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## **R.I. Chapter of the Appraisal Institute president's message**

June 10, 2009 - Appraisal & Consulting

In May of 2009 the House of Representatives in Washington passed the Mortgage Reform and Anti-Predatory Lending Act (HR 1728). Nationally, the Appraisal Institute has been an active proponent in urging the passage of this major legislation. We believe that mortgage fraud and predatory lending practices have played an important part in the near demise of our financial system.

To that end, the institute has been steadfastly committed to restoring professionalism and integrity to the lending process. The appraiser is supposed to be impartial, objective, competent, and professional when providing appraisal services. The "act" as written will return the industry back to the fundamental principles of mortgage lending. During the course of his testimony before the House Financial Services Committee, James Amorin, National President of the Appraisal Institute, focused his remarks on three areas: the capacity to repay the loan, the credit worthiness of the borrower, and the underlying value of the collateral as the basic tenants of sound lending practices. He went on to say that it is time to return to those guiding principles. While the first two items may be outside of the appraiser's purview, the valuation of the collateral is not. The bill has been forwarded to the Senate for their consideration. Hopefully, they will act on this legislation by the fall of 2009.

The Rhode Island Chapter is fully committed to this legislation. We, like the national organization, believe that its passage will go far in restoring much needed confidence to our industry. A major component is the assurance of "appraiser independence." Recent surveys have concluded that past appraisal issues in part represented a significant component of "mortgage fraud." No longer may a loan officer or their staff order appraisals or select which appraisers to use. Further, a regulated institution may never use an appraisal that has been ordered by a borrower.

On May 29th we presented the Commercial Appraisal Engagement & Review for Bankers/Appraisers seminar. It was attended by a complimentary mix of real estate appraisers and bankers. After a review of the participant critiques it appears that all left with a greater understanding of the new direction our industry is moving toward.

What lies ahead for our industry? Every day the news stories voice "doom and gloom" for both the residential and commercial markets. Nonetheless, many of the members in Rhode Island report a great deal of activity. Houses are selling, albeit "short sales" and foreclosures. In fact April homes sales saw a slight increase and mortgage rates still remain at an all time low.

Investors are seizing the opportunity to buy now. Unfortunately, commercial real estate, which traditionally trails the residential market, remains sluggish. For this reason we anticipate a good response for our next seminar (June 26th) Appraising Distressed Commercial Real Estate.

Notwithstanding, industry experts predict that as Rhode Island and the Nation continue to work

through this recession; by 2010 we will be in a better place. There is no doubt the lessons of the past will serve to strengthen our resolve. As members of the Appraisal Institute we will continue to lead the way with respect to our high degree of professional and personal ethics and outstanding quality of service.

In closing, we intend to continue an "out reach" for new members. We believe the training and educational opportunities that we offer to our members are among the best available in this industry. As reminder, please watch your mail/email as the Rhode Island Chapter will be sending a mass-mailer reaffirming our National President's message explaining the "benefits of being a member" along with a proposal for a comprehensive "Guidance Seminar" for new associate members. The time and place will be announced in the very near future.

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