



June 9, 2014

Office of the Comptroller of the Currency
Legislative and Regulatory Activities Division
400 7th Street SW
Suite 3E-218, Mail Stop 9W-11
Washington, DC 20219
Docket ID OCC-2014-0002

Ms. Monica Jackson
Office of the Executive Secretary,
Bureau of Consumer Financial Protection
1700 G Street NW
Washington, DC 20552
Docket CFPB-2014-0006

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street NW.,
Washington, DC 20429
RIN 3064-AE10

Mr. Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, DC 20024
RIN 2590-AA61

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
RIN 3133-AE22

Mr. Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW.
Washington, DC 20551

Submitted to all addressees via Regulations.gov

RE: Minimum Requirements for Appraisal Management Companies

Dear Concerned Officials:

On behalf of the more than 25,000 members of the Appraisal Institute (AI) and American Society of Farm Managers and Rural Appraisers (ASFMRA), thank you for the opportunity to comment on the agencies' proposed "Minimum Requirements for Appraisal Management Companies" 79 Federal Register 68 (9 April 2014), pp 19521-19543.

We strongly support the rules as proposed, as they are mostly consistent with what Congress intended when it added Section 1124 to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) via the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The proposed rules are also mostly consistent with what already has been enacted into law in 38 states. Adoption of these rules, as proposed, will cause the least amount of implementation difficulties for states. We have several suggestions for clarification and addition, as described below.

Background

The proposed rule would: (1) Establish the minimum requirements to be applied by states in the registration of AMCs as required by section 1473 of the Dodd-Frank Act; (2) Establish the minimum requirements for AMCs that register with the state under section 1473 of the Dodd-Frank Act; (3) Require Federally regulated AMCs to meet the minimum requirements of section 1473 (other than registering with the state); and (4) Require the reporting of certain AMC information to the Appraisal Subcommittee (ASC).

Pursuant to Section 1124(f) of FIRREA, beginning 36 months from the time the Agencies issue the final AMC rule, an AMC may not provide services for a Federally related transaction in a state unless the AMC is registered with the State or is subject to oversight by a Federal financial institutions regulatory agency.

Federal-State Construct

We support the construct of the proposed rule, which does not compel a state to establish an AMC registration and supervision program, or impose a penalty on a state that does not establish a regulatory structure for AMCs. This is consistent with the language and intent of the Dodd-Frank Act, which respects our “federal” approach to government. States are not required to enact state AMC registration and oversight programs, but in those that don’t, an AMC may not provide services for Federally related transactions. We believe this will serve as a strong inducement for AMCs to support meaningful state registration and oversight in those states that have not enacted requirements to date. We also believe that this will provide state governments with an additional mechanism to appropriately protect consumers.

Question 1. *The Agencies request comment on all aspects of the proposed definition of AMC.*

Response: We support all aspects of the definition of “appraisal management company,” as contained in the proposed rule. Specifically, we agree with the exclusions from the state registration and oversight requirements of those entities that solely provide appraisal management services for commercial real estate, and for departments and divisions within financial institutions that solely provide services to their parent entity.

In addition, we agree with the agencies’ clarification that an entity satisfies the definition of an AMC, and is thus subject to state registration and oversight only when they have an appraiser panel or network containing more than 15 independent contractor appraisers in one state, or a total of more than 25 independent contractors located in two or more states. We believe that this interpretation regarding an AMC’s use of independent contractors is consistent with the intent of Congress.

Appraisal portals

We also note that while the proposed rule differentiates between an AMC and an appraisal firm, there is no similar discussion of whether or not an “appraisal portal” (also known as a mortgage technology platform or provider) falls within the definition of an AMC.

We request that language be included in the Supplementary Information accompanying the rule that clarifies that appraisal portals that do not otherwise meet the definition of an AMC are not subject to state registration and supervision. However, we have seen some entities in the marketplace that refer to themselves as appraisal portals when they may in fact be AMCs. This may be done for a variety of reasons, one of which is to avoid state registration and oversight requirements. Therefore, we request that the agencies include language in the final rules that is similar to that included for appraisal firms warning that the agencies will be on the lookout for entities that refer to themselves as appraisal portals, or reorganize themselves as appraisal portals, when they are really AMCs, with the intent to evade the State registration and oversight requirements.

