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## **Arnold Schwarzenegger: A real estate appraiser's hero?**

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Last month, the California Governor signed into law a bill (S.B. 223) that makes it a crime in California for any interested party in a real estate deal to pressure an appraiser to appraise a property for a predetermined amount. The bill was introduced by Senator Michael Machado, Chair of the California's State Banking, Finance & Insurance Committee. Senator Machado wrote the bill after hearing numerous stories of how people involved in a real estate transaction have put pressure on appraisers.

Appraisal Institute members have been discussing and taking action on this issue for a number of years. Now, with a downturn in the housing market, and everyone running around to point the finger, the appraisal profession, unfortunately, is getting blamed for something that is not our fault. Why? Anyone who is a professional appraiser knows "value is based on market activity," and nothing else. In other words, professional appraisers, whether residential or commercial, call it like it is. Those allowing themselves to be influenced are not acting professionally and, therefore, are not professional real estate appraisers.

The increase in demand for appraisals in recent years that was fueled by the growth in the mortgage and lending markets has come with a price that is now being paid by consumers. Numerous stories are now hitting the news pertaining to appraisals created by individuals that succumbed to the pressure of people operating in the mortgage and lending industry to create a report that "hits" a number. What most of these recent stories prove, is that the profession of real estate appraising, is one that requires time, supervised training, time, education, time, on going education, time, and then some more time (i.e. experience). It is not something that you can just pick up a book, take a course, grab a form, fill in some blanks and get paid. And those of us who are professionals understand the mortgage broker and lending roll in the appraisal process but do not let it influence us, even if it means not getting paid or having to give up a client/customer.

Those regulating the real estate appraisal process recognize that to become a professional it takes time, education and supervision. There have been changes taking place from all around the country to protect the consumer by separating the mortgage/lending professionals from interfering with the appraisal process and allowing beginning appraisers the time to gain that experience. Arnold Schwarzenegger's signature was a major step in the right direction, but there are also a number of other actions occurring. For example, on the licensing and certification side, the State of Connecticut has made a number of changes that will benefit those entering the appraisal profession.

These include no more than two trainees registered to a certified appraiser to insure proper training, increased educational requirements and better controls over demonstrating experience, along with testing, before being issued a license or certification to appraise real estate.

On banking regulatory side, The Office of the Comptroller of Currency (OCC) also knows that appraising is a time-oriented profession and one that needs to operate without undue influence in

order to protect the consumer. John Dugan from the OCC, who recently addressed the Independent Bankers Association of Texas, indicated that poor appraisal quality and appraisal pressure are challenging the lending system and loan reviews process. Consequently, Dugan reported that "the federal banking agencies are working on guidance that updates and clarifies many previous supervisor interpretations on real estate appraisal, including independence of the appraisal program, minimum appraisal standards, and internal review processes." Though these concerns pertain to the appraisal review function within a lending institution, they are meant to separate the mortgage broker/lender influence and allow real estate appraisals to be performed by professionals for the benefit of not just the consumer, but the mortgage/lending industry as a whole. It always will be a fact, that the mortgage/lending industry needs sound appraisals in order to make proper credit and business decisions.

On the political field, Representative Paul Kanjorski (D-Pa), has introduced a bill that would address shortcomings in the appraisal regulator structure and better ensure an independent appraisal process (J.R. 3837, the Escrow, Appraisal and Mortgage Servicing Improvements Act). Part of this proposal is to recognize designation or training from professional appraisal organizations as an indication of an appraiser's proficiency. Why are professional appraising groups being recognized more so than in the past? Because they have educational and experience requirements far above those required to just get licensed or certified on the state level.

So why is Arnold Schwarzenegger an appraiser's hero? Primarily, because he, along with people like Senator Michael Machado, John Dugan and Representative Paul Kanjorski continue to recognize that one of the three "Cs" taught in credit training is still "Collateral". When it comes to real estate as collateral, history has, and continues to prove, that professional real estate appraisers have the education and experience to properly estimate market value and not be impacted by undue influences.

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