



## Oral Statement

### "Ending Mortgage Abuse: Safeguarding Homebuyers"

Presented by

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Mr. Chairman and subcommittee members, America's professional appraisers thank you for addressing problems in the mortgage industry. The current mortgage crisis, with property flipping, fraud, foreclosures, inappropriate pressure and bad consumer advice is sending shockwaves through our communities and our economy. This issue demands bold action.

Because honest appraisals and fair dealings are essential to a legitimate mortgage process, effective reform demands that pressure on appraisers to report a predetermined value must stop.

Much of the problem comes from the way the real estate financing industry is structured – it is a house divided. Well-regulated financial institutions perform pretty well; unregulated mortgage originators don't.

Playing by the rules, legitimate sectors of the mortgage industry compete with freebooters cutting corners. Despite decades of effort, pressure on appraisers has doubled since 2005. Too often, appraisers feel pressure to doctor their valuations so that deals can go through.

I have said no to pressure. I've lost jobs; I haven't been paid; I've been threatened to be blacklisted if I didn't remove certain information.

Recently, a broker client e-mailed me to complain that I had mentioned a rotting front porch in an appraisal. "Don't you guys know Appraisals 101?" he taunted. "With this statement in the report, we face a big problem with the lender."

His solution was that we just cover it with a rug and don't talk about it"

I was being pressed, literally to sweep a serious problem under the rug. As an ethical appraiser, I can't do that.

Sometimes coercion is hard to document, just a hint in a conversation. At other times, it descends to threats that you'll never work in this town again.

The time has come for a single, comprehensive approach of lender accountability to stop mortgage abuse.

Senate Bill 1299 addresses many of the appraiser independence issues we face. These reforms, along with other actions including: the Federal Reserve implementing an anti-coercion provision in its definition of abusive lending practices; states developing appraiser independence rules, modeled on those of the federal bank regulators; strict enforcement of present rules; and better education of consumers, lenders and others, these measures can set the industry straight.

Senators, an independent appraisal is crucial to maintaining the integrity of the mortgage loan process. I urge you to enact laws so we can do our jobs, not sweep problems under the rug.

Thank you for the opportunity to speak to you today about this important issue. I'm happy to answer any questions you might have.