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October 29, 2014

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1275 First Street, NE
Washington, DC 20002
Docket No. CFPB-2014-0019

Dear Ms. Jackson:

On behalf of the 23,000 members of our respective professional appraisal organizations, thank you for the opportunity to comment on the Consumer Financial Protection Bureau's ("CFPB") proposal to amend Regulation C, which implements amendments to the Home Mortgage Disclosure Act ("HMDA") made by section 1094 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank").

While our organizations believe consumer awareness of the collateral valuation process to be generally positive, we have concerns regarding the disclosure of the property value relied on by a financial institution and final LTV as part of the HMDA disclosure framework. We urge the CFPB to remove the value relied on by a financial institution from the final HMDA rule for the reasons outlined below.

<u>Disclosure of Value Relied On</u>
An appraisal is an <u>opinion</u>, not a scientific fact. The appraiser uses facts (cost data and market sales) to arrive at the appraiser's opinion of value, but different appraisers could study the same property and arrive at different values. The more unique the property and the fewer the comparable sales available to the appraisers, the wider the indicated appraised value ranges can be. Moreover, in a case of a unique property type, it is not uncommon for a lending institution to decide the property value is too high, and perform an internal value adjustment for its own underwriting needs. With the number of loans that are not max loan-to-value, the opinion of value is more important as a compliance tool rather than as an underwriting tool. Under this proposal, the opinion of value disclosure could end up creating conflict and ill will for no good reason.

Further, our organizations call into question the basis for the value relied upon disclosure, which in part, is based on inaccurate information. We are very disappointed to read in the HMDA proposal the following paragraph:

> *The unavailability of home improvement financing also was a significant problem. Financial institutions generally were unwilling to provide home improvement loans, which tend to be smaller and less risky than home purchase loans, in urban neighborhoods.[30] Some financial institutions adopted policies that prohibited financing secured by homes beyond a certain age or other proxies for year of construction.[31] As a result, urban residents were unable to obtain financing to maintain, repair, or remodel their homes.[32] As these homes fell into disrepair*, **appraisers under-valued them***, potential buyers found them less attractive, and financial institutions viewed them as riskier, thereby contributing to a cycle of neighborhood decline.[33]*

In most mortgage lending appraisal assignments, appraisers provide an opinion of the market value of the property. Lenders often ask appraisers to provide both the market value and the liquidation value of the property to understand certain risks involved, in particular in workout and foreclosure appraisal assignments. However, there is no basis for the intimation that appraisers purposefully under-value properties. Appraisers do not set the market; they report on what is going on in particular markets. Some markets have risen and some have fallen in recent years. Some have acted unpredictably, with market value and liquidation value intersecting. This is what markets do, and appraisals reflect this.

Frankly, we view this as a very dangerous statement, as it casts aspersions on the appraisal profession that are unjustified and without substantiation. A primary contention for the proposed disclosure is without merit and should not be reflected in the Final Rule.

Disclosure of All Valuation Methods

We believe that the agency should not exclude any type of valuation from the disclosure requirement for the value relied upon – e.g. automated valuation models or Broker Price Opinions. To do otherwise might establish incentives for financial institutions to avoid appraisals, which are developed using uniform standards by practitioners who have completed specific valuation education. We fear the failure to mandate the disclosure of other types of valuations, could cause lenders to avoid ordering appraisals altogether, and instead rely on valuation methods that have no uniform standards, and are performed by practitioners with no required valuation education or standards for independence.

Thank you for the opportunity to comment on this proposal. Should you have any questions or need additional information, please contact Bill Garber, Director of Government and External Relations, Appraisal Institute, at 202-298-5586 or bgarber@appraisalinstitute.org, or Brian Rodgers, Manager of Federal Affairs, Appraisal Institute, at 202-298-5597 or brodgers@appraisalinstitute.org.

Sincerely,

Appraisal Institute
American Society of Farm Managers and Rural Appraisers