



March 10, 2010

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Honorable Bob Duff
Honorable Ryan P. Barry
Co-Chair, Banks Committee
Room 2400, Legislative Office Building
Hartford, CT 06106

Dear Co-Chairmen Duff and Barry:

State regulations effecting appraisers have a direct impact on our business processes and I am writing to provide comments on Raised Bill 228, An Act Concerning Appraisal Reform. I am a Certified Residential Appraiser, licensed in the state of California and an analyst for LSI, a division of Lender Processing Services, Inc. based in Pittsburgh, PA. The LSI division of Lender Processing Services, Inc. is the oldest Appraisal Management Company (AMC) operating in the United States.

LSI has been an active market participant in the mortgage settlement services industry for decades. We are dedicated to preserving a high level of public trust in the appraisal process and support appraiser independence standards. Reputable AMCs such as LSI provide invaluable services to clients, appraisers and consumers alike.

We are not opposed to licensing requirements for appraisers; however, the requirements set forth in this bill are designed to *eliminate* the ability of Appraisal Management Companies to do business in your state. Many Connecticut banks utilize the services of AMCs and this eradication of AMCs from your state will have a negative impact on their business models as well. At LSI, we believe that responsible legislation can benefit both consumers and market participants in the mortgage lending industry, however, it is apparent this legislation was drafted to benefit a third party, namely the appraiser, rather than the consumer. We appreciate the opportunity to offer comments regarding issues impacting our industry at the legislative level in your state. I have reviewed the proposed legislation and would offer the following comments for your consideration:

Section 2 (b): This amended section of the statutes provides direction to Connecticut banks requiring the adoption of loan policies mandating the standards as follows:

“(1) A requirement that only real estate appraisers licensed in accordance with the provisions of chapter 400g may charge a fee in connection with a real estate appraisal, (2) a prohibition against a real estate appraiser sharing such appraiser's fee with anyone other than a real estate appraiser licensed in accordance with the provisions of chapter 400g, and (3) a requirement that every real estate appraiser incorporate into the appraisal report such appraiser's invoice reflecting the actual fee charged by such appraiser for performing the real estate appraisal and provide the loan applicant with a copy of such invoice. The loan policy and any loan made pursuant to the policy shall be subject to the examination of the commissioner concerning safe and sound banking practices.”



Subsection (3) does support the bill's Statement of Purpose listed on page 7 as providing transparency with regards to the fees charged by an appraiser. Many lender/client/GSE appraisal delivery systems do not accept invoices as part of the appraisal. A better solution to provide fee transparency with minimal to no system modifications, is to require the appraiser to report the fee paid for the appraisal within the body of the report.

The intent of sub-sections (1) and (2) is not supported by the statement of purpose, has no legal precedent, and has no identified rationale indicating a public need. The attainment of a real estate appraisal encompasses services and duties beyond those of the appraiser. Limiting compensation to only the appraiser for those services is anti-competitive and creates a restraint on trade. Further, this provision strictly limits the appraiser's right to negotiate contract terms in consideration of their business model.

- **Recommendation:** It is recommended sub-sections (1) and (2) be deleted in their entirety and sub-section (3) be revised to reflect a requirement for the appraiser to report the appraisal fee paid to the appraiser in the body of the report. (Note: The comparable amended language in **Section 4 (a)** and **Section 7 (a), (b), (c)** also needs to be revised accordingly.)

Section 3 (e): Section 36A-261 specifically sets forth restrictions regarding mortgage loans. The amendments in sub-section (e) consist of the requirement for appraisers to be licensed and mandating of policies that shall:

"(1) prohibit the appraiser from sharing an appraiser's fee with anyone other than a real estate appraiser who has been licensed in accordance with the provisions of chapter 400g; and (2) require the appraiser to incorporate into the appraisal report an invoice reflecting the actual fee charged by the appraiser for performing the real estate appraisal and provide a copy of such invoice to the loan applicant."

Subsection (2) does support the bill's Statement of Purpose listed on page 7 as providing transparency with regards to the fees charged by appraiser. Many lender/client/GSE appraisal delivery systems do not accept invoices as part of the appraisal. A better solution to provide fee transparency with minimal to no system modifications, is to require the appraiser to report the fee paid for the appraisal within the body of the report.

As previously stated, the intent of sub-section (1) is not supported by the statement of purpose, has no legal precedent, and has no identified rationale indicating a public need. Appraisers often have clerical and other support staff and prohibiting them from 'sharing' their fee would in essence, preclude them from providing compensation to that support staff. This provision is unnecessary and strictly limits the appraiser's right to negotiate contract terms in consideration of their business model.

- **Recommendation:** It is recommended sub-sections (1) be deleted in its entirety and sub-section (2) be revised to reflect a requirement for the appraiser to report the appraisal fee paid to the appraiser in the body of the report. (Note: The comparable amended language in **Section 5 (c)** also needs to be revised accordingly.)

Section 6 (e): This provision requires any financial institution which directly or indirectly imposes a fee on an applicant for an appraisal shall provide such applicant with a copy of the invoice reflecting the actual fee charged by the appraiser for the appraisal. As previously stated, many lender/client/GSE appraisal delivery systems do not accept invoices as part of the appraisal file. Further, some appraisers do not have electronic invoicing capabilities. A better solution to provide fee transparency with minimal



to no system modifications, is to require the appraiser to report the fee paid for the appraisal within the body of the report.

- Recommendation: It is recommended this statement be revised to reflect a requirement for the appraiser to report the appraisal fee paid to the appraiser in the body of the report.

Referral to Study Committee: Although we have submitted our comments regarding the proposed legislation, it is clear that there is a great deal of misunderstanding and misinformation about the appraisal process. We are also concerned that portions of the legislation are not predicated upon a real showing of public need but are designed to protect the interests of third parties rather than those of the consumer. Therefore, we urge the legislature to refer this matter to a study committee to gather facts and better understand the appraisal process and the role that AMC's play in that process. In that regard, our company would be available to participate in any study committee discussion to assist in clarifying any misconceptions regarding the role of an AMC in the appraisal process. We are committed to adhering to all regulatory appraisal policies at both the federal and state level and look forward to working with you in this legislative process.

Thank you for allowing us to submit our comments on the proposed legislation in Connecticut. Please feel free to contact me at any time as you consider these issues.

Respectfully submitted,

Beth Buell

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