



November 15, 2023

Zixta Martinez
Chair
Appraisal Subcommittee
1325 G Street, NW, Suite 500
Washington, DC 20005

Re: Comments on the Third Public Hearing on Appraisal Bias

Dear Chair Martinez:

As the largest professional organization of real estate appraisers in the United States, we request the following be included in the record associated with the November 1, 2023 Appraisal Subcommittee hearing on appraisal bias. Specifically, two areas of discussion are highlighted below.

AMC Fee Disclosure

Consumer Financial Protection Bureau (CFPB) Director Chopra asked all the hearing witnesses whether information or statistics were available on the percentage of appraisal fees paid by consumers devoted to (or taken by) appraisal management companies (AMCs). None of the panelists shared information on the matter.

We appreciate the question by Director Chopra because AMC fee disclosure has been a longstanding issue of concern to the Appraisal Institute and appraisers in general. For too long, AMC fees have been largely hidden from consumers on settlement disclosure forms, which has allowed lenders and AMCs to mask the amounts paid to appraisers and AMCs. We have long argued for mandated fee disclosure in support of greater consumer understanding and awareness about the appraisal process going as far back as before enactment of the Dodd-Frank Act. Some AMCs bid out work to multiple appraisers and assign the appraisal based on the lowest bid. The bundling of AMC fees with appraisal fees results in the overstatement of appraiser fees to consumers. This makes it harder for the public to understand how unrealistically low fees to appraisers are given the practices of some AMCs, how this has impacted fees in general, and how this often works to create a lower standard and expectation given the highly specialized and complex work appraisers do. Many highly qualified appraisers do not even consider bidding for these jobs because there would be such a mismatch between the time it would take to do the appraisal and the fee that would win the job.

During the implementation of the RESPA/TILA (now "TRID") rules, the CFPB ruled in favor of giving lenders the option of disclosing AMC fees separate from appraisal fees. This was enabled by the legislative history of the Dodd Frank Act where one word was changed from "shall" to "may" during the House-Senate Conference Committee. During the rulemaking, the CFPB made the AMC fee optionality determination despite evidence indicating consumers were indifferent to (or unaffected by) the concept of separate disclosures of appraisal and AMC fees during consumer testing.

We believe this issue deserves a fresh look. Director Chopra's question would be squarely addressed through mandated separate disclosure of appraisal and AMC fees to consumers. Under this enhanced consumer protection regime, all the aggregate fee information would be widely available to consumers and easily researched by the CFPB and other interested parties. Without question, requiring separate disclosure would be the easiest way to identify the percentage of the appraisal fee paid to AMCs, and we encourage the CFPB to resolve this matter once and for all, by mandating the separation of fees on the settlement disclosure forms.

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Native Lands Appraisals

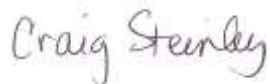
Recently, we have participated in increased discussion about mortgage lending activity in underserved areas, including residences in rural areas and properties on tribal land with leasehold interests. During the ASC hearing, it was the subject of several questions and comments from witnesses.

The Appraisal Institute has been a leader in this space in developing the only seminar in the market about tribal land valuation and leasehold interests. This Tribal Lands seminar was developed in conjunction with Freddie Mac's Duty to Serve initiative to address thirty-four states where tribal lands are found. The seminar is designed to educate appraisers on the issues, realities, principles, and procedures of appraising residential property within tribal reservations which cover approximately 1.3% of this total area. The objectives of the program include increasing the number of appraisers skilled in appraising tribal lands and increasing confidence in lending and valuations.

This seminar is expected to be released by the end of this year, and we would be pleased to provide additional information on the content to any of the participating agencies of the Appraisal Subcommittee or any stakeholder organizations.

Please contact Bill Garber, Director of Government and External Relations, at 202-298-5586, bgarber@appraisalinstitute.org or Brian Rodgers, Manager of Federal Affairs at 202-298-5597, brodgers@appraisalinstitute.org if you have any questions or need additional information.

Sincerely,



Craig Steinley, MAI, SRA, AI-GRS, AI-RRS
2023 President