



August 21, 2015

Sent via email to FFIEC-Comments@fdic.gov

FFIEC
Program Coordinator
3501 Fairfax Drive
Room 3086
Arlington, VA 22226

Re: Customary & Reasonable Fees

Dear Sir or Madam:

Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd- Frank) describes customary and reasonable fees as:

Lenders and their agents shall compensate fee appraisers at a rate that is customary and reasonable for appraisal services performed in the market area of the property being appraised. Evidence for such fees may be established by objective third-party information, such as government agency fee schedules, academic studies, and independent private sector surveys. Fee studies shall exclude assignments ordered by known appraisal management companies.

After Dodd-Frank was enacted the Collateral Risk Network (CRN) met to discuss ramifications of the Customary & Reasonable fee provision (C&R). After much debate from both lenders and appraisal management companies (AMC), the consensus was clear that a “cost plus” model was the best approach to comply with the C&R provision of Dodd-Frank.

Large national lenders were prepared to independently establish fee schedules to pay appraisers. Lenders, within the CRN who directly engaged appraisers, stated they had done and would continue to survey appraisers to maintain fair fees. This was not a new concept.

Lenders who engaged third parties had relied on the AMC to be compensated based upon “holding back” a portion of the appraisal fee collected from the consumer for their own services. The interpretation of the Dodd-Frank C&R provision was that this method would be a violation of Dodd-Frank. Lenders would need to establish the fees paid to AMCs based upon their usual method of request for proposals (RFP) based upon their own scope of work as prescribed in their service level agreements (SLA). A pass through of the AMC expense to the consumer as a line item was a decision each lender would determine independently.

The law was understood and the stakeholders were clear on how to proceed until the Interim Final Rule was issued on October 28 of 2010 by the Federal Reserve. The presumptions within the Interim Final Rule contradict and undermine the law. The unintended consequences



promote the misaligned incentive of engagement of the lowest fee appraiser, not the best

qualified, which directly harms the consumer and on a macro level ultimately puts the economy at risk.

Since the AMC Minimum Final Rules were enacted on June 9, 2015, States are beginning to take on the issue of enforcement of C&R fees. The regulatory uncertainty has created tension, confusion and unnecessary compliance burden to every stakeholder.

This issue is causing unnecessary turmoil in the valuation community that adds expense and restrains the recovery of a sector already beleaguered by the financial crisis. There are many issues of greater import that need to be addressed in valuation. This particular issue is a simple one to correct by rescinding the Interim Final Rule.

The Collateral Risk Network, which currently numbers over 500 members from all stakeholders in the appraisal sector, are requesting that the FFIEC agencies reach out to stakeholders and readdress the issue of Customary & Reasonable Fees.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joan N. Trice".

Joan N. Trice
CEO
Collateral Risk Network

JNT:kfc

Collateral Risk Network

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