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Assure safety and soundness with quality appraisals

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The Federal Trade Commission recently announced two advance notices of proposed rulemaking relative to unfair and deceptive practices in the mortgage industry. The notice comes on the heels of the Obama administration's announcement that banking agencies' consumer protection responsibilities will be transferred to the new Consumer Financial Protection Agency.

According to reports out of Washington, the new Consumer Agency will regulate everything from credit cards to home mortgages. The current banking agencies appraisal policies should be evaluated and any reliance on non-regulated evaluations including automated models (AVMs), real estate tax assessments, and broker price opinions (BPOs) should be eliminated. Appraisers should be lobbying hard that the appraisal process is protected and that the consumer has the opportunity to rely on an appraisal developed by an independent professional appraiser.

The Federal Trade Commission's Advance Notice of Proposed Rulemaking (ANPR) concerning Mortgage Acts and Practices, the second notice, specifically names appraisals as one of the four mortgage lending activities to be regulated. It is important to note that the proposed rules would not apply to banks. Banks, along with thrifts and credit unions are not within the FTC's jurisdiction. The FTC rulemaking applies to only nonbank lenders. Since the banks and non banks compete for the consumer's mortgage needs, it seems appropriate for the players to be on an equal playing field.

No doubt it is long overdue for the non banks to be held to higher standards but it is also time for the banks to be held accountable for not always relying on appraisals performed by licensed or certified appraisers. The challenge to make good loans predicated on creditable appraisals is paramount in importance. The clear path for the Obama Administration to protect the consumer is to insist that lenders, whether bank or non-bank lenders, rely on professional independent appraisal reports prepared in full compliance with Uniform Standards of Professional Appraisal Practice and put an end to the use of BPOs, AVMs, and tax assessments as "quick fix" tools for lenders. Appraisers must be given ample time, without undue pressure, to perform the assignment, to collect the required data, and complete the applicable report required.

As assurance to the consumer the new Consumer Agency and the FTC will consider that qualified appraisers are licensed or certified by their appropriate state board but recognition should be afforded those who are members in good standing of a professional appraisal association. An appraiser seeking or holding a designation by one of the sponsoring organizations of The Appraisal Foundation has displayed the professionalism and knowledge required to develop the quality of product the consumer is entitled to.

What is a "professional appraisal organization?" There are many appraisal membership groups across the country. But, they are not all equal. At MBREA we believe there is one reliable determinant of what constitutes a professional appraisal organization - being named as an appraisal organization sponsor of the Appraisal Foundation. The Foundation has been charged by congress

with the responsibility of establishing standards and qualifications for appraisers nationally through its two boards, The Appraisal Qualifications Board and the Appraisal Standards Board.

Only nine out of the many organizations of appraisers have been accorded the privilege of serving as a Foundation sponsor. This includes the MBREA, ASA, NAIFA and the Appraisal Institute. Each of the nine groups passed a rigorous screening to become a sponsor and is subject to a bi-annual review to maintain its standing. The MBREA was the first appraisal organization to become a sponsor that is local rather than national in scope. If appraising is your career, I urge you to make it your profession also by joining one of the fine organizations that sponsor the Appraisal Foundation.

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