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The New Consumer Financial Protection Bureau (CFPB) Begins to Scrutinize Appraisal Fees

AppraiserNews

The CFPB is starting to take a closer look at appraisal fees and, as part of its mandate, bring increased clarity to buyers, sellers and those refinancing to the breakdown of some costs which are not fully disclosed at their mortgage closings.

Writing in the Washington Post on January 27th, Kenneth Harney notes that the standard HUD-1 settlement statement includes just one line for appraisal costs with no definition of how much was actually paid to the appraiser and what amount was paid to an appraisal management company (AMC). This may change as the CFPB is considering disclosures of the exact amounts paid to the appraiser and the AMC.

Mr. Harney notes that the AMC “may be wholly owned by or otherwise connected” to the lender. The article quotes Frank Gregoire, a past chairman of the Florida Real Estate Appraisal Board, as saying that:

“The borrower receives no benefit from the [appraisal management] ‘service. The lender is able to outsource a significant responsibility—the selection of an appraiser—to an affiliated subsidiary, and profit from that task by making the consumer and the appraiser pay for the privilege. [This] business arrangement is concealed from the consumer/borrower, and the charge is misrepresented as an ‘appraisal fee’ on the HUD-1. This is dishonest, deceitful and unfair.”

The CFPB has a statutory deadline to put forth an improved HUD-1 by July so we are hopeful that full disclosure of how the appraisal fee is disbursed (along with the relationships between lenders and AMCs, actual services provided by AMCs, etc.) will result in improved working conditions (and pay) for appraisers.

A link to the Washington Post report (which includes a defense of AMCs and the present system by Donald E. Kelly, executive director of the Real Estate Valuation Advocacy Association) is found here: [Consumer Financial Protection Bureau Scrutinizes Appraisals and Other Realty Fees](#)