

July 30, 2024

Consumer Financial Protection Bureau
1700 G St, NW
Washington, DC 20552

RE: Docket No. CFPB-2024-0021

To Whom It May Concern:

Thank you for the opportunity to comment on the Consumer Financial Protection Bureau's Request for Information on Fees Imposed in Residential Mortgage Transactions.

The growth of Appraisal Management Companies (AMCs) in the wake of the 2008 financial crisis was driven by a well-intentioned but ultimately misguided belief that they could help "ensure the integrity and independence" of property valuations. The reasoning was that by inserting a neutral third-party between lenders and appraisers, it would eliminate any potential conflicts of interest or undue influence that could compromise the objectivity of the appraisal process. However, the reality has played out quite differently, with many AMCs prioritizing profit margins over quality and fairness.

In their pursuit of maximizing profits, AMCs have created a race to the bottom when it comes to appraisal fees, driving down compensation for the actual valuation work while simultaneously increasing their own fees charged to lenders and consumers. Appraisers, who are the backbone of the real estate ecosystem, have seen their incomes plummet as AMCs squeeze every last penny out of the process. This has led to an exodus of experienced professionals from the field, replaced by a new generation of appraisers who may lack the depth of knowledge and expertise to properly assess the true worth of a property. Meanwhile, the lack of transparency around AMC fee structures means the public has little visibility into how their hard-earned money is being diverted away from the actual valuation work and into the pockets of these intermediary companies.

Prior to the Home Valuation Code of Conduct (HVCC), appraisers had the freedom to work directly with their clients, often developing long-standing relationships and an intimate understanding of local market dynamics. However, the new regulations mandated that appraisers could no longer interface directly with loan production staff, forcing them to navigate the unfamiliar terrain of AMCs instead. This overnight change left many experienced, ethical appraisers feeling betrayed, as they were suddenly stripped of their client base and forced to adapt to a system that prioritized cost-cutting and speed over quality.

As an appraiser who refused to comply with these new practices, I chose to boycott AMCs altogether. The primary issue I took umbrage with was the contractual clauses imposed by these companies, which prohibited the disclosure of my fee to the borrower and the inclusion of my invoice in the appraisal report¹. By keeping the borrower in the dark about the true cost of the appraisal, the AMCs are able to charge exorbitant prices and pocket the difference (as shown in Figures 1 through 10), exploiting the consumer's lack of knowledge². I recognized this as a deceptive practice that undermined the principles of transparency and honesty that are central to the appraisal profession. I was unwilling to be complicit in this type of behavior, as it would have required compromising my personal integrity.

Despite the industry-wide shift towards AMCs, I have never encountered a single AMC willing to allow appraisers to disclose their fee to the borrower or include their invoice unless mandated by law for the appraiser to do so. This lack of fee transparency is a crucial issue that has not received the attention it deserves, as it directly impacts both the consumer and the perceived value of the appraisal profession. We need to advocate for fee transparency, and ensure that consumers are not being overcharged and that the integrity of the appraisal industry is maintained.

Moreover, the troubling priorities of AMCs have become increasingly clear. In private communications I've witnessed, AMCs have openly admitted that appraisal quality is not a priority with the decision of which appraiser to use being based solely on fee and turnaround time, not on expertise or thoroughness. This callous disregard for professional competence

¹ Appraisers Not to Disclose AMC Fee? (<https://appraisersblogs.com/xome-questions-ny-amc-disclosure-fee>)

Where Is the Invoice? (<https://appraisersblogs.com/missing-invoice-4-appraisal-services-amc-hiding-fees>)

² Consumers Overcharged by AMCs (<https://appraisersblogs.com/AMCs-overcharge-consumers>)

What's Not in Your Wallet? (<https://appraisersblogs.com/consumer-must-know-actual-appraisal-cost>)

AMC Fee Impact on Appraisal Fee (<https://appraisersblogs.com/amc-fee-impact-on-appraisal-fee>)