Our position is that there are several key factors that differentiate an appraisal portal from an AMC. First, an appraisal portal does not “recruit, select or retain” appraisers for its own appraiser network or panel. Rather, an appraisal portal serves only as a technological conduit through which clients place assignments with appraisers on their own approved appraiser lists that they have populated independent from the portal. While some appraisal portals recruit appraisers to a panel that is made available to clients, the selection and retention of the appraiser is left to the client. We do not believe an entity that operates in this manner is an AMC.

Second, an appraisal portal does not directly contract with state licensed or certified appraisers for the performance of appraisal assignments. Rather, the engagement for the appraisal assignment is between the client and the appraiser.

Third, appraisal portals typically don't collect fees from clients and pay appraisers for appraisal services. Instead, payment to the appraiser comes directly from the account of the client. Some appraisal portals charge appraisers for the privilege of having received appraisal assignments from one or more clients of the portal. But, this does not constitute the collection of fees from a client, and the payment of those fees (or a portion of those fees) to an appraiser for the performance of appraisal assignments.

Lastly, the "true" appraisal portals do not review and verify the work of appraisers. Instead, they simply pass the appraisal from appraiser to client with only reformatting to meet client or secondary market reporting and/or technological needs. However, we believe that some appraisal portals may also be providing adjunct appraisal review services that should result in the classification of the entity as an AMC. These appraisal portals recruit and select appraisers to be part of the portal's appraiser network or panel to perform appraisal review services.

In addition, we have seen some appraisal portals that provide a review and verification of the appraiser's work, up to and including an appraisal review performed in accordance with Standard 3 of the Uniform Standards of Professional Appraisal Practice. We believe such entities are actually AMCs and should be subject to the same state registration and oversight requirements as any other AMC. We also believe that any entity acting as an appraisal portal that utilizes the data contained in an appraisal report for any purpose other than which it is intended (i.e., data mining), should be subject to state AMC registration and oversight requirements.

"Principal Dwelling" and the Commercial Exemption

The proposed rule applies to AMCs that provide appraisal management services relating to a "covered transaction." A covered transaction is any consumer credit transaction secured by the consumer's principal dwelling. The proposed definition does not limit the definition of "covered transaction" to federally related transactions (generally, credit transactions involving a Federally regulated depository institution), even though Title XI of FIRREA and its implementing regulations have historically applied only to appraisals for Federally related transactions. Further, the proposed rule defines an AMC as an entity that provides such services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction (including consumer credit transactions incorporated into securitizations).

We are concerned that the proposed rule will conflict with the exemption for commercial real estate related transactions and securitizations. Specifically, dwelling classifications have been found in other areas of Dodd Frank rulemaking to be excessively broad, encompassing situations beyond the intended purpose. For instance, new consumer disclosure requirements relating to appraisals under the Equal Credit Opportunity Act (ECOA) have had the unintended effect of requiring disclosure of some commercial appraisals to consumers, and with it, a host of complications for lenders and appraisers. For instance, under the ECOA rule, a storefront with an upstairs apartment, or a commercial hog farm or chicken operation, where the borrower's personal residence happens to be on the corner of the site, is classified as consumer property. Here, appraisal management services on appraisals of such properties may require registration as an AMC, capturing commercial appraisal firms or commercial AMCs that would otherwise be exempt under the federal AMC minimum requirements.

To avoid this, we believe that any non-freestanding structures, or free-standing, but commingled with non-residential land use on the same site, such as a commercial farm, should be exempt. Further, the agencies should clarify that a principle dwelling is a property that can be appraised by a licensed or certified residential appraiser. Under minimum Real Property Classification Criteria of the Appraiser Qualifications Board of the Appraisal Foundation, certified residential appraisers can perform assignments up to one-to-four residential units without regard to value or complexity, including vacant or unimproved land that is utilized for one-to-four family purposes or for which the highest and best use is for one-to-four family purposes. They cannot perform assignments on all forms of real property like certified general appraisers. Assignments outside of the sphere of residential appraisers should not be considered “covered transactions” for which an AMC could become subject to state registration and oversight.

