



Joint Testimony
Presented by
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President, Appraisal Institute
President, Rogers & Taylor Appraisers, Inc.
Hauppauge, New York

On Behalf of the

Appraisal Institute
American Society of Appraisers
American Society of Farm Managers and Rural Appraisers

Before the Subcommittee on Capital Markets, Insurance and
Government Sponsored Enterprises
On

"Broken Dreams in the Poconos: The Response of the Secondary Markets and
Implications for Federal Legislation"

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Committee on Financial Services
United States House of Representatives

Chairman Baker, Ranking Member Kanjorski and members of the Subcommittee, I am Gary P. Taylor, MAI, SRA, President of Rogers and Taylor Appraisers, Inc., in Hauppauge, New York. I am pleased to be here today on behalf of the Appraisal Institute, American Society of Appraisers, and the American Society of Farm Managers and Rural Appraisers, the three largest professional appraisal organizations in the United States, representing more than 25,000 real estate appraisers. I am the 2004 President of the Appraisal Institute.

Thank you for holding this hearing on mortgage fraud in the Poconos. Over the past decade, hundreds of homebuyers have been forced into financial duress as a result of fraudulent land deals struck by industry insiders and scam artists. Inflated, and fraudulent real estate appraisals played a role in some of these transactions, which is a concern to me and my fellow professionals.

The situation in the Poconos is sad and in many ways disgusting. In the past decade, lenders have brought foreclosure proceedings against 5,700 homes in Monroe County, Pennsylvania, which is more than one in five of all mortgaged homes in the county, while banks have bought back more than \$20 million in bad mortgages from secondary market participants, Fannie Mae and Freddie Mac. This has prompted numerous investigations by state and federal authorities to determine whether these transactions are predatory in nature.

Unfortunately, many of the problems encountered in the Poconos are not unique to this area. Problem appraisals are being allowed, and in some ways even encouraged, by a regulatory structure that promotes lax enforcement and ineffective oversight. Without action by Congress, this will continue to occur. After reviewing the activities in the Poconos, and having witnessed other mortgage fraud schemes throughout the country, we are here to alert Congress that the licensing system it created for appraisers is broken, is not up to the requirements of the changing market demands in the 21st century, and needs to be fixed if we are going to avoid such situations in the future.

The Poconos

As Forest Gump might have said, "Evil is as Evil does," there is truly no way to legislate morality or ethical behavior. However, we believe that there are actions that can be taken to limit public and monetary exposure to corrupt appraisers.

The rampant mortgage fraud in the Poconos is evidence of a national problem involving the entire appraisal regulatory structure and the real estate finance markets. Here we saw appraisers artificially inflate property value to help facilitate fraudulent transactions. Collusion and unethical behavior played a defining role in most of these transactions, witnessed by the fact that a prominent appraiser was the son-in-law of a mortgage broker who was a partner of a major developer in the area.

We believe the current laws governing appraisals are ill equipped to deal with these situations. It is all too common for appraisers to be pressured by mortgage brokers and other larger real estate players, as was reportedly done here. Yet there is no law outlawing this practice, nor are many of the mortgage brokers (an increasing factor in the mortgage process) regulated. In addition to this, federal banking regulators have not enforced current appraisal independence regulations, which require appraisals to be ordered and reviewed by a person independent from those making loan decisions. As a result, we estimate that perhaps thousands of financial institutions are currently not in compliance with current appraisal requirements.

Also not unique is a lack of effective appraisal oversight and enforcement by both state and federal officials. Only after massive public outcry was the most prominent appraiser involved in Poconos land deals forced to hand over his appraisal license. The state appraisal board has been slow to act, and while federal authorities have identified problems, they have yet to do anything about them. We have a serious problem on our hands, and it must be dealt with to avoid these situations in the future.

Appraisers and the Appraisal Regulatory Structure

Competent and qualified real estate appraisers serve as a crucial safeguard in our banking system, but lax enforcement and ineffective federal oversight of appraiser regulation serve to diminish this safeguard. A professional appraiser's objectivity, training, experience and ethics are fundamental in helping participants in residential and commercial real estate mortgage transactions assess the value of real estate and understand the risks involved in collateral lending. Trillions of dollars are invested in real estate in the United States, so it is of paramount importance that appraisers be qualified and adequately trained and have sufficient experience in the type of property under consideration. Also important is a system of enforcement with the authority to help ensure that appraisers are properly educated and experienced.

