



July 3, 2024

Comment Intake
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Re: Docket No. CFPB-2024-0021

To Whom It May Concern:

The undersigned professional appraisal organizations thank you for the opportunity to comment on the Consumer Financial Protection Bureau's ("CFPB") Request for Information on Fees Imposed in Residential Mortgage Transactions.

The bundling of appraisal fees with fees paid to Appraisal Management Companies ("AMCs") on settlement disclosure forms has been a longstanding issue of concern to our organizations and appraisers in general. The CFPB had a chance to correct this through the adoption of Integrated Mortgage Disclosures (TRID) in 2015, but instead continued to allow AMCs to deceptively— yet legally — camouflage their fees by bundling them with the fee actually paid to the appraiser. It is our firm belief that borrowers are being misled into believing the appraisal fee disclosed before and at closing is being paid only to the appraiser, with little to no understanding of the presence of AMCs in the transaction.

After the passage of the Dodd-Frank Act in 2010, there has been extant permissive authority for CFPB to require the separate disclosure of the fee being paid to an appraiser and that being paid to an AMC. Section 1475 of the Dodd-Frank Act states that:

...The standard form described in subsection (a) may include, in the case of an appraisal coordinated by an appraisal management company (as such term is defined in section 1121(11) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3350(11))), a clear disclosure of—

- (1) the fee paid directly to the appraiser by such company; and
- (2) the administration fee charged by such company.

This unused authority has allowed AMCs to abuse the conflation of where the singularly paid "appraisal fee" flows after the consumer provides payment, reaping significant financial benefits while harming consumers and lenders along the way.

To understand the nature of the misrepresentation being made to consumers, it first makes sense to understand how appraisals are ordered by AMCs. The process involves a "broadcast" order being sent by the AMC to numerous appraisers, seeking the lowest appraisal fee and fastest time for order completion and delivery, often with no emphasis on the appraiser's competence or qualifications. The lower the fee for an appraisal, the more of the stated "appraisal fee" that the AMC can retain for their services.

Critically, these lower fees paid to the appraiser do not benefit the borrowers by reducing the fee they are charged – these remain static regardless of what the AMC pays the appraiser¹.

In addition to appraisal assignments being awarded to the lowest bidder, quality control has also suffered. Much of the quality control process has been outsourced to non-appraisers based outside of the region where the appraisal was conducted, working for low wages. These “reviewers” check the most basic facts in an appraisal for accuracy, but do not have access to comparable sales data and miss significant valuation issues such as adjustments. More thorough appraisal reviews would lead to longer turn times and increased costs, which hurts the AMCs’ bottom line, but would provide consumers and lenders with increased appraisal quality.

In short, the failure of CFPB to exercise its existing statutory authority permitting the separate disclosure of fees paid to appraisers and those paid to AMCs is directly harming consumers and lenders – and is immediately fixable if CFPB exercises its authority under Section 1475.

Additionally, the CFPB, as well as other federal banking regulators, should ensure that regulated institutions are fully cognizant of the practices of AMCs they hire. We believe institutions engage an AMC but do not monitor its practices regarding the selection of appraisers, nor are they aware of how much of the borrower-paid fee is retained by the AMC.

Thank you again for the opportunity to respond to the Request for Information. If you have any questions, or would like to discuss our views further, please contact:

- Brian A. Rodgers, Manager of Federal Affairs for the Appraisal Institute, at 202-298-5597 or by email at brodgers@appraisalinstitute.org;
- John D. Russell, JD, Strategic Partnership Officer for ASA, at 703-733-2103 or by email at jrussell@appraisers.org;
- Stephen Frerichs, Government Relations Consultant for the American Society of Farm Managers and Rural Appraisers (ASFMRA), at 703-212-9416 or by email at sfrerichs8@comcast.net; or,
- Stephen Sousa, Executive Vice President for MBREA, at 617-830-4530 or by email at steve@mbrea.org.

Sincerely,

Appraisal Institute
American Society of Appraisers
American Society of Farm Managers and Rural Appraisers
MBREA

¹ During the November 1st, 2023, Appraisal Subcommittee Hearing, CFPB Director Rohit Chopra asked witnesses what percentage of the appraisal fee is taken by AMCs. That question would be squarely addressed through mandated separate disclosure of appraisal and AMC fees to consumers.