Question 2. *The Agencies request comment on the proposed definition of “appraiser network or panel” and on the alternative of defining this term to include employees as well as independent contractors. The Agencies also request comment on whether the term “independent contractor” should be defined, and if so why and how, including whether it should be defined based upon Federal law (e.g., using the standards issued by the Internal Revenue Service or standards adopted in other Federal regulations, such as those issued under the Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act), or left to State law (so as to be consistent with existing AMC laws).*

Response: We also agree with the language contained in the Supplementary Information accompanying the proposed rule that differentiates appraisal firms from AMCs. We view AMCs as brokers of appraisal services. These services generally involve back-room operations such as order processing and fulfillment, project work flow oversight, and oftentimes, quality assurance or appraisal review. These services are separate and distinct from the actual performance of the appraisal, which carries a signed certification that the appraisal was prepared in accordance with uniform appraisal standards.

As the Supplementary Information indicates, appraisal firms are involved in actually providing appraisal services on behalf of clients in a two-party relationship – appraisal firm and client. Appraisal firms are not brokers of appraisal services. In fact, some appraisal firms provide services via their employees or contractors to AMCs. We agree with the proposed rule’s assessment that an appraisal firm that utilizes more than 15 independent contractors in one state, or more than 25 appraiser in more than one state, is an AMC and should be subject to state oversight and registration.

We note however that, while there is a definition of “appraisal firm” contained in the Supplementary Information, there is no definition of “appraisal firm” contained in the actual language of the proposed rule. We suggest that the agencies include a definition of an “appraisal firm” in each of the Definitions sections of the proposed rule, and that the definition be the following:

Appraisal firm – An entity (sole proprietorship, partnership, limited liability company or corporation) that is engaged to perform appraisal services, and that utilizes appraisers that are employees of the entity, or has a network or panel of fifteen or fewer appraisers who are independent contractors to the entity.

Further, we request that a new subsection (c)(3) be added to the definition of “appraisal management company” that reads:

An AMC does not include an appraisal firm.

We oppose any effort to modify the definition of “appraiser network or panel” contained in the proposed rule to additionally include entities that utilize employer-employee relationships. Had Congress intended for appraisal firms to register as AMCs, the term employee would have been

specifically included in the statute, and Congress would have avoided use of the phrase “contracting with appraisers to perform appraisal assignments. The terms “network” and “panel” imply an arm’s length relationship.

We do not support application of the independent contractor definition found in the S.A.F.E. Act to the AMC registration requirements. The provisions contained in the S.A.F.E. Act in relation to independent contractors are for a specific and unique circumstance and involves such things as how mortgage loan originators handle advertisements or promotional material, which may or may not have any applicability to independent contractor relationship between an AMC and an appraiser.

We believe that it is appropriate for each state to apply a definition of “independent contractor” that is generally accepted in the state when making employee/independent contractor determinations.

Question 3. *The Agencies request comment on the distinction the Agencies have drawn between employees and independent contractors as a basis for exclusion of appraisal firms from the definition of an AMC.*

Response: We support all aspects of the proposed rule in relation to the distinction between employees and independent contractors, and as they relate to excluding from the state registration requirements appraisal firms that have employee appraisers, or that have 15 or fewer independent contractor appraisers.

Question 4. *The agencies request comment on whether references to the NCUA and insured credit unions should be removed from the definition of ‘Federally regulated AMC’ and other parts of the final regulation to clarify that AMC CUSOs are subject to State registration and supervision.*

Response: Our position is that AMCs owned and controlled by federally regulated credit unions should not be exempt from state registration because they are not subject to the same level of regulatory oversight as other AMCs that are owned and controlled by federally regulated institutions.