As you know, the Savings and Loan crisis of the 1980s led Congress to enact the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). Title XI, the "Real Estate Appraisal Reform Amendments," was enacted to protect federal financial and public policy interests in real estate-related transactions by requiring that real estate appraisals be performed by individuals

with demonstrated competency in both education and experience. FIRREA mandated licensing or certification pursuant to national standards, but the resulting regulatory structure has become tangled and overly complex. The system involves:

- Licensing and certification boards in all states and territories, each with differing interpretations of FIRREA as well as differing agendas and funding;
- Minimum qualifications criteria established by the Appraiser Qualifications Board of The Appraisal Foundation, a non-profit education organization;
- Appraisal standards (the *Uniform Standards of Professional Appraisal Practice*) established by the Appraisal Standards Board of The Appraisal Foundation; and
- Federal oversight by the Appraisal Subcommittee of the Federal Financial Institutions Examinations Council.

Unfortunately, FIRREA and its resulting complexity have adversely affected the appraisal profession and, in our view, put consumers, the states and the federal insurance funds at risk, as they have done in Northeastern Pennsylvania. Much of the complexity was identified by a report issued by the General Accounting Office (GAO) in 2003¹. We believe the problems are in four categories:

1. Lack of accountability
2. Ineffective and counter-productive state enforcement programs
3. Minimum qualifications and discouragement of professional development
4. Inadequate appraiser independence safeguards

The Multi-pronged System Lacks Accountability

Title XI created the Appraisal Subcommittee to oversee the activities of the states and many of the activities of The Appraisal Foundation. The Appraisal Subcommittee is essentially a junior subset of the Federal Financial Institutions Examinations Council. The Appraisal Subcommittee funds a portion of The Appraisal Foundation's expenses. Ironically, individual state certified and licensed appraisers fund the Appraisal Subcommittee operations through license fees collected by the states. Individual appraisers are assessed a \$25 annual fee passed through to the Appraisal Subcommittee, which has amassed a sizable reserve fund for no identified purpose.

Effective Oversight of the Appraisal Subcommittee

We are concerned with the lack of oversight of the Appraisal Subcommittee. By and large, the Appraisal Subcommittee is operating in an insulated environment without any practical accountability.

Providing federal oversight of an activity traditionally regulated by the states (licensing), the Appraisal Subcommittee is a hybrid federal agency that has conducted much of its business in the dark and with no direct input from the appraisal profession. The Appraisal Subcommittee is

¹ "Opportunities to Enhance Oversight of the Real Estate Appraisal Industry," General Accounting Office 03-404, May 2003.

composed of staff bank examiners and program staff from the five federal financial institution regulators and one from the Department of Housing and Urban Development. It meets quarterly in Washington, but does not allow for public access or participation to their activities and meetings.

The Appraisal Subcommittee staff performs audits of state appraiser boards on a three-year rotation cycle, and works with state boards on Title XI compliance. The Appraisal Subcommittee posts some of the results of its audits on its Web site and a portion of this information is released in its Annual Report to Congress. Section 1103 of Title XI requires the Appraisal Subcommittee to issue an annual report to Congress no later than January 31 of the following year. The report itself historically has been little more than a financial statement, containing sparse information on the audits that were conducted with few compliance statistics. In addition, the reports are consistently delivered late to Congress, such as this year, when the report was not distributed until April.

Finally, when implementing FIRREA, the five federal financial institution regulators failed to take the licensing and certification requirement seriously. Through regulation the law was effectively modified to exempt a significant percentage of transactions in the residential mortgage market from being appraised by licensed and certified appraisers. As originally contemplated, all federally regulated transactions greater than \$15,000 would require an appraisal by a licensed and certified appraiser, but with a regulatory sleight of hand the de minimis threshold was created and now the mortgage amount must exceed \$250,000 before an appraisal by a licensed or certified appraiser is required. As a result, a significant portion of the real estate valuation work throughout the country takes place in the form of "evaluations," automated valuation models (AVMs), "broker price opinions" (BPOs), or through "competitive market analysis" (CMA) reports. In many cases, evaluations are done by staff of institutions that have a vested interest in a real estate transaction. This negates the benefit of having an independent third party involved in the real estate transaction, while omission of a licensed or certified appraisal requirement for properties under \$250,000 creates a disruptive gap in the enforcement of appraisal standards.

