

March 11, 2010

Banks Committee  
Senate Bill 228  
An Act Concerning Appraisal Reform

Senator Duff, Representative Barry and all distinguished members of the Banks Committee. I am Scott E.P. Kelland President of Kelland Capital Management, Inc. I appreciate the opportunity to comment and lend support to Senate Bill 228, An Act Concerning Appraisal Reform.

This is a bill that is clearly directed towards transparency and promotes specific disclosure of appraisal fees while insuring that only a duly licensed individual is entitled to a fee in connection with an appraisal assignment under the provisions of the Connecticut Statutes for real estate appraisers.

This bill directly addresses benefit for the consumer. The consumer needs to be assured that when a financial institution engages an appraiser to value real estate, the individual is duly licensed and competent, that fees paid by the consumer are specifically identified and itemized for their individual property and that the fee is not for any other purpose. It should not be open to interpretation to who the fee is designated. It is presented, defined and itemized as an "Appraisal Fee". The prudent person would deem that the payment is applied directly to the engaged appraiser not allocated for any other use. The consumer is quite familiar with itemized fees and billing in their every day life by licensed professionals (i.e., legal bills, medical bills, auto repair) which they demand specific itemization and transparency. Why would it be different for appraisal profession?

Fee splitting, ant-kickback provisions are very specifically identified and addressed legally in many states as well as covered under ethic standards by many professions. Uniform Standards of Professional Appraisal Practice (USPAP) clearly has identified disclosure of fees in the procurement of an appraisal assignment.

"Disclosure of fees, commissions, or things of value connected to the procurement of an assignment must appear in the certification and in any transmittal letter in which conclusions are stated. "

This bill allows for further detail and protection for the consumer stating that not only must the appraiser comply with disclosure of fees in the procurement as defined by USPAP, but also not share the fees with any one who is not licensed as an appraiser in Connecticut. Logic states that when one seeks services from a licensed professional that is specifically held to regulatory standards both at state and federal level, that non- licensed or unregulated individuals should not be a party to the action as it relates to a specifically identified professional fee.

With regards to presentation of an invoice and specific fees, this has been addressed at federal level and clearly identified by FHA under Disclosures:

“FHA-approved lenders must ensure that: FHA Appraisers are not prohibited by the lender, AMC or other third party, from recording the fee the appraiser was paid for the performance of the appraisal in the appraisal report.

The fee for the actual completion of an FHA appraisal may not include a fee for management of the appraisal process or any activity other than the performance of the appraisal.

Any management fees charged by an AMC or other third party must be for actual services related to ordering, processing or reviewing of appraisals performed for FHA financing.

Appraisal software has the ability to incorporate invoices and integrate into report. Appraisers typically include an invoice in reports unless directed otherwise. It should be noted there are third party portals that convert electronic appraisal reports and remove the invoice or convert invoice into separate document. This process gives lenders the option of not disclosing the exact fee charged by appraiser.

HVCC requires that a lender provide borrower an original copy at no cost the appraisal three business days before closing unless waived by borrower. It would be prudent to include in specific wordage in this legislation under (New paragraph C) (A) Incorporate Invoice, (B) Provide Original Copy, (C) Deliver (include that a specific time frame).

Conclusion: This bill is simple and employs common sense that doesn't require vast interpretation. It is all about transparency. It is reported by many financial experts that we are living in a world of the most reckless financial environment in recent history. Global confidence in the US financials system and its regulation of complex financial products has come under intense scrutiny. The current financial crisis is directly related to the financing of housing. It is clear we need to get back to basics and have superior collateral risk evaluation. Many of the recent abuses have been due to a lack of transparency and intentional opacity. We clearly don't need confusion in the appraisal of an underlying asset, a critical initial step in the process of valuation, and more specifically transparency should be a primary objective as it relates to the

simple task of identifying professional fees. Any opacity in this matter is to the detriment of the consumer.

Thank you for you time and consideration.

Sincerely,

Scott E. P. Kelland  
President /CEO