As the agencies point out in the Supplementary Information, the regulations and policies of the National Credit Union Administration (NCUA) do not permit that agency to oversee and supervise credit union owned subsidiaries. However, other AMCs that are owned and controlled by federally regulated institutions are subject to oversight and supervision as part of the oversight and supervision of their parent entities.

We believe that the intent of Congress in enacting Section 1124 (c) of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) was to only exclude from the state registration requirements those AMCs that are subject to oversight and supervision by a federal bank regulatory agency. We do not believe that it was the intent of Congress to exempt credit union owned AMCs from the state registration requirements merely because they are owned by federally regulated institutions.

Instead of basing an entity’s exemption from state registration and oversight on whether or not they are an insured depository institution or credit union, we would suggest instead that the exemption status of an AMC be based on the degree to which a federal bank regulatory agency has the authority to oversee the activities and operations of a subsidiary AMC. We would suggest that the definition of a “Federally regulated AMC” be modified to read as follows:

(j) Federally regulated AMC means an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813, or an insured credit union, as defined in 12 U.S.C. 1752, a financial institution and that is regulated by a federal financial institutions regulatory agency, as defined in 12 U.S.C. 3350, ~~the~~

~~Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the National Credit Union Administration, or the Federal Deposit Insurance Corporation, and the federal financial institutions regulatory agency has the authority to examine the activities and operations of an AMC that is owned and controlled by a regulated financial institution.~~

We are also concerned that the definition of “Federally regulated AMC” contained in the Proposed Rules could exempt from the state registration requirements an AMC that is owned and controlled by a state-chartered financial institution that is a Member of the Federal Reserve System or because their deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We do not believe that the supervisory responsibilities of the Board of Governors of the Federal Reserve System or the FDIC in relation to state-chartered banks would include an examination of the activities of an AMC that is a subsidiary owned and controlled by the state-regulated institution. Therefore, our position is that an AMC that is owned by a state-chartered financial institution should be subject to the same state registration and oversight requirements as any other AMC.

Question 5. *The Agencies request comment on the proposed definition of “secondary mortgage market participant.” Are the types of entities cited in the proposed definition appropriately included in this context? Should any other types of entities be expressly included or excluded from this definition, for the sake of clarity? Should any other types of entities be considered “an underwriter or other principal in the secondary mortgage markets” for the purpose of the definition of AMC in the Dodd-Frank Act?*

Response: We believe that the definition of “secondary mortgage market participant” contained in the proposed rule is sufficient.

Question 6. *The Agencies request comment on the proposed minimum requirements for State registration and supervision of AMCs.*

Response: We provide a multi-part response, as follows.

Minimum Requirements

We strongly support each of the seven “Minimum requirements for state registration and supervision of AMCs” outlined in the Supplementary Information, and contained in each of the agencies’ proposed rule.

Specifically, we appreciate the bank regulatory agencies’ recognition that state appraiser certification and licensing entities must have the authority to review and approve or deny, rather than just process, an AMC’s application for initial and renewal registration. Some states that have already enacted AMC registration programs have structured their programs such that there is no ability for the appraiser licensing and certification agency to evaluate an AMC’s capacity to ethically and competently offer appraisal management services in the state. Under the agencies’ proposed rule, state appraiser regulatory agencies will have the authority to evaluate an AMC’s operations history, and to determine whether or not they meet the state’s criteria for the issuance of a credential to operate in the state.

In addition, we strongly support the agencies’ proposed rules that require appraiser licensing and certification agencies to possess the authority to examine the books and records of an AMC, to conduct investigations related to AMCs, and to take appropriate enforcement actions against AMCs authorized to do business in the state. The value of state registration and oversight is diminished somewhat when a state appraiser regulatory agency does not have these authorizations, and an AMC does not ever have to worry about an examination of its operations by state regulators. Our position is that providing these important oversight

authorizations to a state appraiser regulatory agency will help to ensure that AMCs conduct their operations in a way that is beneficial to their clients, appraisers, and the public.

