

Hello,

My name is Nora King. A few of you may remember me from last year when I addressed your committee regarding proposed Bill 303. For those of you that don't remember, I am a Real Estate Appraiser and actively involved in the Connecticut Association of Real Estate Appraisers. I am also an appraiser that works with Appraisal Management Companies and sees on a day-to-day basis what is happening due to the large banks and AMCs seeing the appraisal as a profit center. Many of those issues that were addressed last year have become progressively worse in the past 12 months.

Though I think the intent of Bill 5221 addresses a small part of the reform process that is needed for Appraisal Management Companies, I do not believe it will solve the current problem without the following additions. I also believe that SB 228 which will be heard on March 11th will address the more underlying issues of consumer transparency alongside of the registration and regulation of AMCs (SB13.) These bills should both be passed.

The issues that are happening today that needs to be included in this bill.

1: Lack of transparency and lack of quality in the appraisal process. Separation of fees is the solution. This is primarily because AMCs and large banks (such as Chase) are treating the appraisal process as a profit center. A fee schedule or fee panel is not enough!

- The consumer has no idea that the AMCs are focused on the cheapest appraiser and the quality is suffering. They rarely ask for qualifications but go by who can do it for the cheapest price.
- HUD clearly states the full disclosure of fees must be made to the borrower. AMCs and major banks do not do this because they clearly place their processing fees in the appraisal fee. They clearly state on the appraisal order "Do not discuss or disclose fees to borrower." This means one thing - they do not want the consumer to know what they are paying for.
- They are breaking anti-trust laws by setting the fees and stopping the competitiveness of the appraisal business as well as driving costs up for the consumer with no thought to the quality or risk that is being assumed by the consumer

- The only way to stop this from happening and provide full disclosure is to allow the appraiser to provide their invoice both in the report and at time of inspection.

2: Alteration of reports. No AMC should be allowed to alter the report, add data or remove data. Many of the larger AMCs do this. They strip out invoicing, addendums, add their own content and the consumer has no idea this is going on. Howard Pitkin from the Banking Commission is aware that this is happening but has no legal rights to go after the banks and AMCs that are doing this and accepting this practice. They do this through such companies as FNC, which owns Appraisal Port and is currently working with lobbyists to ensure the continued ability to alter or change the data and strip out invoices.

3: Tax dollars should remain in CT. The tax dollars should be kept in the State of CT and the appraiser should be collecting the fees that are paid for a service within their state. Many appraisers have financially been suffering due lack of regulation of large banks like Chase, BOA and large Appraisal Management Companies (Rels, LSI, Quantrix etc.) and in most cases have no legal recourse due to the size of these entities and inability for the States to help. By keeping the fees in the State of CT it will help our economy and help ensure our CT consumers are getting full transparency.

4: Each appraisal management company must have a licensed appraiser from the state of CT doing the review and assignment of work. This appraiser and management company should have to maintain the same level of continuing education that every appraiser must have. It is critical for the person who is assigning and reviewing the work to understand the marketplace, especially in such areas as the shoreline communities and the more rural areas.

5: Furthermore AMCs should be prohibited from including "hold harmless" provisions in their contracts with appraisers, or from requiring appraisers to indemnify the AMC against liability. New Mexico has been leading the United States in Appraisal reform and this as well as full disclosure of fees are part of this reform.

Thank you so much for your interest in this matter and I hope that this year we can act and ensure full consumer transparency and lessen the risk by ensuring the quality in the appraisal process.

Background for Senate Bill 228 for March 11th.

Proposal to only allow properly licensed real estate appraisers to collect or charge a fee in connection with a real estate appraisal.

Over the past 12 to 18 months myself as well as many of my colleagues have noticed a significant increase in the number of appraisal requests from appraisal management companies aka AMC's. This increase is believed to be attributable largely in part to the implementation of the Home Valuation Code of Conduct aka HVCC which took effect on 05/01/2009.

The primary function of the appraisal management company is to locate appraisers who are able to fulfill appraisal assignments for their clients who are typically mortgage brokers, mortgage lenders and or banks. The underlying goal of the appraisal management company is to locate an appraiser who will perform the appraisal assignment at the lowest fee thereby ensuring the greatest profit margin for the appraisal management company. The appraisal management company will typically be compensated for their service in one of the following three ways:

- 1) They collect a referral fee directly from the appraiser.
- 2) They markup the cost of the appraisal to the bank/lender.
- 3) They charge the homeowner a fee for the appraisal which is greater than the fee charged by the appraiser for their service.

In some instances appraisers have reported seeing appraisal management companies mark up the cost of an appraisal by as much as 100% for doing nothing more than locating an appraiser via the internet. Moreover, appraisers are often instructed not to discuss their fee with the homeowner or the end lender. Such a request can only serve one purpose which is to conceal the true cost of the appraisal from the homeowner and or lender.

Since the primary goal of the appraisal management company is to maximize their profits the appraisers qualifications become secondary to the fee in which they charge. This sort of hiring practice may not ensure that the borrower or the lender is receiving an appraisal from the most suitable and/or qualified appraiser.

These practices also come at a time when our State is trying to make homeownership more affordable and create more transparency with respect to the costs associated with obtaining mortgage financing. All the while the aforementioned practices of the appraisal management companies makes it less affordable as the practice of marking up appraisals unnecessarily drives up the cost of mortgage financing and in turn homeownership within the State of

Connecticut. Not to mention that these practices also lead to less transparency with respect to the actual costs associated with mortgage financing as well as hiring appraisers who may not be the best suited for a particular type of assignment.