AMCs Take a Sizable Cut of the Appraisal Fee (<https://appraisersblogs.com/appraisal-management-companies-take-a-sizable-cut-of-the-appraisal-fee>), Appraisers and Their Lack of Fees (<https://appraisersblogs.com/appraisal-cost-appraisers-lack-fees>)

is further exemplified in a recent news article³ that highlighted the concerning consequences that can arise when experienced, qualified appraisers are systematically bypassed by AMCs in favor of cheaper and faster - but woefully incompetent - alternatives. In this case, the AMC appraiser failed to properly note critical details about the home's infrastructure, marking it as having public water and sewer despite the fact it was on well and septic and that it did not meet the FHA's minimum property requirements regarding the distance between the home's well and septic system. This oversight in the appraisal process was then approved, allowing the sale to move forward and the unsuspecting single mother and her children to purchase the home. However, the appraiser's omission of these key details would ultimately leave this family homeless and financially devastated, as the home's inability to meet FHA standards came to light after the fact. This raises serious concerns about the competence and integrity of the review process conducted by Class Valuation, as they seem to have willfully ignored or misrepresented crucial details that should have been accurately captured and addressed. This tragic scenario lays bare the systemic failures inherent in the AMC model, where a prioritization of speed and cost-cutting over thorough, expert valuation has enabled predatory practices to thrive at the direct expense of the very individuals the system is intended to serve and protect.

The issue of bundling appraisal fees and third-party fees has long been a source of frustration and confusion in the real estate industry. The current TRID disclosure form does not accurately reflect the true cost of an appraisal, as it lumps together the appraiser's fee with additional charges from third-party entities like AMCs. This lack of transparency can be deeply problematic, as it creates a significant discrepancy between what the consumer pays for an appraisal and the actual amount the appraiser receives for their professional services. Many appraisers have voiced concerns over chronically low fees, which has in turn led to an exodus of skilled professionals leaving the field due to inadequate compensation. Appropriate and fair pay is absolutely critical in attracting and retaining high-quality appraisers, as their expertise and impartiality are essential to the integrity of real estate transactions. The bundling of appraisal fees with third-party costs only serves to obscure the true value of the appraiser's work, leading to consumer distrust and a lack of understanding around the appraisal process. Ironically, the unintended consequences of policies like the HVCC - which were ostensibly meant to protect the independence of the appraisal profession - have in many ways undermined that very integrity, as AMCs have exploited the system to the detriment of both appraisers and the consumers, homebuyers and sellers they serve. Restoring transparency around appraiser compensation is a crucial step in addressing these longstanding issues and ensuring a healthy, functional real estate market.

It is deeply concerning that many appraisers have felt compelled to voice their concerns to the CFPB about AMCs anonymously, rather than openly, due to a culture of intimidation within the industry. This unfortunate reality speaks to the significant power imbalance and climate of fear that has taken root.

AMCs are known to blacklist and ostracize any appraiser who speaks out against their tactics. The threat of being shut out from future appraisal assignments – a terrifying prospect that could jeopardize one's entire livelihood – has forced many talented, ethical appraisers to remain silent, even when they have valid, important criticisms to share. This pervasive climate of fear has stifled open discourse and allowed the AMCs to prioritize their own profits over the integrity of the appraisal process, which is a fundamental pillar of the housing and mortgage markets. Appraisers who value their careers and livelihoods are left with little choice but to voice their grievances anonymously, knowing that their careers could be irreparably damaged if they challenge the status quo. This troubling state of affairs highlights the urgent need for greater oversight, transparency, and accountability within the appraisal industry. Professionals must be empowered to freely advocate for much-needed reforms without the constant threat of retribution from the entities that wield such outsized influence over their careers and livelihoods.

Sincerely,

Desiree Mehbod

³ *Uncovering Flaws in FHA Appraisal & Loan Review Process* (<https://appraisersblogs.com/uncovering-flaws-in-fha-appraisal-n-loan-review-process/>)

