From: Randy Stephens [mailto:rstephens@citizens-banking.com]
Sent: Friday, December 05, 2008 11:46 AM
To: Comments
Subject: Proposed Interagency Appraisal and Evaluation Guidelines

Dear Robert E Feldman,

I would like to express some concerns I have relating to the Proposed Appraisal Guidelines. While I am all for compliance, ethics and making prudent loan decisions, it would appear that, once again, we are being punished by being forced into more highly inefficient regulation because of the unethical practices of other mortgage lending brokers, mortgage bankers and some banks. We are an institution of about $335,000,000. This would create an undo burden on our institution with additional staffing expenses or outsourcing expenses, not to mention time delays, which will have to be passed on to the consumer.

Our institution, like many other ethical institutions, practice and continue to practice as ethical lenders that take their mortgage transactions seriously. We currently allow our lenders and loan processors to order, receive and review (prior to closing) the appraisals. All of our mortgage loans are either lender approved, Senior Lender approved or Loan Committee Approved. Some of our loans are underwritten by a PMI company. Ten percent of all our mortgages are sent through a quality control audit to determine appraisal issues as well as other items. This process works very well for our institution.

Not only will this Proposed Regulation of creating lines of independence slow the mortgage lending process, but it will also cause a substantial increase in cost to us. And, of course, this cost and slower process will be passed on to the consumer. With our current processes we have been able to reduce paperwork, costs and closing times with automated processing systems that are employed through our mortgage lending department. Under the Proposed Regulation, we would lose this automation process, plus either hire another person(s) to order or review the appraisals or outsource the whole appraisal ordering and review process.

I have been employed at Citizens Bank for 18 years and can confirm to you that we haven't fallen subject to the unscrupulous activities that many other mortgage lenders practiced. I believe our current mortgage processing procedures are highly effective. Our institution's mortgage delinquency rate runs about .75% to 2%, which is well below national averages, even prior to the current national mortgage crisis.

I firmly believe that the institutions that abused the system should be the ones to experience higher standards of regulation. I believe that a huge amount of mortgage brokers and some mortgage bankers were the major contributors of this situation and should not be allowed to control any part of the appraisal process. In addition, there were many appraisers that practiced unethically. They can state that they were forced to come up with values or they wouldn't get additional business, but if that were the case, it was their choice to continue the relationship. It should also be illegal for any builder/construction company or real estate company or Realtor/broker to own an appraisal company or a mortgage lending entity. This is a non-arm's length transaction which creates a tremendous amount of undue pressure on the appraiser and the mortgage company to achieve values and loan approvals for the Realtor or Builder.

I would propose for banks that are examined at least once every 3 to 4 years by FDIC, FRB, OCC, OTS or NCUA and have totals assets of less than one billion would be exempt from the Proposed Appraisal Regulation as it pertains to division of duties or creating lines of independence. In addition, this would be permitted as long as they have not been found to have appraisal fraud. Plus, if any of these institutions sell to a GSE (Fannie or Freddie) or most any other lender, they are required to have an active quality control audit program in place. These banks should, however, be required to have written policies and procedures in place for selecting and reviewing appraisers and appraisals.

For all other mortgage lending entities, they are either not examined adequately or are large enough to have lines of independence/division of duties and should be required to follow any increased regulation.

I thank you for taking time to review my concerns and passing them along to the ones who will be making final decisions.

Respectfully submitted,

Signed

Randy Stephens
Vice President
Mortgage Lending