Appraisal Subcommittee Oversight of States

Not only are the Appraisal Subcommittee's operations insular, but they are for the most part impotent. Recommendations from federal regulators are routinely disregarded by state appraisal boards, contributing to a cycle of ineffective enforcement. The only *real* power the Appraisal Subcommittee has over state appraisal boards is the authority to "decertify" a state if it is found to be out of conformance with Title XI. This specific power has generally become known as the "atomic bomb," because if it were to be invoked, virtually all mortgage lending in that state would cease. The Appraisal Subcommittee has never used this power, and is unlikely to ever use it. Such an unrealistic threat is an ineffective way to promote sound processes in the states.

According to the latest annual report issued by the Appraisal Subcommittee, a full 43 percent of the state appraisal regulatory agencies reviewed in 2002 either failed to resolve complaints against real estate appraisers expeditiously or were inconsistent in applying disciplinary sanctions; failed to pursue all alleged violations of the Uniform Standards of Professional Appraisal Practice; or did not adequately document enforcement-related files. In addition, one state failed to forward disciplinary

actions to the Appraisal Subcommittee, which is required by Title XI and Appraisal Subcommittee Policy Statement 9. The fact that so many state appraisal boards failed to resolve complaints against appraisers in an expeditious manner is deeply troubling.

The Appraisal Subcommittee during its last two field reviews in Pennsylvania highlighted slow complaint and investigation processes by the State Board of Certified Real Estate Appraisers. In 2003, the Appraisal Subcommittee found that out of 168 complaint cases that were open at the time of their review, 115 were more than a year old². Even more troublesome is that the concern over slow complaint and investigation processes does not appear to be a new one. The Appraisal Subcommittee brought to light similar concerns dating back to 2000, yet no action was taken by the Appraisal Subcommittee to ensure adequate processing of appraiser complaints. These weaknesses were never reported to Congress, and no requirements or sanctions were placed on the Pennsylvania Board.

Examples of state appraisal board actions that have occurred without consequence from the Appraisal Subcommittee include:

- Hundreds of appraisers in Oklahoma who failed to meet the minimum requirements for licensing and certification were “grandfathered” under a new licensing law passed by the Oklahoma Legislature and endorsed by the Oklahoma Real Estate Appraiser Board Division;
- Failure of the New York Division of Licensing Services to revoke an appraiser’s license following a guilty plea for “filing false documents,” leading to two years probation and more than \$100,000 in fines and restitutions, because his certification would “not involve unreasonable risk to the safety and welfare of the general public.”³
- Complaints against appraisers in multiple states that have gone unresolved up to eight years.

Ineffective and Counter-Productive State Enforcement

While there are many dedicated individuals on state appraiser boards, many times their ability to carry out their charge is compromised due to lack of funding or administrative support. Too often, complaints against real estate appraisers in states are not reviewed by state appraiser boards, leading to a lack of disciplinary action against poorly performing appraisers. Some state boards have been known to spend inordinate time and research and collect fines for inconsequential offenses, leaving little time for enforcement of major issues. Additionally, it is common for state officials enforcing national Uniform Standards violations to not have taken a course on such Standards.

Concerns with state enforcement agencies include:

- Failure to review complaints in a timely manner or review them at all

² 2003 Appraisal Subcommittee Field Review of the Pennsylvania Board of Certified Real Estate Appraisers May 21, 2003.

³ Christian Murray, “Appraising the Appraisers,” *Newsday*, August 9, 2002.

- Failure to apply appraisal review procedures consistently
- Failure to prescribe disciplinary action against appraisers for poor performance
- Failure to provide adequate resources to investigate complaints as licensing fees are often commingled with the state's general fund and not used for oversight purposes as intended.

