Collateral Risk Network

December 14, 2017

Mr. James R. Park
Executive Director
Appraisal Subcommittee
1401 H. Street N.W. Suite 760
Washington, DC 20005

Dear Mr. Park:

On behalf of the Collateral Risk Network (CRN), we would like to express our concern regarding the recent request submitted by TriStar Bank of Tennessee to be granted a one-year waiver of appraisal requirements based on section 1119(b) of Title XI of FIRREA.

CRN is comprised of over 500 collateral risk management organizations, including many of the country's largest banks and appraisal management companies. We understand the challenges confronted by small and rural markets to obtain competitive services, not only for appraisal services, but for basic financial services taken for granted by urban America. We applaud TriStar Bank for their commitment to serve these communities.

We are concerned that TriStar Bank's request is misinformed based on what appears to be their limited perspective. The request letter submitted by their President, Mr. Ted Williams does not define the scope or present the facts necessary to justify such a waiver. Let's review the facts presented in the request:

One general certified appraiser in Dickson County.

- The county has a population of only 50,000. There is no evidence of the number of appraisals needed in the county to support more than one appraiser. Nashville, Tennessee is 42 miles away and has many certified general appraisers. Within four counties (Davidson, Williamson, Dickson and Maury) addressed in the TriStar letter, there are a total of 317 licensed or certified appraisers (131 Certified General) on the Appraisal Subcommittee's list. This demonstrates there are many options available to this bank without a waiver.

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Demand is so great in Nashville MSA there is difficulty receiving appraisals in a reasonable amount of time.

- What is the demand and supply of appraisal services in Nashville? No evidence is presented by Mr. Williams, other than his anecdotal observation. What is a reasonable amount of time to receive a professional commercial appraisal?

Added time and cost are negatively impacting clients.

- What is this negative impact? Later in the letter Mr. Williams states fees have increased 23% in 5 years. How much might inflation account for this? Have changes in Scope of Work, Assignment Conditions and reporting requirements affected fees? The complexity of assignments must also be considered when comparing fees over two distant time periods. What was the business climate in 2013? If this was a nadir, it is not appropriate to make such comparisons.

Logs reflect an average increase of 82% in wait time to receive appraisals/evaluations.

- This unsupported statistic must be understood in the context of the business climate in 2013 and the types of services underlying the appraisal/evaluations. Did vendors change? Did bank staff change policies and workflow? Is the underlying data of a sufficient size to be credible?

“The cost of time and money is putting pressure on our clients’ ability to find value in our work.”

- This statement is a non sequitur. Their clients in this context are borrowers who need loans. Is Mr. Williams contending that other banks are able to comply with existing appraisal regulations by finding faster and cheaper solutions? It appears Mr. Williams is attempting to create a competitive advantage by waiving appraisal requirements. Shouldn’t TriStar Bank have to play by the same rules and ensure the safety and soundness of its credits like all banks, absence an extraordinary finding of a true shortage for appraisal services?

“We believe we can continue to maintain a strong credit quality and arrive at a *better independent* [emphasis added] fair value.”

- This sentence alone should be enough to convince regulators that this bank should not be granted a waiver. The use of the term a “*better independent* fair value” along with the proposed solution to use his senior banking officer to research local MLS data for an appropriate value is clear proof that

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> Mr. Williams is woefully ill-prepared to supervise collateral risk at his bank without the regulatory oversight and safeguards inherent in a truly independent certified appraisal.

While waivers may need to be available to institutions when supply and demand imbalances in the appraisal industry can clearly be proven to exist and all other solutions to alleviate the supply and demand pressures, such as modifying training regulations and committing additional resources to collateral due diligence, have been attempted, waivers should not be granted without proper administrative review of the facts. The facts presented in the letter from TriStar Bank, along with publically available information confirming a sufficient number of appraisers available within 1 hour of Dickson, Tennessee do not support such a waiver.

Sincerely,

Collateral Risk Network Executive Council

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