

**From:** Brian J. Gatzke  
**To:** [Regulatory Comments](#)  
**Subject:** Real Estate Appraisals  
**Date:** Saturday, December 1, 2018 11:21:11 AM

---

To Whom it may Concern regarding the change in the appraisal threshold from \$250,000 to \$1,000,000 for valuation:

You go ahead and change it to \$1,000,000 or whatever level you want. What matters is One Thing.....

In the end are you "PROTECTING THE PUBLIC TRUST"?

If you make it easier to send funds into the country to build and grow our great nation, can you adequately guarantee a loan is made with a solid repayment and asset valuation? is that not the 'real' issue here? Do we have a level regulatory playing field between all the different financial groups? Why do you have all the inconsistencies between banks, mortgage, credit unions, private funding, and farm credit associations in our system?

Why have guarantee's if the person making the loan is not held accountable? (both the loan officer, board of directors, officers, and the entity receiving the funds)

It has been nearly 8 +- years ago when valuation topics of number of appraisers, threshold, regulations among other topics was openly discussed among a group of industry leaders in Washington D.C. This was hosted in the conference room of The American Bankers Association (ABA) invited participants into dialog with discussion. The event was beneficial and it appeared to have future meeting possibility. The ABA was able to bring in about 30 + groups together the various financial leaders, Mortgage, Freddie Mac, The Appraisal Foundation (TAF), The Appraisal Subcommittee (ASC), plus other regulatory and professional organizations between financial and appraisal including the largest appraisal professional organization The Appraisal Institute (AI) and the largest Rural Property Appraisal organization The American Association of Rural Property Farm Managers and Rural Appraisers (ASFMRA). ASFMRA is a member of TAF and AI is not a member of TAF, but they have many members who serve on various TAF and other boards around the nation and internationally.

This round table discussion was to find a common dialog between groups regarding a possible (Perceptions) of shortages with appraisers in rural areas and what was being done by the various groups to improve the turnaround. In addition a secondary topic was discussed regarding the minimum level along with the general knowledge regulations were not consistent among all the groups.

At that time, the ABA discussed appraisal shortage and changes. It was brought up by ASC and TAF whom agreed to provide data to ABA. It was assured the tools and procedures were in place to meet market demands. I presume this data was presented and findings have continued to be shared with them and we all know the numbers of ageing population and training challenges.

During this time, it was discussed why not raise the appraisal threshold?

Within the dialog, several leaders and members of the financial industry indicated the need to “protect the public trust” and secure the assets with good valuation models. Then just find a way to increase the number of appraisers for faster turnaround in financial valuation models. Within this dialog, it was emphasized the financial industry will continue and if the valuation/appraisal profession does not provide the services desired and needed by the financial industry the financial industry will continue to operate and find alternatives while continuing the ‘protect the public trust’ focus.

After all, Freddie Mac and Fannie Mae voluntarily require appraisals of their guarantee loans and VA and FHA both require appraisals but that was established by Congress for all appraisals and many are under the current appraisal threshold. If they saw the need to ‘protect the public trust’, they why not just require appraisals or valuation models approved by the Appraisal/valuation industry? Most bankers want a well written and supported opinion of fair market value, while we all know some just want the report for the file because the ‘regulations’ require them and without the loan being made they do not get their paycheck or commission. What are you all doing to protect the public trust and avoid major downfall in our economy like the 1980’s and again around 2008? I remember both.

During the ABA group dialog it included: general appraisal reports, statistical multivariate regression models, banker evaluations, broker price opinions, regression models, and of course the ‘restricted use reports’ of the various mortgage industry including Farm Credit Association in rural areas, who have staff appraisers within the same office as loan officers and providing restricted use reports. Whereas the “banking profession” have to employ independence with full appraisal services adding time and competing against credit unions and such.

Do you understand or realize Farm Credit Associations (mortgage type company) do not have the same oversight? This is the “rural” market. It takes time and has extensive distance between properties along with low population areas, you just do not have a lot of sales data. It all takes time to research.

You should ask “how can we create a level regulatory playing field”? It seems the driver on these concerns maybe the Banks, but it appears they are asking for a level playing field and trying to find ways to create one outside of regulations. Yes, raising the minimum threshold is one of the fastest ways. Why not “protect the public trust” by encouraging a one level regulatory process of all financial players. Why have separate and costly groups?

Is our federal system in congress that erroneous with controlling special interest groups who want to ignore the gorilla in the room? “Protect the Public Trust”

During the past 10 years we have all seen an uptick in dialogs and technology changes leading to “BIG DATA”. The Appraisal Institute has developed several statistical and math valuation models with seminars, courses, and publications in their journal to aid in the education and teachings for valuation professionals. Yes, it does work, but it must be clean, consistent, and uniform.

Perhaps it is time for our Higher Level Education system of Universities be brought together and create solid "Big Data" models in every state or major metropolitan area over 75,000 or 100,000 people.

Is Big Data valid and acceptable? Yes, for statistical models, the more data with 'reliable inputs' and 'consistency' of inputs will yield valid results. However, in a research setting with strong control and consistent oversight of the data being entered, then reviewed it does work. The issue you should be more concerned about is who controls this data, how oversees the consistency of inputs, and who asks the questions. How much money do you have to create big data and consistency of data along with verifying who is confirming what property rights are being valued?

Can a bank or financial player use statistical models for valuations under the minimum threshold? Why even have a minimum threshold at all?

What property rights are being valued and then secured with the fixed asset (Land and improvement to the land) and how can a statistical model interpret emotions of buyers in a free market of willing buyers and sellers with common understanding of the price to pay or sell at? What else is included in the transaction such as subsurface or air rights; personal property such as appliances or vehicles or membership to country club or a 1031 like kind exchange or the recent "Opportunity Zone" for the current tax code. What is the 'buyers motivation'. How can a computer model of "BIG DATA" with statistical analysis objectively measure the 'human factors'?

After all does raising the minimum appraisal level really do anything to 'protect the public trust'? Would it not be better for every financial group (Mortgage, credit unions, banks, farm credit, private equity groups) to have same regulatory oversight and give them the tools and resources to make sure clients can pay back the financial instrument?

As the Accounting industry changes from cost accounting to Market Based accounting, you will see more dynamics in our financial and accounting reporting processes. Why not step up the activity and train more people in the valuation of "fixed assets" of Real Estate and provide more education in "property rights" of the property?

Sometimes they say the best solution for lower taxes is higher taxes, thus rebellion occurs and the lower taxes come around (tea party in Boston). Maybe the best solution is to remove the threshold entirely, let the financial industry determine which item to higher an appraisal on, but place a huge fine/bond or burden on the board of directors of that group along with the officers of each entity. Make them liable if they conduct bad loans.

Why have regulations at all? Because we are human and humans are the behavior character which appraisers are trained what is the market motivation between buyers and sellers. Of course just remove all the thresholds, let the free market work it's way out. The Gorilla in the room will find a way.

You are welcome to call me anytime and I am more than willing to meet you in Washington DC.

Thanks

Brian J. Gatzke, ARA, M.B.A.  
Candidate Appraisal Institute  
Northern Plains Appraisal, LLC  
PO Box 63  
311 3<sup>rd</sup> Street  
Brookings, SD, 57006-0063  
Phone/Cell 605-691-2119  
Fax 605-610-0948  
Email: [Brian.Gatzke@northernplainsappraisal.com](mailto:Brian.Gatzke@northernplainsappraisal.com)  
Web: [www.northernplainsappraisal.com](http://www.northernplainsappraisal.com)



Sent from [Mail](#) for Windows 10