Neglectful Supervision and Administration

Since Title XI was enacted, it has been difficult to achieve necessary consistency among the states for enforcement of both standards and certification requirements. Whether through a lack of resources or a lack of will by those charged with providing oversight, the current system allows some unscrupulous and unqualified appraisers to continue practicing and provides little or no recourse for their actions. In fact, some of these very appraisers have been linked to mortgage fraud schemes throughout the country.

For example, within the last year, a real estate appraiser in New York was found guilty and convicted of a felony for grossly inflating appraisals. His state license was revoked, and he served a jail sentence for one year. Upon his release, he challenged the state appellate court to have his license reinstated. The court overturned the ruling of license revocation, determining that he had served his time sufficiently and that he must return to becoming a "beneficial member of society." Amazingly, this fraudulent appraiser charged with participating in numerous land scam schemes is now a practicing appraiser--sanctioned--in New York.

New York is not alone in handling such cases carelessly, as a similar case was brought to light last month in Maryland. In June 2003, an appraiser who pled guilty to appraisal fraud admitted that the government lost between \$500,000 and \$800,000 due to his actions. In the fall 2003, he applied to renew his license. On the online application, he answered "no" to whether or not he had ever been convicted of a felony. According to his attorney, he answered the question honestly because in the federal system, one is not convicted until sentenced, and the appraiser was not sentenced until February 2004. Thus the Maryland Commission of Real Estate Appraisers and Home Inspectors renewed his license last October for another three years. A spokesperson for the Maryland Commission said to the *Baltimore Sun*, "All we have to go by is the honesty of the licensee. We are not required to perform background checks; moreover, the financial and personnel resources are not available at this time."⁴

Deficiencies with state appraisal complaint systems were noted in the GAO Report, most notably in relation to a government-sponsored enterprise (GSE) that recently began to refer poor appraisals to state appraiser boards. Between August 2001 and August 2002, 860 referrals were made to 45 different state regulatory agencies. Officials from the GSE commented to the GAO that they had been dissatisfied with some state decisions on punitive actions and with the lack of feedback on actions that had actually been taken. The officials added that some states do not penalize appraisers

⁴ John B. O'Donnell, "Real Estate Appraiser Faces Sentencing in Property Flipping Plot; Man Still Holds License Despite Pleading Guilty," *Baltimore Sun*, February 27, 2004.

for multiple violations if the appraisers have already been disciplined or do not tell complainants what action was taken. The officials reported that they have observed a lack of consistent and effective investigation and enforcement by some of the states. As an example, they noted that some states appeared to perform meaningful investigations and took appropriate actions while other states appeared unwilling to investigate similar cases with comparable support and documentation.

The Burden of Working Across State Lines

While FIRREA's complexity is causing problems with state enforcement, it is also placing a significant burden on appraisers working in more than one state. For example, a member of the Appraisal Institute from Virginia recently applied for a license in the State of Indiana. This individual is currently certified in Virginia, Maryland, New Jersey, West Virginia, Ohio and Tennessee. After submitting the lengthy documentation on education and experience, the appraiser was notified that his application was to be tabled for six months because his education did not meet their standards. This individual has taken virtually all of the courses offered by the Appraisal Institute and regularly teaches advanced curriculum courses across the country and in other countries.

This system has discouraged many appraisers from practicing in multiple states and has negatively impacted the typical small business owner. Appraisers are paying a heavy price for redundant licenses while being denied others because of the bureaucratic nightmare created by FIRREA. A substantial percentage of real estate appraisers in this country are asked to perform real estate appraisal assignments that are not in their home state. This was not a major problem prior to the enactment of FIRREA; however, with its implementation each state must now take appropriate measures to facilitate the work of out-of-state appraisers who do business in multiple states.

Our organizations believe that there are two appropriate methods for handling inter-state appraisal work. The first method, "Temporary Practice," is mandated by Title XI, but unfortunately this fact was overlooked by many states and this provision of Title XI has not yet been properly implemented throughout the country.

