



NATIONAL ASSOCIATION OF APPRAISERS

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The Association for All Appraisers

April 12, 2012

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Richard Cordray
Director, Consumer Financial Protection Bureau
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Director Cordray:

This letter is to express the strong support of the National Association of Appraisers (NAA) for the separation of the appraisal fee and the appraisal management company (AMC) fee in proposed final revisions to the Good Faith Estimate (GFE) forms and proposed settlement forms.

Traditionally, appraisals have been ordered by either the mortgagee or mortgage broker. In fact most local mortgagees, such as credit unions, maintain this tradition. As mortgage loan origination has become more and more nationalized, with large banks and insurance companies dominating the origination market, the field has experienced a shift in fee structure that negatively impacts consumers, local lenders and appraisers.

This shift is the result of the fact that most of the large lenders—three of whom account for more than half of the mortgage origination market—have resorted to ordering appraisals through an AMC, rather than directly from the appraiser or appraiser firm. Under this scenario, the consumer is charged an “appraisal fee” by the lender. The lender then passes this fee to the AMC which must find an appraiser who will do the appraisal for a share of the fee. This was a common practice for large, nation-wide lenders for several years, but now that they control such a large part of the market we have seen appraisers forced to accept drastically reduced fees. One of the largest lenders actually owns its own AMC. Very few local originators, such as credit unions and community banks, use AMCs, but underwrite appraisal management out of their origination fee, as was common prior to the advent of AMCs.

The CFPB will have to address this overall issue at some point in the future, but at this time CFPB is moving toward formal adoption of one or more GFE and settlement forms. NAA is of the position that the adoption of one of the following proposed forms would be consistent
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with the mission of the CFPB and beneficial in several ways. Those proposed forms that separate the two fees in question are: 1) Honeylocust, 2) Butternut and 3) Hemlock.

Those benefitting from such a separation of fees are:

1. Consumers will benefit by being able to see that they are being charged not only for the appraisal, but also for a management service. They will also be enabled to compare more accurately the fees charged by local lenders with those charged by the larger, distant lender.
2. The local credit union and community bank which underwrites management services out of its origination fee will benefit by the consumer and real estate agent being enabled to more easily see the advantage of using the local lender.
3. Appraisers will benefit by the fact that the consumer will be enlightened to the fact that the fee quoted as the "appraisal fee" really isn't.

NAA is a nonprofit, IRS 501c(6) association of professional appraisers dedicated to providing timely and accurate information, quality education and appraisal advocacy. We would be happy to meet with you or your staff at any time, either on this issue or related issues that may involve valuation and appraisal activities. We sincerely appreciate your consideration of the position stated herein and wish both you and the CFPB well in your significant and most important formative undertakings.

George R. Harrison, PhD, MAA
President
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