



February 8, 2012

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
Federal Reserve System
1500 Pennsylvania Avenue, NW
Suite 1801 L
Washington, DC 20220

Dear Director Cordray:

On behalf of the 25,000 members of our respective professional appraisal organizations, we applaud the most recent draft of the proposed Consumer Settlement Disclosure Form, which includes clear disclosure of any fee paid to a "Local Appraisal Company" and to an "Appraisal Management Company" ("AMCs") (found in both the ("Hemlock" and "Butternut" versions). Our organizations are pleased that the latest draft of Consumer Disclosure Form recognizes that two distinct services exist – actual appraisal services, and administrative and processing services relating to the management of appraisal operations. This, in our view, is consistent with the Dodd-Frank Act, which authorizes separate consumer disclosure of fees paid for administrative services provided by appraisal management companies (AMCs) and actual appraisal services provided by appraisers.

We offer a suggestion that would further enhance the Consumer Settlement Disclosure Form:

List the AMC Fee under "Origination"

In the current draft, the fee paid to the AMC is listed under "Services You Cannot Shop For." We believe that the AMC service is best suited for the "Origination" section of the proposed form. This would help alleviate any concern that consumers may be confused by the AMC and appraisal fee, and for what or for whom the service is provided. Appraisal management functions are those conducted by lenders as part of loan origination. Under traditional lending models, internal appraisal departments were employed to manage appraisal administration. Such services still can be performed internally by a lender today, and when they are, these services typically are paid for through interest rate or loan origination charges. However, the same functions also may be outsourced to an AMC.

As such, listing the AMC under Origination would be consistent with how these functions have been paid for in the past. Additionally, we believe that this would be consistent with recent Frequently Asked Questions issued by the Department of Housing and Urban Development, which classifies such services as processing and administrative functions¹.

¹ See 9) Q: What charges are part of the charge in Block 1 of the GFE, "Our origination charge"?

A: Block 1, "Our origination charge" on the GFE contains all charges for origination services performed by or on behalf of a lender and/or a mortgage broker. Origination services includes, but is not limited to, the following: taking of the loan application, loan processing, underwriting of the loan, funding of the loan, acting as an intermediary between a borrower and lender, obtaining verifications and appraisals, and any processing and administrative services required to perform these functions, and

8) Q: Where should fees for processing and administrative services be listed on the HUD-1 Settlement Statement?

A: Processing and administrative services are services to perform origination and title services functions. For the loan origination function, charges for such services are included in the total on Line 801. For the title services function, charges for such services must be included in the title underwriter's or title agent's charge and are shown in the total on Line 1101. Examples of processing and administrative services include, but are not limited to, the following: document delivery, document preparation, copying, wiring, preparing endorsements, document handling, and notarization. Available at <http://www.hud.gov/offices/hsg/ramh/res/resparulefaqs.pdf>

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Should the CFPB opt not to include AMC fees in the Origination section of the new form, we suggest that the AMC fee be listed directly below the line of the fee paid for the Appraisal to enhance the flow and readability of the document. While we see some benefit to having some distance between the two fees, we believe that it makes more sense for the two lines to be adjacent to one another.

Our organizations are pleased by your work on the Settlement Disclosure Forms, and we stand committed to working with you to assist with this highly important endeavor.

Should you have any questions or need additional information, please contact Bill Garber, Director of Government and External Relations, Appraisal Institute, at 202-298-5586 or bgarber@appraisalinstitute.org, or Brian Rodgers, Manager of Federal Affairs, Appraisal Institute, at 202-298-5597 or brodgers@appraisalinstitute.org.

Sincerely,

Appraisal Institute
American Society of Farm Managers and Rural Appraisers

Cc: Mr. Rajeev V. "Raj" Date, Special Advisory to the Secretary, Consumer Financial Protection Bureau
Mr. Benjamin Olsen, Managing Counsel, Regulations, Consumer Financial Protection Bureau