



THE APPRAISAL FOUNDATION
*Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications*

March 16, 2018

Mr. James R. Park
Executive Director
Appraisal Subcommittee
1401 H Street NW, Suite 760
Washington, DC 20005

RE: Docket Number AS18-03

Dear Mr. Park,

Thank you for the opportunity to comment on the temporary waiver of appraiser certification of licensing requirements requested by TriStar Bank in Dickson, Tennessee dated November 20, 2017, as well as the supporting documentation provided by TriStar dated January 10, 2018.

It is the mission of The Appraisal Foundation (Foundation) to promote public trust in the valuation **profession. The Foundation believes that approving TriStar's waiver request would erode public trust;** therefore, we strongly urge the Appraisal Subcommittee (ASC) to deny the request. The rationale for our position follows.

Those who cannot remember the past are condemned to repeat it. Less than 30 years ago, a significant number of federally insured financial institutions failed, due largely to risky lending practices that resulted in the taxpayers of this country paying billions of dollars to bail them out. These practices incorporated the utilization of appraisers who were not required to meet minimum qualification criteria or adhere to minimum appraisal standards. Recognizing the need to rectify this situation, in 1989 Congress passed the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), which mandated federally regulated financial institutions utilize appraisers meeting the qualifications established by the Appraiser Qualifications Board, and who follow the standards established by the Appraisal Standards Board,¹ when conducting real estate related financial transactions.

The regulatory system established as a result of FIRREA has been very effective and, while imperfect, serves its intended purpose in protecting the federal deposit insurance funds (and thereby the public). Many financial institutions have not only survived, but have indeed *thrived* since the enactment of this legislation. Fortunately, for TriStar Bank, they were not created until January 1, 2000²; had they existed prior to the implementation of FIRREA, they might have a different perspective on utilizing qualified appraisers to perform appraisals using established standards. Nevertheless, TriStar has grown significantly, from about \$20 million in assets in 2000, to over \$272 million in assets in 2017. TriStar also reported a net income of over \$1.5 million in 2017.³ All of which is to say TriStar appears to have done quite well, despite its claim of being **"hamstrung" by a lack of available appraisers to facilitate its lending business.**

¹ *Uniform Standards of Professional Appraisal Practice (USPAP)*

² www.tristar.bank

³ www.ibanknet.com

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Lack of available appraisers: fact or fiction? In its waiver request and supporting documentation, TriStar claims between 2013 and 2017, the **"wait time" to receive appraisals** has doubled and the cost of appraisals has increased by 78.5%. However, the number of licensed and certified appraiser credentials *increased* by 28% since TriStar opened its doors, including an *increase* of 6.5% from 2013 to 2017, the same period TriStar analyzed.⁴

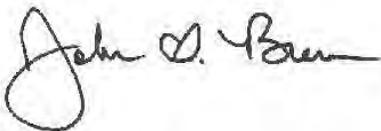
In its letter dated January 23, 2018, the Tennessee Real Estate Appraiser Commission also rebuffs **TriStar's allegation of a lack of available of appraisers with its own county-specific data**. Therefore, **TriStar's contention that increased "wait times" and costs** are due to a lack of available appraisers simply does not hold water. TriStar fails to acknowledge that **longer "wait times" and increased costs may be** due to factors other than the number of available appraisers.

Full circle. **If TriStar's** contention of unavailable appraisers cannot be substantiated, it begs the question, **"Why are they requesting a waiver?"** **TriStar's own request appears to provide the answer, and that is** increased profitability. While such a goal is not, in and of itself, problematic, placing profit before safety and soundness is. This intense desire for increased profit is exactly what caused financial institutions to fail **in the 1980's, and it took an act of Congress (and several billion taxpayer dollars)** to save them, and to develop important safeguards to protect them from self-serving risky practices going forward. Those **safeguards have resulted in greater stability for the nation's financial institutions, providing safety and soundness** while allowing them to be competitive in the marketplace (**TriStar's own financial performance** confirms their ability to compete). It would be shortsighted and irresponsible to turn a blind eye on those safeguards, simply for the sake of higher profit margins.

While credible appraisals performed by qualified appraisers may cost more and take more time than **TriStar would like in the short term, the protections offered may ensure TriStar's viability in the long term.**

The Foundation urges the ASC to deny TriStar's request for a temporary waiver of appraiser **certification and licensing requirements. Because TriStar's waiver request is based on an** unavailability of appraisers and that contention cannot be substantiated, the Foundation believes the ASC has no choice but to deny the request. There is no evidence to support **TriStar's contention that** appraisals cost more and take longer to complete because of a lack of available appraisers.

Respectfully,



John S. Brenan
Director of Appraisal Issues
The Appraisal Foundation

⁴ Appraisal Subcommittee National Registry