The second method, "Reciprocity," is not mandated by Title XI but in most cases will provide the maximum benefit to the public with the least amount of difficulty for the state regulators. In many parts of the country, the geographic areas for an appraiser's day-to-day business may lie within two or three states. In such cases, the "temporary practice" provisions are not appropriate to handle the appraiser's out-of-state business and the appraiser may be forced to become licensed or certified in two or more states. This means that several states may be required to administer the same process over and over again with no demonstrable benefit. In such situations, reciprocity agreements make a great deal of sense because they avoid duplication of effort and, by doing so, lessen the administrative burden on each of the various states involved and the appraiser. To date, 12 jurisdictions have no reciprocal agreements in place, and those that do are not universal between all states. Virtually no new reciprocal agreements have been drafted since the early 1990s.

Minimum Qualifications and Discouragement of Professional Development

An important goal of FIRREA was to ensure that appraisals are performed by competent appraisers. However, in practice, FIRREA has had the opposite effect because it stresses merely minimum qualifications. This emphasis has severely curtailed the continuing development of professionalism in the appraisal community.

Users of appraisal services are in the best position to speak to changes in quality of appraisal services since the passage of FIRREA. In a poll conducted recently by the Appraisal Institute of significant users of appraisal services⁵, 50 percent responded that the quality of appraisal services and appraisal reporting has declined, whereas only 28 percent said appraisal services and reporting have improved. This is consistent with discussions various appraisal organizations have had with users of appraisal services for the past several years.

As we reflect upon FIRREA, it is clear that the requirements for licensing and certification were set too low. Unfortunately, many clients see the possession of a license to be the only necessary qualification and stop short of fully considering the issue of competency for a particular appraisal. Likewise, many appraisers believe it is enough to meet the minimum requirements. What the FIRREA legislation missed is recognition that attaining the minimum level of education and experience for a license or certification does not necessarily qualify the licensee as competent to appraise.

While our professional organizations maintain high standards and strict codes of ethics and effective peer review, less than 40 percent of all licensed and certified appraisers choose to be affiliated with such organizations. Currently, there are approximately 80,000 licensed and certified appraisers in the United States; out of this total; approximately 50,000 appraisers do not belong to professional appraisal organizations.

Those appraisers who have only met minimum state licensing and certification requirements tend to be less experienced and less qualified than appraisers with professional designations; 84 percent of users of appraisal services say this is the case. Ironically, after FIRREA was passed, our organizations saw appraisers retreat from professional organizations, as the federal government dictated that minimum levels were all that were necessary to perform appraisals in federally related transactions. As an example, in the case of the Appraisal Institute, from the early to late 1990s, membership dropped from over 35,000 members to slightly more than 16,000 members. The Appraisal Institute was not alone in this troubling circumstance.

Particularly problematic is a bizarre discrimination provision formulated against designated appraisers contained in Section 1122 of FIRREA, ironically referenced as the "Anti-Discrimination" clause. This section states:

⁵ "Appraisal Quality Post-FIRREA," *A Survey of the Appraisal Institute's 2000-2004 Client Advisory Committee Members*, March 21, 2004.

“Criteria established by the Federal financial institutions regulatory agencies...for appraiser qualifications in addition to State certification or licensing shall not exclude a certified or licensed appraiser for consideration for an assignment solely by virtue of membership or lack of membership in any particular appraisal organization.”

In this case, the mischaracterized “discrimination clause” of FIRREA actually promotes discrimination against appraisers who have practiced appraisal for years and have achieved the highest credentials the industry offers. This section of FIRREA has been read to mean that a person need not be a member of a professional organization to be an appraiser. While this statement may be true, making such a statement is much like saying that consumers seeking medical care should not seek board-certified physicians or that a school should hire people with GEDs over those with PhDs. Fundamentally, it fails to recognize the intense work and diligence that thousands of professional appraisers have put into earning and maintaining their status as the most competent and experienced appraisers in the profession. The public and the real estate community should be aware that there are professional organizations that confer designations to appraisers who have advanced themselves significantly beyond the minimum requirements of FIRREA.

