

When I first entered the appraisal profession, I was somewhat shocked at the appraiser's role in a mortgage transaction and how we were treated by the players involved. At its worst, it was get this appraisal done, get me my value, and get it done quickly, and oh yeah, we'll pay you if the loan closes. This is why a lot of appraisers made it a point to get "paid at the door" so payment could not be withheld if a desired "value" was not reported. This option is no longer available with appraisal management companies running the show.

I was kind of baffled at why the mortgage broker or the person ordering the appraisal did not want to know the "true or accurate" value of the property that they would be lending someone money to buy. Of course, I figured it out pretty quickly that most of the brokers are commissioned sales representatives whose main goal was to get as much "value" for the property as possible; thus, increasing their commission(s) and increasing profits for whatever company or bank they worked for. Also, I figured out that the mortgage company or bank, would typically sell the loan so they really didn't have to worry about or care if a property was overvalued or if the borrower could pay the loan back. The original lender was not concerned about servicing the loan. The loan would be sold to Fannie or Freddie and the broker would be on to the next deal. With the system set up the way it was it didn't make sense for a commissioned loan officer to care what the "true" value of a home would be, his job was to make money and get as much value as possible and if one appraiser couldn't get him/her that value, they would find one that would. An honest appraiser would find himself with little to no work in these types of transactions.

With the advent of the HVCC, a necessary buffer was created between the appraiser and the person ordering the appraisal. I believe this portion of the HVCC has been successful in that it has limited any attempted direct coercion or undue influence on an appraiser by a loan officer or lender. However, one unexpected consequence has been the "cherry picking" of appraiser fees by the appraisal management company whose original purpose was to serve as the buffer between the appraiser and lender. For example, if a person is looking to refinance a mortgage or purchase a house, that homeowner could be charged upwards of \$600 for a single family appraisal. The AMC (Appraisal Management Company) in most cases will likely keep the lion's share of that fee while the appraiser gets paid around \$190-\$250 and is probably asked to have the report done in break neck speed and if it's not completed in the desired timeframe, he/she will be called incessantly by the AMC until the report is completed. I would hope that the person lending the money would want the person determining the value of the home (the appraiser) to have taken a thoughtful look at the property and considered all different aspects that contribute value to the home rather than the have the person appraising the home who would do it the cheapest and fastest.

Appraiser fees have been on a steady decline this past decade. The appraisers were already the least paid professionals in any mortgage transaction. While most parties involved in a real estate transaction are paid lofty commissions, the appraiser has been getting paid a steadily declining flat fee over the past decade. The HVCC, however, has been a boon for appraisal management companies and a hardship for the actual appraiser. In many cases this new AMC's are owned by a bank or a big lender so, at times, there appears to be a conflict of interest.

In the course of doing business, the appraiser incurs a myriad of expenses that the appraisal management company does not have including: licensing fees, Errors and Omissions Insurance, MLS data, continuing education, gas, and appraisal software. (Not to mention car maintenance and paying taxes, health insurance, etc.) Since there are only a few big appraisal management companies some of which are owned by a bank or a big lender, I don't believe these "fee drops" have been a result true market forces.

I hope that regulation z will take a good long look at how the process is currently set up and propose changes that will foster true appraiser independence, fair and reasonable pay for the appraiser, and allow all parties involved to be concerned about the true value of a property in a real estate transaction. I believe that a strong agency would be helpful for the appraiser to be able to report any indiscretions or gross violations that would threaten the public trust. It would be very important that this agency would have the power to levy sanctions and rectify issues quickly to help avoid a recurrence of past unfair and unethical behavior.