiser. The operators of appraisal firms are licensed or certified by their respective states and follow USPAP guidelines. AMCs may or may not be owned by qualified appraisers, are typically larger operations with multi-state or national footprints, and are hired to enable a regulated lending institution to comply with appraiser independence requirements of TILA. An appraisal firm is engaged only to provide valuation services. If an appraisal firm decides to provide appraisal management services, such as ensuring separation between loan origination and appraiser selection and retention, NAR believes those AMC functions of an appraisal firm could be subject to State registration requirements.

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

The proposed rule does not require a State to establish an AMC registration and supervision program and there is no penalty for a State that does not establish a program within 36 months of the final rule. If a State chooses not to participate, AMCs will be barred from providing appraisal management services for federally related transactions. NAR is concerned that this could create problems for consumers as a large number of lenders prefer to manage the appraisal process through AMCs. If states choose not to implement the minimum AMC standards in the 36 month timeframe, NAR recommends that the Appraisal Subcommittee administer the AMC standards using the proposed minimum state standards as a default.

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

NAR is concerned that the proposed rule does not require AMCs to follow minimum standards when performing appraisal reviews. Lenders and AMCs must have a system in place to judge the quality of the appraisals being received. At present, appraisal reviews can range from sending work overseas with a check list, which does not qualify as a review, to full Standard 3 field reviews that cost hundreds of dollars. There is no standard procedure. NAR believes that there should be qualified appraiser oversight of all review processes that meet USPAP review guidelines. Computer generated materials and check lists can complement an appraisal review, but should not act as substitutes for a licensed or certified appraiser's opinion.

The Agencies have noted that minimum standards for appraisal reviews will require a separate rulemaking. This could significantly delay implementation of standards for a critical piece of the appraisal process.

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

The proposed rule requires that AMC services be conducted in accordance with the statutory appraisal independence standards under TILA. As a result, States must determine how best to handle acceptable customary and reasonable fees. This could be complicated as there is no uniform standard for how fee data should be collected and no evaluative process to establish a range.

NAR appreciates the opportunity to comment on this proposed rule. If you have any questions regarding this letter, please contact me or our Regulatory Policy Representative, Sarah Young, at 202-383-1233 or scyoun@realtors.org.

Sincerely,

A handwritten signature in blue ink that reads "Steve Brown". The signature is fluid and cursive, with a long horizontal line extending to the right.

Steve Brown

2014 President, National Association of REALTORS®