The same sort of steering, markups, bird dog fees, kick backs and referral fees have become prohibited practices in Connecticut with respect to the insurance industry, the real estate industry and the legal profession as the practice itself inevitably leads to higher and unnecessary costs that are eventually passed on to the consumer.

At this time we request that the legislature adopt the following proposals which will undoubtedly lead to greater transparency with respect to the costs associated with mortgage financing as well as eliminate unnecessary costs associated with obtaining mortgage financing.

- 1) The only one who may charge a fee in connection with a real estate appraisal is an appraiser who has been properly licensed by the Connecticut Department of Consumer Protection.
- 2) Real Estate Appraisers shall be prohibited from sharing their fee with any one other than a real estate appraiser who has been properly licensed by the Connecticut Department of Consumer protection.
- 3) All appraisers must include and incorporate an invoice within each appraisal thereby reflecting the actual fee charged by the appraiser.
- 4) All appraisers must provide the homeowner/borrower with an invoice thereby reflecting the actual fee charged by the appraiser for their services.

Submitted by: CARA (CT Association of Real Estate Appraisers) 2/3/2010
Rob Clermont 203 – 675 -6902
Nora King 203 – 866 -6777

James Dimon
JP Morgan Chase

January 28, 2010

Dear Mr Dimon,

My name is Nora King and I am the owner of Nora King and Company which is a residential real estate appraisal company based in the State of Connecticut. Additionally, I am an officer of CARA (The Connecticut Association of Real Estate Appraisers.)

I am writing in regards to the appraisal management companies that your company has chosen to manage your appraisal process, moreover Quantrix and LSI.

In my experience these two companies are more focused on the mark up in which they are able to place on an appraisal. Procuring the most experienced appraiser with GEO competency at a reasonable fee is secondary to procuring the cheapest appraiser irrespective of that appraisers GEO competency.

As someone who works for both Quantrix and LSI I can attest to the fact that these companies are constantly trying to solicit the cheapest appraisers who are willing to appraise extremely complex multi million dollar homes for as little as 200.00 or 300.00 dollars.

As appraisers we have to maintain our appraisal work files therefore the aforementioned requests and others like them have been well documented by myself as well as my colleagues within the Connecticut Association of Real Estate Appraisers. To put it bluntly Quantrix and LSI do not care about your customer; all they care about is finding the cheapest appraiser so they can mark and profit off the appraisal service. Also, these same management companies threaten to black ball or decrease the ability of small appraisal offices to survive.

As the CEO of JP Morgan Chase I would hope you would be appalled that your company is allowing the aforementioned AMC's to procure your appraisals based on this methodology.

It is about time that the large banks take responsibility for allowing this practice to continue. I have an MBA in business and I love appraising. However, I have watched the AMCs slowly ruin this business mostly due to big banks like yourself allowing this to happen. You and other Chase executives talk about risk management continually in the news but yet you actually don't practice what you are preaching. I have hundreds of examples of this with supporting evidence on how Chase uses AMCs and doesn't care about the transparency to the consumer or practice strong risk assessment in the appraisal process.

Your further endorsement of fee erosion and poor quality of the appraisal process would never be tolerated if your own bonuses were tied to it. It seems like the big banks keep profiting more and more from the small business owner and the home buyer everyday!

The appraisal is one of the most important steps in the mortgage process. A home is often the largest investment a consumer can have yet you continually endorse this process with AMCS. It must stop!

Regards,

Nora King
Nora King and Co. LLC
294 Rowayton Avenue
Norwalk CT, 06853

CC: CT Banking Commission, Appraisal Commission, Senator Chris Dodd, Senator Joseph Lieberman, President Barack Obama

- JP Morgan Chase
aka Quantix



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First America - Bloomington, MN
Tuesday, February 02, 2010

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POSITION SUMMARY:

Processing Analysts are responsible for the timely and accurate placement of all Conventional and FHA orders within 24 hours of their receipt. Proper placement is ensured by the PA's analysis of the appraisers available and selection of one that meets the company standard turnaround time, profitability requirements, and quality standards. Complete and concise documentation, as well as clear communication to all parties, is required on all files.

ESSENTIAL FUNCTIONS:

- Appraisal Management functions including answering incoming calls, placing of FHA and Conventional orders, telephone contact with the customer as needed, managing your assigned branch in box and other duties as assigned. These responsibilities may be changed from time to time as appropriate.
- Placing orders. Focusing on rushes, orders on Hold, Finals and orders over 48 hours old first. Order Placement standards are as follows: Conventional - Placed within 2 hours of activation, FHA - Placed within 4 business hours, Declines - Reassigned same day, and Holds - Followed up on daily until resolved. The goal is to have 92% of all orders placed within 24 hours. Each PA will be responsible for calling on any non accepted orders within their area along with placement of new orders.
- Assuring vendor acceptance of the Quantix Valuation standard turn around time of 5 business days.

First American Corporation is an Equal Employment Opportunity/Affirmative Action Employer and maintains a Drug-Free Workplace.

% of Travel Required None

NOTICE: Individual is responsible to adhere to First American Corporation's and department's compliance and information security policies, practices, and procedures, including the handling of systems and data, in the performance of the role.

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