

RE: Temporary Waiver Requests- TriStar Bank

Background

I am a Certified General Appraiser with an office in Southern California. I am unfamiliar with TriStar Bank, the market areas they serve, or, with Clarity Appraisal Management. My statements represent unbiased opinions and observations based on over 42 years of Appraisal and Lending experience, including having been being a former Chief appraiser for two Financial Institutions in the 1970's-1980s. I have nothing to gain or lose if temporary waivers to use Evaluations are approved for any lender(s), or not, on a small or large scale, since very few of my assignments involve direct mortgage lending, and, my office is 2,000 of miles away. My original background on the use and appropriateness of Evaluations includes the development of Evaluation Formats years ago as a co-developer of the AVM for Veros Real Estate Solutions: <http://www.veros.com/>. Veros is the official technology provider for UCDP on behalf of Fannie Mae and Freddie Mac. I am not presently involved with Veros in any manner at this time.

Statement on Temporary Waiver

Evaluations, if done right, and under certain circumstances, can be a very useful tool. They are primarily useful and reliable for simple for conforming single family tract homes which are close to a 50th percentile price ranking and which are not outliers or unusual properties, including properties below the 25th or above the 75th percentile price ranking. It is my understanding that these are done on a regular basis for single family residences, sometimes with excellent results, on a case-by-case basis.

Evaluations have significant limitations and restricted use, especially for Commercial Properties, and if prepared by unqualified companies or persons, compounded by lack of local competency, inadequate training, minimal or experience, and lacking adequate market data. If done properly by qualified commercial appraisers with local knowledge and market data, they could be a useful tool, on a case-by-case basis. Many commercial properties would not qualify for an Evaluation.

The *Temporary Waiver Request* from TriStar Bank of Nashville may be based on unsubstantiated claims. These can be easily verified with facts and documentation.

- Polling of other local and regional commercial lenders regarding problems related to commercial appraisals might prove to be very useful in making an informed decision.
- Polling of local and regional Certified General Appraisers, in the same geographic areas as TriStar, regarding their experience with TriStar Bank, and, of claims made of appraiser shortage.
- TriStar Bank should be able to provide detailed records on commercial loans and appraisal orders, and transactions lost or delayed due to timing or cost, to support their claims with facts.

It is likely that an adequate number of qualified Certified General appraisers are available in the market areas covered by the lender. If not, evaluations could not possibly be done by local qualified appraisers.

One or more of the three alternative options requested by TriStar, being “Realtor”, “Appraisal Management Co.”, or “Senior Officer”, could potentially result in substandard and inadequate support for value of property used as collateral for mortgage lending.

Of the three options, the two least reliable would probably be: “Appraisal Management Co.” and “Senior Officer”. A local commercial broker might *possibly* be more reliable over the other two, if qualified and in possession of adequate data and analytical skills.

I am not familiar with Clarity Appraisal Management, have never had contact with them or done work for them, and have nothing positive or negative to say about them. It is possible that they are ranked as the #1 AMC in the U.S. by clients, appraisers, and others. If so, this would indicate a good reputation and competence. I did look at their website: <https://www.clarityamc.com/>. I found no statements offering commercial appraisal assignments or commercial reviews. The vast majority of AMC’s are a middle man between residential appraisers and residential mortgage lenders. Like a Broker.

Due diligence and vetting is recommended before a lender would engage any AMC for commercial valuation assignments, including experience and staff of the AMC.

An AMC or Appraisal Company with adequate commercial property experience and staff would be a better choice over one specializing in residential assignments, for commercial assignments.

Another alternative for TriStar might be to order Evaluations directly from local Certified General appraisers, and to eliminate the use of any AMC altogether. This would result in better quality, faster appraisals and lower cost, not having to pay a middle-man to simply order an appraisal, who has no direct control over completion. This would be a win-win solution for all parties, including the lender, the borrower and the professional appraiser. This is permitted.

Since the request for Temporary Waiver is based on the claim that local commercial appraisers are not available, one of the following assumptions might be made:

1. *Residential Appraisers* would be doing the evaluations.
2. “*Out of area*” or “*Out of State*” appraisers would be doing the evaluation. Could be residential or commercial.
3. *R.E. Brokers* would be doing the Evaluations

Evaluations by a Loan Officer is the least acceptable of the three options offered. The collateral valuation needs to be done in a neutral and unbiased manner, with no motivation towards desired results of value.

The Savings and Loan meltdown of 1980’s and the Banking Crisis of 2008 were in part a result of inadequate collateral valuation due to faulty (high) appraisals, especially the S&L crisis.

Private lenders who are not insured by FDIC and not Federally Regulated, on the other hand, should be free to take whatever risks they deem acceptable in the determination of collateral valuation, since the Public at large is not at risk of financial harm from potential losses.

Thank you for the opportunity to provide input for consideration in formulating a final decision on this matter, which can be applied also to other waiver requests which may be received.

Respectfully Submitted by:

Craig Gilbert, SRA, CRP, SCREA
CRAIG GILBERT APPRAISALS

Certified General Appraiser State Lic. #AG004777

Professional Appraiser for 42 years (1975)

Court Appointed 730 Expert - California Superior Court

Litigation Support and Forensic Consultant

Designated Expert Witness in State and Federal Courts

Testified as Expert Witness in California, Nevada and Texas

Estates, Trusts, Divorce, Tax Basis, Bankruptcy, Partition Sale, Price to Sell, Date of Death,

Property Tax Appeal, Relocation, Fractional Minority Interests, Partition Sale, Buyout

Fraud Investigation, Retrospective, Review, Loss Mitigation, Finance, Eminent Domain

Apartments, Industrial, Office, Retail, Land, Subdivisions, Mobile Home Parks, Special Purpose,

Proposed Construction

Residential – SFR's, Condos, PUD's – From Simple to Complex and Luxury to \$20 million

Full and Partial Interests - Leasehold & Leased Fee Interests, Partnership Interests

Clientele include Law Firms, Attorneys, Trusts, Estates, Financial Planners, GSE's, Financial

Institutions, Private Individuals, Fortune 500 Companies

Member of the Appraisal Institute – SRA Designation since 1980

Member of Worldwide Employee Relocation Council – CRP Designation; Relocation Trained

Founding Member – Relocation Appraisers and Consultants (RAC) 1990

Member - Forensic Expert Witness Association (FEWA) – Secretary Orange County Chapter 2017

Member - Association of Certified Fraud Examiners (ACFE)

Broker/Realtor member - National Association of Realtors (NAR) – California Association of Realtors (CAR) - Orange County Association of Realtors (OCAR)

MLS Committee Member 2017, 2016, 2015 (OCAR)

2016 – Winner of National Report Writing Contest sponsored by Worldwide ERC and RAC

Meritorious Service Award 2015 – Worldwide Employee Relocation Council (WERC)

President's Award 2011 - Worldwide Employee Relocation Council (WERC)

Former President – Society of Real Estate Appraisers – Orange County CA Chapter

Former Chief Appraiser – Keystone Savings, Household Bank and San Marino Savings

R.E. Broker since 1984 (State Lic. #00912439)

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