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What is next with proposed legislation for appraisers?

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November is finally here, marking the end to one of the most turbulent months in the history of the stock and financial markets. It appears (oh please) that conditions have stabilized for the moment. And now, all the proposed legislation that was thrown against the wall in the first couple of weeks in October is now being moved forward.

My interest, of course, is the legislation that affects appraisers. Some is good, some is disastrous and here is where we stand at the moment on each:

The Federal Housing Finance Agency (FHFA) is scheduled to release its final version of the Home Valuation Code of Conduct (HVCC) soon. This is the so called "Cuomo Agreement" that aims to reduce appraiser coercion. Under this new code mortgage brokers will be prohibited from selecting appraisers. Lenders will be prohibited from using "in house" staff appraisers to conduct initial appraisals. Lenders will be prohibited from using appraisal management companies (AMCs) that they own or control. In essence it will increase the power of the existing AMCs, and create more AMCs. While it will reduce pressure on appraisers from lenders, the legislation as currently written will only change the source of the pressure on appraisers to AMCs.

This bill badly needs tweaking which is currently being done by Appraisal Institute officials in Washington. It was scheduled to be implemented on January 1st, 2009 but because of the meltdown of Fannie and Freddie in September, has been put off for a couple of months.

HR 3915-Appraisal Regulatory Reform (Title XI changes) passed in the House of Representatives and is pending in the Senate. This bill authorizes more resources to state appraisal boards and the Appraisal Subcommittee to carry out Title XI enforcement. It also promotes the use of designated appraisers. It is likely to be considered in 2009.

This bill, unlike the HVCC, will raise appraisal standards, help get rid of the "bad apples" and properly recognizes that designated appraisers, notably those from the Appraisal Institute, are likely to deliver the best quality appraisal.

S.2452-Appraiser Bonding Proposal has thankfully seen no action recently. This piece of legislation would require appraisers to carry a bond, which according to insurance lenders consulting with the Appraisal Institute would result in \$10,000 - \$40,000 annual out-of-pocket expenses per appraiser! The bonding requirement is part of the proposal to give consumers a private right of action against residential appraisers. Needless to say the Appraisal Institute is against this provision and is urging appraisers to call and write their legislators to eliminate this provision. Senator Dodd of Conn. is behind this legislation and he is simply not letting go of the proposal despite the outcries of the AI and consumer advocacy groups.

HR 3221-Home Ownership and Economic Recovery Act was enacted in July. It establishes FHA appraisal reforms, eliminates down payment assistance programs at HUD, and requires licensing of mortgage originators. The FHA is expected to release Mortgagee Letter soon on interpretations. This is another piece of legislation that calls for increased quality of appraisals. It calls for use of certified appraisers versus licensed appraisers in states with appraisal licensure or that appraisers must be designated by nationally recognized appraisal organizations. If sufficient timeframes are given to appraisers to upgrade their license status this is a good piece of legislation that will also raise appraisal standards.

With significant changes in the makeup of government pending, the 11th Congress is shaping up to be an extremely busy session with legislation reviewed and likely passed that will re-shape the entire financial services industry. Appraisers will be affected. The Appraisal Institute is actively involved in shaping this legislation and has taken recent steps to increase personnel in their Washington D.C. office. Get daily updates on all pending appraisal legislation by visiting www.appraisalinstitute.org.

Christopher Bowler, MAI, SRA, is the 2008 president of the Mass. Appraisal Institute, Malden, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540