For decades, since the profession was organized in the 1930's, it has been the professional appraisal organizations that have developed and maintained the basic principles and methodologies used by practitioners, and this continues to this day. Without professional appraisal organizations, the fundamental body of knowledge of real estate valuation would not exist. To dismiss this segment of the lifeblood of the profession is a grave oversight with serious repercussions.

Inadequate Appraiser Independence Safeguards

While FIRREA did provide for some separation between the real estate appraisal and loan production processes inside financial institutions, FIRREA failed to adequately address the issue of appraiser independence. Although federal agencies issued the Interagency Appraisal and Evaluation Guidelines in 1994, recent bank examinations have indicated that this separation is failing to curb pressure to coax real estate deals along by influencing the independent judgment of appraisers. In October 2003, the five financial institution regulators issued an interagency statement reminding financial institutions that the 1994 Guidelines require borrowers and loan production staff not to exert influence over the selection of appraisers. However, our members report that this is a regular occurrence. In fact, some financial institutions, unregulated mortgage brokers and others require a pre-determined value to be met by an appraiser in order to receive future assignments from that institution. Such comments are often backed up by threats of coercion and non-payment for services. FIRREA was established to avoid such circumstances, yet they are occurring every day under its purview.

There are relatively few options that appraisers have when confronted by inappropriate client pressure:

- First, the appraiser could turn down the assignment, or just say no. Many appraisers do this; however, given the dilution of the licensed appraiser market, our members report that it is likely that a financial institution will find an appraiser who is willing to bend to their request.
- Second, the appraiser could tell the individual ordering the appraisal that national uniform standards and state and federal laws require appraisers to perform assignments ethically and competently and that they would like to discuss and resolve any remaining concerns or issues. Appraisers and clients have such conversations on a regular basis, but appraisers are oftentimes faced with having to meet a predetermined value. This is particularly the case with many mortgage brokers and others whose compensation is driven by production.
- Third, the appraiser could report the activity to the appropriate enforcement authority. However, when doing so, the appraiser would have to ensure it was sent to the proper agency. Complaints against national banks would have to be sent to the Office of the Comptroller of the Currency; credit unions to the National Credit Union Administration, etc. Many parties, such as some mortgage brokers, are completely outside of a regulatory system. In these cases, the appraiser is simply forced to lose a client.

A particular problem revolves around the fact that those who have a vested interest in the closing of the deal are the ones ordering the appraisals. The 1994 Interagency Appraisal and Evaluation Guidelines call for a separation of loan production and credit analysis. However, federal bank regulators have identified problems in this area, which forced them to issue a new Interagency Statement on Independent Appraisal and Evaluation Functions in October of 2003, which we are attaching for the record with this testimony.

The 2003 Interagency Statement reaffirmed the 1994 Interagency Appraisal and Evaluation Guidelines with regard to appraisal independence requirements and warned banks that they will be examining on this issue. However, it is our understanding that, to date, relatively few banks have been examined on this issue. Additionally, our conversations with bank appraisal staff and bank compliance officers indicate that many banks are currently out of compliance with this regulation. Because of this, many banks allow loan officers and underwriters manage the entire appraisal process from order to review, which in our estimation is a prime reason for the intense pressure on appraisers.

Greater attention must also be focused on the appraisal practices of mortgage brokers and non-bank financial institutions, which are not directly regulated under FIRREA. Our members report the mortgage brokers are a major source of inappropriate client pressure to meet predetermined values. Mortgage brokers are generally unregulated, and many have only a cursory understanding of the appraisal process and how it relates to finalizing mortgage transactions. Yet in many situations mortgage brokers have been charged by banks with managing the appraisal process.

Also of concern are non-bank mortgage lenders, or *mortgage banks*, which are not regulated by FIRREA. Most of these organizations are regulated by the states. Although the Federal Trade Commission provides cursory oversight from a consumer protection standpoint, we are not aware of any FTC-mandated appraisal requirements for these institutions. Large volumes of mortgages

originate through these institutions, and to this point, their appraisal practices have gone generally unchecked. This is an area that should be explored further by Congress.

Legislative Recommendations

These circumstances will not be improved until there is accountability for regulators charged with overseeing the system. Current law needs to be enforced, such as the 2003 Interagency Statement on Independent Appraisal and Evaluation Functions, which should be advanced immediately by federal banking regulators.

