

**Statement Of The Louisiana Real Estate Appraisers Board
Regarding Today's Action by The Federal Trade Commission**

BATON ROUGE, LA (May 31, 2017) – In an administrative complaint filed today by the Federal Trade Commission (FTC), it was alleged that the Louisiana Real Estate Appraisers Board (LREAB) had fixed the minimum price of residential real estate appraisals by enforcing the Board's obligations under federal law to ensure that appraisers are paid customary and reasonable fees for their services.

Bruce Unangst, Executive Director of the Louisiana Real Estate Appraisers Board (LREAB), said:

“Respectfully, the FTC is just plain wrong. By issuing this legally faulty and factually incorrect complaint, the FTC is seeking to punish a Louisiana state agency for following federal regulatory mandates. Specifically, Dodd-Frank regulations – intended to protect consumers by ensuring the integrity of home mortgage appraisals – require that state appraisal agencies ensure Appraisal Management Companies (AMCs) pay “customary and reasonable” fees for home appraisals. It is the federal government that put these requirements on state appraisal agencies, and our Board followed these federal regulations after an open, public and transparent rulemaking process. To now suggest that LREAB’s good faith efforts to comply with federal law is some sort of shadowy price-fixing conspiracy is ludicrous. Congress and six financial regulatory agencies in Washington have directed Louisiana to do exactly what the FTC is now alleging is an antitrust violation.

“These claims distort the reality of the Board’s conduct in an attempt to stitch together a conspiracy where none exists. We plan to vigorously contest these charges and defend the interests of Louisiana consumers while ensuring our state complies with federal appraisal independence regulations.”

W. Stephen Cannon, Constantine Cannon LLP, Washington, D.C., counsel to LREAB, said:

“This is truly an overreach by the FTC, in direct contradiction to the federal government’s focused and consistent efforts since the 1980s to ensure the integrity of the residential mortgage market. With this misguided attempt at antitrust enforcement, the Commission has placed both federal and state efforts to protect consumers from unsound mortgages in serious jeopardy. I have no doubt a judge will agree that the Board’s actions to protect Louisiana consumers were appropriate and justified.”

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Louisiana Real Estate Appraisers Board (LREAB)

Background

May 31, 2017 – In filing its administrative complaint against the Louisiana Real Estate Appraisers Board (LREAB), the FTC seeks to punish a Louisiana state agency for complying with the mandates established by federal financial regulatory agencies, including the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Consumer Financial Protection Bureau, as well as the Federal Housing Finance Agency.

Over three decades, Congress and the federal financial regulatory agencies have sought to prevent the recurrence of mortgage-based financial crises by ensuring the integrity of the real estate appraisal process by mandating state regulation of appraisers:

- Responding to the savings and loan crisis, in 1989, Congress mandated the establishment of state appraisal licensing agencies, such as the Board, and subjected their activities to federal oversight and audits. The Board was established as Louisiana's agency to comply with the 1989 federal requirements.
- Responding to the residential mortgage crisis, the 2010 Dodd-Frank Act required lenders and their agents—Appraisal Management Companies (“AMCs”—to adhere to “appraisal independence” standards to protect consumers from manipulated mortgage appraisals or appraisers with limited knowledge or experience. These independence requirements included a Congressionally-mandated obligation to pay customary and reasonable fees to compensate appraisers for necessary skills and geographic experience, as set out in implementing Federal Reserve Board rules.
- The Dodd-Frank Act further mandated that the federal financial agencies establish minimum requirements for state appraisal agencies, such as the Board, to register AMCs and ensure AMCs’ compliance with the appraisal independence standards, including paying customary and reasonable fees to appraisers. Finally Dodd-Frank expanded the scope of federal audits of state appraisal agencies to ensure they have complaint, investigation, and enforcement programs in case of AMC rule violations.
- In response to Dodd-Frank, in 2012, the Louisiana Legislature amended the Appraisal Management Company Licensing and Regulation Act, requiring the Board to promulgate the Customary and Reasonable Rule. The Board spent an entire year working with Louisiana stakeholders – lenders, appraisers, and appraisal management companies – to promulgate a Customary and Reasonable Rule that complied with the mandated federal requirements.

- The FTC is alleging that the Board turned an academic study of fees paid to appraisers in Louisiana – conducted by Southeastern Louisiana University (SLU) and specifically permissible under federal regulations – into a “floor” on such fees. This ignores the Board’s federal regulatory obligation to investigate complaints regarding appraisal fees paid for specific appraisals to determine whether those fees paid are customary and reasonable. A fee study is just one way to show that appraisal fees meet a federal regulatory “presumption of compliance” with the customary and reasonable standard. LREAB regulations expressly allow use of other approaches to demonstrate compliance as well. Moreover, the FTC alleges an antitrust violation because several of LREAB board members hold appraiser licenses, even though only two of the Board’s ten current members are active residential appraisers.

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