

G. Herbert  
**PRITCHETT & Associates, Inc.**  
222 Union Street Madisonville, Ky. 42431 (270) 821-5765



[Sent via email to: regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

December 20, 2010

Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street & Constitution Ave NW  
Washington, DC

RE: Docket No. R-1394 &  
RIN AD-7100-56  
Regulation Z-Truth in Lending

Dear Federal Reserve:

I am a board member with the Kentucky Real Estate Appraiser's Board and do contract review appraisal work for banks. I am writing to express concern about the provision of the Dodd - Frank Bill that mandates that bank officials and their contractors report all USPAP violations in appraisals that they receive. My concerns are two-fold:

1. The lack of discretion that the words "mandatory" and "all" convey as it relates to USPAP violations, and
2. The potential work load for state appraisal regulatory boards.

Addressing point #1, I try to forge a good working relationship with the appraisers on the bank's approved list and recognize that all people are human and make mistakes. Many times, upon reviewing a report, I will find a competent experienced appraiser will sometimes make a mistake or fail to take into account certain information. When this occurs and it entails USPAP violations, I pick up the telephone; talk to the appraiser; and point out the mistakes or other concerns. Most of the time, that appraiser recognizes the concern and revises the report accordingly. Hence, what was a noncompliant USPAP report becomes a compliant one upon which the bank can rely in its underwriting process. I have found such an approach is helpful to sides concerned. The non-compliance problem may or may not affect the value; and I never discuss the value finding with the appraiser – only the analysis and depth of data in the report. Most of the time the appraiser thanks me for communicating informally with him or her and allowing the non-compliance to be rectified in this informal manner.

If as a bank reviewer I have to turn in all USPAP violations, my fear is that what now is a good working relationship between me and most of the appraisers on the list will become one that generates hard feelings between practicing appraisers and bank review appraisers. I understand the concerns that this regulation attempts to address – to insure that appraisers that consistently produce non-compliant USPAP reports either improve their work or face increasing disciplinary actions. This is a laudable goal, but I do think it would be much better if the bank and its contract employees had some discretion and instead of using the word “all”, the word “significant” could be inserted in the proposed regulation at the appropriate place. This would give the banks some “cover” with popular, local but below-standard appraisers. Banks could still tell appraisers that USPAP violations had to be reported but they exercise some discretion. The reporting would still serve the same general purpose that this portion of the regulation is pursuing - elevating the quality of appraisals - without unduly poisoning the relationship between bankers, their review appraisers, and the appraisers on the bank’s approved appraiser list.

Addressing my point #2, as a board member of a state regulatory board, if banks have to report all USPAP violations to appraisal regulatory boards, I am afraid that there are insufficient personnel and resources to process all of the complaints. Our board (the Kentucky Real Estate Appraisers Board) is one of the best in the nation and we process complaints appropriately and speedily. Indeed, our former investigator teaches investigation courses under a grant from the Appraisal Subcommittee throughout the country. I am concerned without changing this portion of the regulation that our work load would so increase that in investigating a number of smaller minor USPAP non-compliances, we would not be able, due to a lack of resources, to devote sufficient resources to investigate and adjudicate significant USPAP non-compliant reports.

We are already fielding requests from appraisal management to provide information as to whether or not an appraiser has ever had a complaint filed against them and/or been disciplined by the board. Additionally, the Appraisal Subcommittee reviews each and every of our disciplinary investigation and actions for consistency and appropriateness. Hence, if an appraiser failed to include a necessary point in his or her certification, that would be a USPAP violation. In all probability, board would have to possibly impose some punishment for that violation. Then if asked, we would have to report that punishment to anyone who inquired. Was the certification violation significant? I would suggest the answer is “no”. If I was doing a review for a bank, I would call the appraiser, note that he or she did not include this important certification point, and ask for a revised certification page. Under this informal approach, a perfectly good appraiser’s reputation remains clean as far as state board regulatory action and precious regulatory resources on the state regulatory board are not expended. Under the more formal approach envisioned by the proposed regulation change, I would have to report this USPAP non-compliance; file a formal complaint with the appraisal regulatory board; and both the board and the appraiser would have to expend significant resources investigating and adjudicating the complaint for minimal gain.

In summary, I would respectfully suggest that the regulation relating to the banks reporting of USPAP violations in appraisals that they receive, be worded in such a way that it contains some measure of discretion as it relates to the significance of those violations and reporting those violations to state appraisal regulatory boards.

Respectfully submitting this for your consideration and appreciating this opportunity to comment,  
I am,

Sincerely,



A handwritten signature in black ink, appearing to read "G. Pritchett", is written over a horizontal line.

G. Herbert Pritchett, MAI, CCIM