

January 21, 2020

The Honorable Kathy Kraninger
Director
Consumer Financial Protection Bureau
1700 G. Street NW
Washington, DC 20552

Re: Docket No. CFPB-2019-0055, Integrated Mortgage Disclosures

Dear Director Kraninger:

On behalf of the members of the undersigned organizations, thank you for the opportunity to assist the Consumer Financial Protection Bureau (“CFPB”) with your assessment of the TILA-RESPA Integrated Mortgage Disclosures (TRID) under the Real Estate Settlement Procedures Act (“Regulation X”). We respectfully submit the following with a request for the CFPB to review the current *Zero-Tolerance for Appraisal Fees*.

The Problem:

Under TRID, the appraisal fee is considered a service that “cannot be shopped for” by the consumer and is subject to a zero-tolerance requirement, greatly constraining any adjustments in fees. Prior to this, appraisal charges were subject to a 10 percent tolerance that provided some flexibility for unforeseen changes in circumstances.

The Result:

Unfortunately, the current rule places unnecessary constraints on professional appraisal service providers, forcing appraisers to provide fee estimates on assignments “sight-unseen” or without fully understanding the complexity of the assignment. Appraisal fees can vary greatly based on the appraisal assignment’s scope of work, which can change upon inspection of the property. The zero-tolerance policy makes it very difficult for the fee to be adjusted to reflect extra work required to complete the assignment, and places the appraiser in the position of either completing the assignment for a fee that is lower than would otherwise be required, or withdrawing from the assignment – leaving the lender or their agent to restart the appraisal process.

The rule also creates problems for lenders, who are forced to adopt strict rules and fee schedules with appraisal management companies and appraisal service providers to comply with the zero-tolerance policy. Many lenders moved away from accepting fee quotes for services as they must make disclosures to applicants too rapidly to obtain an accurate quote. Then, should the appraisal fee turn out to be greater than disclosed on the Loan Estimate lenders are often put in a difficult position of choosing whether to “eat the fee” or go through an arduous process of redisclosure of fees.

The Solution:

We believe the current zero tolerance rule is too constraining and ask the CFPB to consider reestablishing reasonable tolerances for appraisal fees that would allow professional service providers to understand the complexity and scope of work of assignments before providing quotes of fees for services. This approach would provide needed flexibility for appraisers and lenders alike, while removing current practical challenges seen under the current zero-tolerance approach.

We would be happy to meet with you to discuss these concerns in person. Please contact John Russell, ASA, 703-733-2103, jrussell@appraisers.org, Stephen Frerichs, AFMRA, 703-212-9416,

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sfrerichs8@comcast.net, Bill Garber, AI, 202-298-5586, bgarber@appraisalinstitute.org, and Sehar Siddiqi, NAR, 202-383-1176, ssiddiqi@realtors.org to arrange a meeting or for any additional information.

Sincerely,

American Society of Appraisers
American Society of Farm Managers and Rural Appraisers
Appraisal Institute
MBREA – The Massachusetts Board of Real Estate Appraisers
National Association of REALTORS®