We also appreciate the bank regulatory agencies' inclusion of language that requires AMCs to consider the education, experience, and expertise of an appraiser to ensure that the appraiser can competently complete the appraisal assignment. We have all heard the horror stories about AMCs that select appraisers from hundreds of miles away from a subject property merely because they can complete the appraisal in the shortest amount of time and at the lowest fee.

Lastly, we strongly support the agencies inclusion of language emphasizing that AMCs must have processes and controls in place to ensure that they are in compliance with the appraiser independence provisions of Section 129E of the Truth in Lending Act, including the requirement for the payment of reasonable and customary fees.

Background Investigations

We strongly support the prohibition on AMCs being registered by a state or included on the AMC National Registry if they have any owner who has had an appraiser credential refused, denied, cancelled, surrendered in lieu of revocation or revoked by any state appraiser credentialing authority. We also support the proposed requirements that an AMC shall not be registered by a state if any person that owns more than ten percent (10%) of an AMC is not of good moral character and does not submit to a background investigation. We recognize that the "moral character" and background investigation requirements are not applicable to "Federally regulated AMCs" since they are owned and controlled by federally regulated institutions that are already subject to the character assessment requirements of their federal bank regulator.

To date, some of the 38 states that have enacted state AMC oversight and registration laws require a background investigation of certain owners of AMCs that merely requires that the person answer, and attest to, a series of questions regarding their background, including if they have a history of any criminal convictions. We do not believe that this is sufficient enough to ensure that an owner of more than 10% of an AMC is of good moral character and does not possess a background that could call into question the public trust. In addition, we believe that owners of more than 10% of an AMC should be subject to the same character assessment requirements as are imposed on applicants for appraiser credentials.

Therefore, we request that the agencies include information in the final rule that clarifies for states that they must employ the same criteria in determining if an owner of more than ten percent of an AMC is of good "moral character" as they are required by the Appraiser Qualifications Board (AQB) to employ in determining whether or not to issue an appraiser credential. Likewise, we request that the agencies include language in the final rules that clarifies that a "background investigation" of an owner of more than ten percent of an AMC consists of a fingerprint-based background check conducted by a governmental agency or entity.

Further, we request some clarification that an appraiser that has had an appraiser credential refused, denied, or cancelled for any reason not directly associated with the provision of appraisal services, and has subsequently had that credential reinstated, remains eligible to be an owner of an AMC. For instance, an appraiser may have had their credential cancelled or renewal refused because there was a problem with their continuing education. If that appraiser subsequently resolved that issue with the appropriate state appraiser board, and is in good standing with that board, then they should not be prohibited from serving in an ownership capacity with an AMC. We believe that this language was meant to prohibit those

individuals who have had action taken against their credential to act as an appraiser for some type of substantive violation of a state's appraiser laws and regulations. We request that the agencies clarify this in the final rule.

Registry Fee Pass Through

We are concerned about the notion that there will be limited financial impact on individual appraisers because this proposed rule “neither requires collection of registration fees by the Appraisal Subcommittee (ASC) nor authorizes the collection of such fees.”

While it may be correct that this proposed rule does not require states to impose registration fees on AMCs, the Dodd-Frank Act does require states and the Appraisal Subcommittee to collect “AMC National Registry” fees. In addition, it is safe to assume that a state will also impose registration fees as part of their AMC registration requirements. State AMC registration fees are appropriate as states have a need to cover their administrative costs associated with an AMC registration and oversight program. Further, the AMC registration and oversight program should not generate a negative fiscal note (i.e. cost the state money), as it could generate opposition in the state legislature. A state's AMC registration fee should be commensurate with the costs associated with administering the registration program, and should be neither a revenue source, nor a cost center.

We are deeply concerned that AMCs will attempt to pass the statutorily mandated, per appraiser, “AMC National Registry” fees (contained in Section 1124(h)(4)(B) of FIRREA) through to appraisers. Considering that AMCs already divert a portion of the appraisal fee paid by a consumer for an appraisal from the appraiser who completes the assignment to themselves, we are concerned that AMCs will further reduce the fees that they pay to appraisers to recoup the AMC's costs associated with registration and the “AMC National Registry”. Survey research conducted by the Appraisal Institute in 2009 indicates that nearly half (48.5%) of all appraisers performing work for AMCs were on three (3) or more AMC panels. If AMCs are permitted to pass these “AMC National Registry” fees (or any other state-imposed fees) on to appraisers, it would result in a further “cramdown” of appraisal fees that have been declining (or at least not rising) over the last several years.

