From: [redacted]
Sent: Thursday, December 21, 2017 11:41 AM
To: webmaster@asc.gov
Cc: [redacted]
Subject: Temporary Waiver Requests to Bypass Appraisers

Many of the middle tier MSAs are experiencing rapid growth and the demand for appraisal services exceeds supply. Before any federal waivers are provided, it is important to consider and understand the underlying state requirements as they vary and add to the problem. In many cases, the lack of supply is exacerbated by state laws. Many states require use of an appraiser where federal law does not. Tennessee is one of the states that prevents a broker from performing work for low risk transactions such as no new money refis, annual reviews, and a host of other low risk assignments. States that have enacted laws that prohibit any one other than a licensed appraiser from providing an estimate of market value (as well as other restrictions) have materially shrunk the pool of valuation service providers. In areas experiencing rapid growth, the state regulatory cap on supply of valuation service providers is placing even greater pressure on the lending community because non-appraisers fear state sanctions. Even though the bank is in safe harbor to engage a non-appraiser under these federal exemptions, the individuals providing the services are subject to state law. As a result, banks are forced to use licensed and certified appraisers as they are the only providers available in these states on transactions that do not require any appraiser under federal law. This ties up capacity that could otherwise be used on a higher risk transaction.

Federal law already provides exemptions that could provide enormous relief if non-appraisers such as broker and other real estate professionals operating under a state business license were not in fear of losing their business license. If these individuals are unable to provide services for low risk assignments, how can they provide services on higher risk assignments? Adding more layers in the federal waivers will not solve the problem. It makes more sense for the states to waive their local appraiser requirements where federal law already provides an exemption. This will free up capacity in much safer manner than a blanket waiver to bypass appraisers.

Higher dollar transactions on high performance homes requires a higher level of competency. Our quality control and quality assurance results continuously show a higher percentage of errors on higher dollar assignments. If you query the largest banks they will confirm that certified appraisers vs licensed appraisers are needed on the higher risk transactions. When lower tier appraisers are used, that is where the highest percentage of errors occur.

Waiving of appraisers, specifically waiving certification requirements in place on loans over $1 million can have a long term affect on accurate LTV reporting and reserves needed for loans with LTVs over 100%. Inaccurate valuations can result in insufficient reserves and another catastrophic event if there is another market downturn as many institutions will be undercapitalized. As a long time risk manager and internal bank appraisal manager I plead with the appraisal subcommittee and Congress to deny blanket requests to waive use of appraisers and instead consider other alternatives such as safe harbor from state sanctions for non-appraisers completing valuations on low risk assignments that currently do not require a credential under federal law. In addition, if institutions were allowed to use valuation models (which have materially improved over the last decade) on the lower risk assignments that currently require an IAG compliance Evaluation today, that would further free up appraiser capacity on higher risk assignments. There are significantly safer alternatives to freeing up appraiser capacity than providing a blanket waiver that would bypass use of an appraiser on higher risk transactions.

Thank you for your consideration on this matter.

[redacted]