Uniform R
Report

Appraiser's Fee: \$300.00

AMC Management Fee: \$415.00

Total Client Cost: \$715.00

Figure 1

Ordered Services: Conversion from Conventional to
FHA-FNMA 1004 URAR
Appraisal

Appraiser's Fee: \$50.00

AMC Management Fee: \$125.00

Total Client Cost: \$175.00

Figure 2

Ordered Services: **UAD - FNM**
Uniform R
Report

Appraiser's Fee: \$325.00

AMC Management Fee: \$360.00

Total Client Cost: \$685.00

Figure 3

Order Status:
ASSIGNED

Appraiser Fee:
\$184.00

CoreLogic Fee:
\$236.00

Figure 4

Single Family
Fee Single unless indicated or appraiser's research dictates otherwise
2025 UAD - RED Addendum (FHA Appraiser Required)
See O Addendum (if required, see Form Type or Client Specific Instructions sections, 999400; App
Plan & location maps; subject photos; comparable photos; sketch (interior inspection only); current
sales
See CLIENT SPECIFIC INSTRUCTIONS section of this solicitation letter.
Market value
JACKSON
Appraiser Fee: \$200.00 AMC Fee: \$350.00
If the fee disclosed herein is not customary or reasonable for the scope of work, then do not p
this order and call us directly.
Appraiser must disclose AMC fee and appraiser fee in the body of the report.
10/24/21 12:00:00 AM
View profile photos and activity updates of your colleagues in Outlook. Click here to add interests.
Items New Order Available \$300 Order # 3813770 Address 7331 FISHPOND LANE NW SEVU
Phone 360.885.1234 FAX 360.885.1234

Figure 5

Addendum: Fee Disclosure

Pursuant to the Georgia Real Estate Appraiser and Real Estate Appraisal Management Company Classification and Regulation Act §43-30A-14.1(c) Clear Capital shall separately state to the client the fees paid to an appraiser for appraisal services and the fees charged by Clear Capital for services associated with the management of the appraisal process, including procurement of the appraiser's services.

Property ID	
Loan #	
Borrower	
Property Address	
Appraiser Name	
Appraiser Compensation	\$25
Appraisal Management Fee	\$225
<small>(Includes Quality Assurance, Escrow/Agent/DM Fee, Home Data and/or Fee and Data only fee)</small>	
Total Fee	\$250

Figure 6

Ordered Services: **UAD - FNMA 1004 / FHLMC 70**
Uniform Residential Appraisal
Report

Appraiser's Fee: \$350.00

C Management Fee: \$299.00

Total Client Cost: \$649.00

Figure 7

Fee Description	Amount
Product Fee	\$350.00
Total Fees	\$350.00
Total Fee Collected by AMC - \$650.00	
Compensation Retained by ServiceLink - \$300.00	

Figure 8



Figure 9

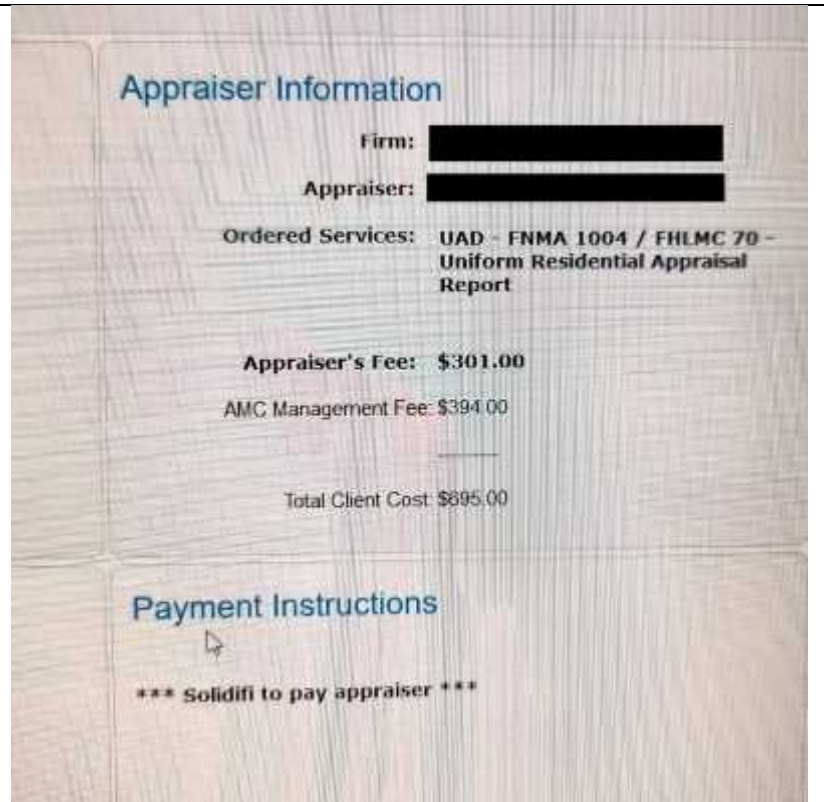


Figure 10