To address this concern, we encourage the agencies to require that states adopt as a minimum requirement of their state AMC registration and oversight program, a prohibition against AMCs passing any fees that they incur in relation to state registration and the AMC National Registry through to appraisers that are part of their appraiser network or panel. We are aware that at least one state has enacted such a provision that prohibits this practice on the part of AMCs.

AMC Fee “Lock Boxes”

Over the last several years, we have seen more and more instances where state chief executives have utilized the fees paid to state appraiser certifying and licensing agencies by appraisers as licensing fees as a convenient source of cash to be utilized by the state for other, non-appraisal related purposes. These funds have been “swept” away from the appraiser agency and taken completely out of the agency's control. In return, the state appraiser certifying and licensing agencies have received budget appropriations, or other resource allocations, that are a fraction of the amount that they receive in revenue and that was taken from the agency. Most states have adequate protections in place to prohibit the diversion of the \$40 National Registry fee paid to the state appraiser certifying and licensing agency by each credentialed appraiser, and to ensure that it is transmitted to the Appraisal Subcommittee. Absent similar provisions that are applicable to AMCs, the National Registry fees may also be seen as a resource to be reallocated for other purposes.

We call upon the agencies to include in the final rule, requirements that each state electing to register AMCs have provisions in place that dictate that all funds that are collected from AMCs, whether they be in the form of registration fees (not specifically referenced in this rule) or the AMC National Registry fees, remain at all times in the accounts of the appraiser certifying and licensing agency, and are not subject to being swept into the General Fund.

Absent this type of “lock box” requirement, we fear that state executives will see the increased revenue associated with a state’s AMC registration program, including significant funds associated with the AMC National Registry, and may attempt to divert these funds away from the state appraiser licensing and certification agency.

Question 7. *The Agencies request comment on the proposed approach to the appraisal review issue.*

Response: We agree with the agencies’ decision to address appraisal review, and any new requirements imposed on AMCs related to appraisal review, under a separate rulemaking. We believe that any regulatory action regarding appraisal review should be dealt with as part of a rulemaking that is applicable to all entities that utilize or provide appraisal review services. If the agencies were to address issues related to appraisal review by AMCs as part of this rulemaking, and other aspects of appraisal review more broadly applicable as part of another rulemaking, the possibility exists for inconsistencies and regulations that differ depending on the type of entity that is using, or providing, appraisal review services.

Question 8. *What barriers, if any, exist that may make it difficult for a State to implement the proposed AMC rules?*

Response: There should be no barriers to state implementation of the provisions contained in the rule if they are enacted in final form as they have been proposed. To date, 38 states have enacted and implemented AMC registration and oversight laws that are very similar to the Agencies’ proposed Minimum Requirements for AMCs. There have, of course, been minor challenges in implementing the state laws as they were enacted, but that is to be expected when any comprehensive regulatory structure is first put in place. But, there have been no barriers that have prevented the implementation of provisions that are very similar to those in the proposed rule.

Question 9. *What aspects of the rule, if any, will be challenging for States to implement within 36 months? To the extent such challenges exist, what alternative approaches do commenters suggest that would make implementation easier, while maintaining consistency with the statute?*

Response: There are no aspects of the proposed rules that should present any specific challenges to states to implement within a 36-month period. Nearly all of the states that have passed and implemented state AMC registration and oversight laws have gone through the entire process – conception, legislative action, regulatory action, implementation, etc. – in far less than 36 months. There is no reason why the additional 17 jurisdictions that will have to enact state AMC registration and oversight laws, cannot do so within a 36-month period. In addition, the Dodd-Frank Act grants to the Appraisal Subcommittee (ASC) the authority to allow states an additional 12 months in which to comply with the requirements on a case-by-case basis. We do not for the agencies that in some states, amending an existing law is sometimes more difficult than it was to enact the original law. We request that the ASC take this into consideration when determining whether or not to grant states additional time, if necessary, to come into compliance with the AMC rule.