However, we believe current law leaves regulators poorly equipped to address appraisal concerns. For the reasons listed above, the Appraisal Institute urges Congress to explore the following suggestions as a starting point for addressing weaknesses in the appraisal licensing system. These suggestions emphasize improving state appraisal board complaint processes, inserting accountability measures over the Appraisal Subcommittee and promoting consumer awareness and professionalism. Consider:

1. Requiring the Appraisal Subcommittee to report to Congress annually their assessment of the effectiveness of each state's enforcement processes as part of their Annual Report, including results of all audits performed that year and a performance rating for all state appraisal boards.
2. Requiring adequate funding for state appraisal boards for disciplinary functions enforced by the Appraisal Subcommittee.
3. Modifying the makeup of the Appraisal Subcommittee to reflect broader representation, including an industry advisory council composed of practicing professional appraisers.
4. Requiring the Appraisal Subcommittee to issue guidance to states addressing common deficiencies.
5. Requiring the Appraisal Subcommittee to conduct public meetings.
6. Requiring the Appraisal Subcommittee to consult and interview real estate finance industry participants, including practicing professional appraisers, when conducting field reviews of state appraisal board operations.
7. Requiring the Appraisal Subcommittee to share information from the National Registry of Appraisers with other federal agencies, including the Federal Bureau of Investigation for anti-fraud purposes.
8. Requiring the head of the Appraisal Subcommittee to be confirmed by the United States Senate.

9. Ensuring accountability of the Appraisal Subcommittee, and only then, providing it with authority to sanction consistent with its responsibility to monitor the activities of state appraisal boards.
10. Granting the Appraisal Subcommittee authority for reciprocity of qualifications among licensing jurisdictions.
11. Extending authority to the Appraisal Subcommittee for uniform temporary practice among licensing jurisdictions.
12. Recognizing and encouraging the use of designated appraisers with qualifications beyond merely licensed and certified.
13. Providing penalties for engaging in appraiser coercion and creating adequate resources for appraisers to report instances of such.
14. Encouraging state appraiser boards to recruit the best qualified candidates to participate on board activities, regardless of membership in professional appraisal organizations.
15. Requiring all regulated financial institutions to retain copies of all appraisals in loan files, even appraisals that are NOT used in the decision to lend.

Concluding Remarks

There is an immediate need to find solutions to deficiencies in current appraiser licensing system and our organization is committed to assisting you in this effort. We look forward to working with you to identify solutions to solve the problems associated with the current appraiser regulatory structure. Please contact Don Kelly, Vice President of Public Affairs, Appraisal Institute, at 202-298-5583, dkelly@appraisalinstitute.org, Ted Baker, Executive Vice President, American Society of Appraisers, at 703-733-2109, tbaker@appraisers.org, or Steve Runyan, Government Relations Chair, American Society of Farm Managers and Rural Appraisers at (661) 587-7200, srunyan@bak.rr.com.

Thank you Mr. Chairman and members of the committee. That concludes my statement.

About the Organizations

As the leading organization for professional real estate appraisers, the Appraisal Institute represents more than 18,000 members worldwide. Members benefit from an array of professional education and advocacy programs, and may hold the prestigious MAI, SRPA, and SRA designations. Appraisal Institute members adhere to a strictly enforced Code of Professional Ethics and Standards of Professional Appraisal Practice. For more information regarding the Appraisal Institute, please visit www.appraisalinstitute.org.

The American Society of Appraisers is an organization of appraisal professionals and others interested in the appraisal profession. International in structure, it is self-supporting and independent.

The oldest and only major appraisal organization representing all of the disciplines of appraisal specialists, the society originated in 1936 and incorporated in 1952. ASA's headquarters is in the Washington, D.C., area.

The American Society of Farm Managers was founded on January 14, 1929, by a core of dedicated farm managers from Illinois, Iowa and Missouri who felt that farm management professionalism was critical to the future of farming. In 1936, the organization was expanded to include appraisers who specialized in determining the value of farms and other rural properties. At that time, the name was changed to the American Society of Farm Managers and Rural Appraisers (ASFMRA).