

June 27, 2018

Attn: Control Number 2590-0013
Federal Housing Finance Agency
Eight Floor, 400 Seventh Street, SW
Washington, D.C. 20219



Subject: Proposed Collection: Comment Request: “Minimum Requirements for Appraisal Management Companies, [No. 2018–N-05]”

Submitted by email to regcomments@fhfa.gov

At the request of the Federal Housing Finance Agency (FHFA), the following comments on the minimum requirements for Appraisal Management Companies [No. 2018-N-05] are submitted by the Real Estate Valuation Advocacy Association (REVAA), a trade association representing 31 of the nation’s leading Appraisal Management Companies (AMC).

AMCs are subject to state supervision based on the 2015 federal minimum requirements issued by the Federal Housing Finance Agency (FHFA), Federal Reserve, Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC). These requirements have guided the establishment of state laws and AMC licensing programs.

In response to the areas of inquiry requested:

A. Whether the collection of information is necessary for the proper performance of the functions of the FHFA, including whether the information has practical utility:

REVAA Comments:

The collection of information is necessary and does have practical utility, but only to the extent that the information collected serves the proper purpose to promote appraiser independence while ensuring a healthy real estate valuation market.

The purpose of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) is to provide that federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

B. The accuracy of the FHFA’s estimate of the information collection burden:

REVAA Comments:

There appears to be confusion over the data used to establish the level of burden for each federal agency. This would call in to question the accuracy of the assumptions made.

- The FHFA notice for comment estimates the number of AMCs operating in the nation is 200. This estimate is too low. Industry estimates on the number of AMCs operating nationwide are closer to 400. However, as stated in the footnote, once the AMC National Registry is fully operational in 2020 the actual number of AMCs will be known.
- The FHFA notes that of the 200 AMCs in existence, “approximately 120 are federally regulated and approximately 80 non-federally regulated.” REVAA is only aware of 1-federally regulated AMC in existence – Red Sky Risk Services. The rest of the AMCs that operate in the United States are non-federally regulated and subject to the laws and regulations of the states.

Therefore, if REVAA is correct about the number of federally regulated AMCs that exist, the estimates provided related to the divided “burden” amongst the federal agencies is inaccurate.

- To update the data used by FHFA in its request for comment on the number of states or jurisdictions that will regulate AMCs. As of June 26, 2018, 49 states have passed AMC statutes and expressed their intent to operate licensing programs. Legislation to regulate AMCs is currently underway in Massachusetts and the District of Columbia. Puerto Rico, Guam, Virgin Islands and Grand Marianas Islands are expected to be the only states or jurisdictions to “opt-out” of AMC licensing.

C. Ways to enhance the quality, utility, and clarity of the information to be collected:

REVAA Comments:

Please consider the following:

- Recognizing that the AMC minimum requirements are base-line standards, REVAA believes that more concise guidance from the Appraisal Subcommittee (ASC) to provide consistency in the implementation of the regulations and information required to ensure compliance would be beneficial to AMCs as well as states.
- ASC staff will be reviewing and monitoring states to ensure they comply with the minimum requirements. REVAA believes the ASC has an obligation to better define the requirements to ensure states can comply, and to ensure that the regulatory framework doesn't have an unintended negative impact on the real estate valuation market.
- The current AMC regulatory structure is one whereby, in some states AMCs are being regulated by appraisers who are active market participants. While we do not necessarily oppose such structures, we believe the states must take steps to ensure active supervision of these boards. It is important for federal regulatory agencies to understand this issue to the extent there are concerns over potential market disruptions.
- One requirement of the AMC minimum rules is that states must require that AMCs “establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with section 129E(a)-(i) of the Truth in Lending Act (TILA).” Consistent with the above stated concern, REVAA monitors how states may be implementing this requirement, and we are observing wide variations in the information states have required of AMCs to prove compliance with TILA.

The requirement of the AMC minimum rules that states require that the AMC establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type is being implemented in varying ways. Our concern is not that states cannot be more restrictive, but that wide variation of AMC requirements from state to state may have material unintended consequences on lending activity in a particular jurisdiction.

D. Ways to minimize the burden of the collection on respondents, including through the use of automated collection techniques or other forms of information technology:

REVAA Comments:

It is recommended that the Appraisal Subcommittee find opportunities to develop reporting efficiencies in the licensing system, which could include partnering with the Nationwide Multistate Licensing System (NMLS) or investing in a new process. Furthermore, the ASC should be more aggressive in supporting modernization of the outdated National Appraiser Registry (which AMCs must use to comply with the minimum requirements).

Thank you for the opportunity to provide the perspective of AMCs. Please, do not hesitate to contact me with any questions by phone at (612) 716-1812 or mark.schiffman@revaa.org.

Sincerely,

Mark A. Schiffman

Mark Schiffman
Executive Director