



March 30, 2012

Richard Cordray  
Director, Consumer Financial Protection Bureau  
1700 G Street, NW  
Washington, DC 20552

Director Cordray:

The American Society of Appraisers (ASA) and the National Association of Independent Fee Appraisers (NAIFA)<sup>1</sup> are writing to reiterate our strong support for the separate disclosure of the appraisal fee and the appraisal management company (AMC) fee in proposed final revisions to the Good Faith Estimate (GFE) and mortgage settlement forms. A large percentage of appraisals in today's residential mortgage marketplace are ordered by lenders through AMCs and our organizations believe that separating the fees is of great importance to consumers. While we were greatly encouraged by and supportive of the forms tested in the Philadelphia market that contained such a separate disclosure, this letter is prompted in part by the subsequent field testing in Austin, Texas of two forms which did not do so. As the Consumer Financial Protection Bureau (CFPB) prepares to release proposed final rules addressing revisions to these critical documents, we felt it important to restate several points we raised in a previous letter to the CFPB dated December 7, 2011.

Since that time, the CFPB has tested a series of prototype forms. In the Philadelphia field test, the CFPB tested the "Honeylocust" GFE form, as well as the "Butternut" and "Hemlock" settlement disclosure forms. In all three forms, CFPB chose to separately disclose the appraisal fee and the AMC fee (in box B of the "Honeylocust" and "Hemlock" form, and lines 2 and 10 in box B of the "Butternut" form). However, in the Austin field test, the CFPB tested the "Tupelo" GFE form and the "Basswood" settlement disclosure form both of which failed to provide for separate disclosure of the appraisal and AMC fees. The Austin field test appears to have been the final test prior to the CFPB's release of proposed final rules regarding revisions to these critically important mortgage forms.<sup>2</sup>

As the CFPB completes its work of drafting these proposed final rules, we want to emphasize several key points from our prior letter that we strongly believe militate in favor of separately disclosing the appraisal fee and AMC fee:

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<sup>1</sup> ASA and NAIFA each teach, test and credential their members for professional appraisal practice and appraisal review in residential and commercial real property valuation. Additionally, ASA is a multi-disciplinary appraisal organization that teaches, tests and credentials its members for professional appraisal practice and appraisal review in business valuation and personal property valuation (including machinery and equipment, fine art, antiques, gems and jewelry and the contents of homes and offices).

<sup>2</sup> See *Know Before You Owe: The last dance...or is it?*, February 19, 2012. Available at <http://www.consumerfinance.gov/blog/know-before-you-owe-the-last-dance-or-is-it/>.

1. At its core, failing to separately disclose the appraisal fee from the AMC fee runs counter to the CFPB's own "Know Before You Owe" initiative because it deprives consumers of key information related to one of the most critical components of the mortgage origination process and, as a result, is inconsistent with your agency's commitment to make costs "clear at all stages of the mortgage process". If fees reflecting the costs of credit reports, flood determinations, notary costs, and pest inspection are significant enough to warrant their own line item disclosure to the consumer, surely the fee paid to an AMC, typically a third and often more of the total cost paid by the consumer for the appraisal, also deserves separate disclosure.
2. By not separating the appraisal fee and the AMC fee, consumers are deprived of the knowledge that a significant portion of what they believe is payment for an appraisal goes to an unidentified third party who is providing backroom administrative services to the lender. In many cases, the lender actually owns the AMC providing this administrative service. Given the volume of originations where the lender relies on AMC-ordered appraisals, our concern extends to the majority of loan originations. More pointedly, in the many cases where the AMC is an affiliate or subsidiary of the mortgage loan originator, the fee paid to the AMC can properly be considered an undisclosed payment to the mortgage lender itself. Moreover, the absence of separate disclosure continues to provide AMCs with an impetus to continue making hiring decisions based on who will accept the assignment for the lowest possible fee – and not based on the competence, experience, training or credentials of the appraiser. This kind of a "race to the bottom" is a disservice to consumers, and can impact the overall quality of valuations relied upon in the underwriting process.
3. The absence of separate disclosures also deprives consumers of critical information they could use regarding the disparities which often exist in the cost of an appraisal and in the appraiser's likely qualifications and experience, depending on whether the appraisal is ordered through an AMC or ordered directly by the lender from appraisers or appraisal firms. Based on the experiences of the thousands of residential appraisers who are members of our organizations, we believe that appraisals ordered through AMCs are often more costly than appraisals ordered by lenders directly from independent appraisers or appraisal firms; and, that appraisers working for AMCs often lack the experience, education, training and professional credentials that independent appraisers possess. AMC roster appraisers are frequently hired less for their qualifications and more because they are willing to provide their services for minimal fees. When the AMC fee and the appraiser's fee are lumped together on the GFE and Settlement forms, consumers are deprived of information that would allow them to understand that they may be paying more for the appraisal if it is ordered through an AMC than if the lender ordered the appraisal directly from an independent appraiser or appraisal firm; and, that the AMC's appraiser may well be less qualified overall. In short, a failure to provide separate disclosure prevents or impedes consumer choice—something that is contrary to the CFPB's unambiguous goals of the "Know Before You Owe" initiative.

4. Finally, but no less importantly, is that failing to separately disclose appraiser fees and AMC fees is likely to have significant dollar and cents consequences for the consumer. In the case of directly-ordered appraisals, the administrative costs for obtaining the appraisal are absorbed by the lender and folded into the “Origination Charges” line on the settlement document. However, where there is no separate disclosure of fees and the appraisal is ordered via an AMC, those same administrative costs are shifted onto the “Appraisal Fee” line of the GFE and settlement form and are paid up-front by the consumer. This disparate result further frustrates the CFPB’s stated goal of empowering consumers.

As stated previously, both ASA and NAIFA strongly urge the CFPB to adopt the approach reflected in the “Honeylocust”, “Butternut”, and “Hemlock” forms and provide consumers with separate disclosure of the fee paid to an AMC when the appraisal is ordered in that manner. We believe this approach not only furthers the important goals of the “Know Before You Owe” program, but provides consumers with a concrete understanding of the options that may be available to them when it comes to appraisal ordering – a critical component of the mortgage origination process in connection with the single largest investment most Americans will ever make.

Our organizations would appreciate an opportunity to meet with representatives of the Bureau to further discuss our concerns and our recommendation on how the proposed disclosure form can be readily modified to better inform and protect consumers. If you would like to arrange a meeting or if you have any questions, please contact the government relations representative of our organizations, Peter Barash, in DC, 202-466-2221, [peter@barashassociates.com](mailto:peter@barashassociates.com); or John Russell, ASA’s Director of Government Relations, 703-733-2103, [jrussell@appraisers.org](mailto:jrussell@appraisers.org).

Sincerely,  
American Society of Appraisers  
National Association of Independent Fee Appraisers