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## What if no mortgages could be written in Mass.?

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What if no mortgages could be written in Mass.? It could happen. Not likely, but there's a government agency called the Appraisal Subcommittee (ASC) that could make it happen. They've never done it, but they're seriously considering it in some of the states where mortgage fraud and appraisal fraud appears rampant. Imagine the consequences.

The ASC's mission is to ensure that real estate appraisers, who perform appraisals in real estate transactions that could expose the U.S. government to financial loss, are sufficiently trained and tested to assure competency and independent judgment according to uniform high professional standards and ethics.

You'd think that mission would be the responsibility of Commonwealth of Mass. Division of Professional Licensure (DPL). You'd be right and the DPL is doing that job fairly well. Actually, the job of the ASC is to make sure that the DPL is doing its job properly. If the ASC determines that the DPL is not doing the job properly, the ASC can rule that no appraiser in the state can maintain an appraisal license. That means that no financial institutions can write mortgages in the state because just about all mortgages require an appraisal.

That sounds pretty draconian, but it is close to happening in a few states.

When that action is considered, it is usually because the states are incapable of enforcing the training, testing, standards and ethics required under FIRREA. Those states are incapable of enforcement because the problems are so big and staffs and budgets are so small.

Fortunately, the problems in Mass. are relatively small compared to the rest of the country. Home values have fallen significantly less than in places like Miami, Detroit and Las Vegas, there are fewer foreclosures, appraisal fraud is less of a problem, and appraisers in Mass. appear to be better educated and trained than in those areas. However, if we were to experience more complaints about appraiser ethics and competency, would we have the resources to aggressively investigate them?

Appraisers are subject to higher educational and experience requirements than just about any profession except doctors, engineers and lawyers.

The fees to obtain and maintain a real estate appraisal license in Mass. are higher than any other profession licensed by the Commonwealth - even surgeons. Unfortunately, those fees are not entirely used to monitor and enforce the ethics and competency of appraisers. Instead, the appraiser license fees - actually all license fees - are deposited directly into the General Fund. Then the governor and the Legislature determine which budgets should receive which funding. To many, it seems that the size of the licensing fee should be consistent with the cost of testing, licensing, monitoring and enforcing the standards of the profession. When enforcement is an issue, there should be plenty of funds available to vigorously investigate and prosecute offenders from the fees paid. When enforcement requirements are low, that should be an indication that the fees are too

high.

Good appraisers actually welcome enforcement of standards and ethics. To date, they have been quite willing to pay very high fees to obtain and maintain their licenses. But fewer and fewer appraisers are renewing their licenses. Some report that they can't make a decent living because fees are so low. Some say that the highest incomes are paid to the appraisers with the least education and the lowest ethics. If there is little or no enforcement, why should they perform professionally? If the license fees go up as the appraisal fees are driven down, how can they stay in the profession?

Would the lenders respect the value of independent appraisal if the ASC effectively shut down all lending in the state?

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