

April 10, 2011

Jennifer Johnson, Secretary, Board of Governors
Federal Reserve System
20th Street & Constitution Ave. NW
Washington, DC 20551

To the Board:

I am a Certified Residential Real Estate Appraiser with a decade of experience. This letter is being sent to ask you to **reconsider and rescind** the Appraisal Independence Customary and Reasonable Fee Final Rule outlined in Presumption 1 currently in place – which is neither customary nor reasonable. This should be done immediately, before you transfer regulatory authority to the new CFPB agency.

In writing the regulation to implement the Dodd-Frank Law, you have circumvented the intent of Congress in the way you wrote the regulation. Congress was clear that they want appraisers to be able to charge 'customary and reasonable' fees for appraisal assignments. Those fees actually have not changed much in a decade or more, because the Lender's customer ... the mortgage applicant ... is still paying what they believe is the cost of the appraisal.

Over two and a half decades, and especially since the mid-1990's, Appraisal Management Companies have utilized an unregulated (and perhaps illegal) business model which allows them to STEAL a hefty portion of the appraisal fee paid by the borrower, funneled through the Lender, keeping it for themselves, and paying the appraiser a small percentage of that initial fee.

Lender banks have never been able to operate this way. Yet the FRB and other federal regulators have turned their backs and allowed this egregious AMC practice to proliferate unabated. Appraisers have been unable to stop it. As a result, you have allowed this practice to influence the way you wrote the regulation to allow Provision 1 to be included. Your assumption that the AMC 'paying' a low compensation amount to the distressed appraiser is acceptable is totally wrong and is not the intent of Congress.

Many AMC's have set, virtually non-negotiable, fees they pay, regardless of assignment complexity – despite provisions in the Dodd-Frank law. This amounts to price-fixing, a federal offense – yet it's tolerated by the FRB and others. If appraisers colluded together like the AMC does, we'd be prosecuted and would lose our appraisal license.

Con't Next Page

Page 2 –

If Lenders want to abandon their oversight responsibility to manage their own appraisal department, and contract with an AMC for that service, fine. But the oversight fee paid to or kept by the AMC should not be STOLEN from the appraiser.

The minimum customary and reasonable fee the appraiser should receive is well known in most regions of this country. Those fees are identified in at least two independent surveys: The Mercury Network and from WorkingRE magazine. The lender then should compensate the AMC with a processing allowance those two businesses determine.

The current business model allowed by Presumption 1 is unsustainable in terms of keeping and attracting qualified real estate valuation professionals. Some appraisers believe this is the ultimate goal; I hope they are wrong. This presumption you have allowed is forcing well qualified appraisers to leave the business. In time, the valuation professional industry will be populated by those who have limited experience. As a result, I and others predict quality of appraisals will suffer, further jeopardizing mortgage lending.

Secondly, the Appraisal Foundation/Appraiser Qualifications Board are implementing new stringent requirements for improving appraiser education prior to becoming licensed. Forcing better educated people to accept pittance fees for service controlled by parties other than themselves is also an unrealistic scenario.

This is what you have done to seriously affect the Real Estate valuation profession. It's the train wreck that's going to happen in your lifetime if you don't rescind Presumption 1 immediately, and let appraisers earn what **they** state is a fair fee for their service, rather than being told 'we will only pay you this much' because we're keeping a portion of the fee you used to earn.

Again, rescind Presumption 1 immediately.

A handwritten signature in black ink, appearing to read "Dave Towne". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Dave Towne, Certified Residential RE Appraiser