Question 10. *Are there any barriers to a State collecting information on Federally regulated AMCs and submitting such information to the ASC? And if so what are they?*

Response: We are not aware of any.

Question 11. *Are any questions raised by any differences between State laws and the proposed AMC rules? Should these be addressed in the final AMC rules and, if so, how?*

Response:

Surety Bonds/Recovery Funds

To date, at least 16 of the 38 states that have enacted state AMC registration and oversight laws have included a provision that requires AMCs to obtain a surety bond. The amount of the required surety bond varies amongst states from \$20,000 to \$100,000. The purpose of these surety bonds (in most cases) is to ensure that an appraiser has a way to obtain payment for an assignment that is completed for an AMC for which the appraiser has not been paid. The methods for making a claim against the surety bond vary from state to state.

There has also been one state that has enacted a requirement that an AMC wishing to be authorized to do business in the state must pay into an “AMC Recovery Fund”. The contributions from all AMCs registered in the state are pooled and serve as a way for an appraiser who has received a final judgment from a court of competent jurisdiction, and has been unsuccessful in obtaining satisfaction of the judgment by the AMC, to obtain payment for appraisal services rendered. Once the AMC Recovery Fund reaches a predetermined funding level, AMCs are no longer required to pay into the Recovery Fund unless there are claims that are paid from the Fund.

We request that the agencies include in the final rule, a provision that states electing to register AMCs either impose a surety bond requirement on AMCs, or create an AMC Recovery Fund into which AMCs are required to make periodic contributions.

Trainees

One of the major obstacles facing the appraisal industry today is a lack of new appraisers entering the business. Right now, more appraisers are leaving the industry than are entering. A major factor in the lack of new appraisers are the requirements to enter the profession. One such requirement is for an aspiring appraiser to work with a mentor, and as a trainee appraiser accumulate the experience hours necessary for licensure. The trainee-mentor relationship can be a difficult one as the mentor is essentially training his or her future competition, but more importantly, the trainee faces insufficient opportunities due to overly restrictive guidelines, which call for a certified appraiser to inspect a property. Appraisers need to have 2,500 hours of experience to qualify as a certified residential appraiser.

Language found in the Dodd-Frank Act requires AMCs to verify that only state licensed or certified appraisers are on their appraisal panels. While this language may seem straightforward and protective of the interest of the lender or consumer, a literal interpretation may prompt some to prohibit the use of trainees under the supervision of a state licensed or certified appraiser. We believe the final rule should provide clarification that use of trainees is acceptable under the supervision of a supervisory appraiser.

Other Issues

Undoubtedly, some states will have to make changes to their existing state AMC registration and oversight laws in order to comply with the minimum requirements contained in these proposed rule. We do not see this a particular daunting challenge, and urge the agencies to adopt the rule in final form as soon as possible.

If there are differences in the requirements between existing state laws and the final rule, the state requirements will only need to be changed in so much as they conflict with the statutory requirements of the Dodd Frank Act or these proposed rule. Where states have provisions in

their state laws that are not addressed in any way in these proposed rules, it will not be necessary for states to change those requirements unless they specifically conflict with these rules and prohibit an entity from complying with the federal requirements.

Thank you for this opportunity to provide our comments on the agencies' proposed "Minimum Requirements for Appraisal Management Companies" 79 Federal Register 68 (9 April 2014), pp 19521-19543. Please feel free to contact Bill Garber, Director of Government & External Affairs, at (202)298-5586, bgarber@appraisalinstitute.org, Scott DiBiasio, Manager of State and Industry Relations at 202-298-5593, sdibiasio@appraisalinstitute.org, or Brian Rodgers, Manager of Federal Affairs, at 202-298-5597, brodgers@appraisalinstitute.org.

Sincerely,

Appraisal Institute
American Society of Farm Managers and Rural Appraisers