

# LDAC Issues Summary

## Federal Legislation

A number of bills have been introduced in the 110<sup>th</sup> Congress to combat mortgage fraud and predatory lending, some of which also address issues that are important to appraisers, such as appraisal independence and appraisal regulatory reform. The most significant bill in this regard is **House Resolution 3915**, *The Mortgage Reform and Anti-Predatory Lending Act*, which passed the House late November 2007 and has now been referred to the Senate Committee on Banking, Housing and Urban Affairs.

**H. R. 3915**, introduced by Rep. Brad Miller (D-NC) represents a bi-partisan solution to predatory lending/mortgage fraud. The bill includes provisions from **H.R.3837**, *The Escrow, Appraisal and Mortgage Servicing Improvements Act*, introduced by Rep. Paul Kanjorski (D-PA) and added to **H.R. 3915** as an amendment. These provisions would:

- Promote appraisal independence by banning improper influence of appraisers through acts such as coercion, extortion, collusion, compensation, instruction, inducement, intimidation, non-payment or bribery. Civil penalties: first offense: \$10,000, second offense: \$20,000.
- Promote more transparency of the Appraisal Subcommittee by requiring more detailed reports by the ASC.
- Give the ASC the authority to issue binding rules and regulations, after public notice and opportunity for comment, in the areas of temporary practice, national registry, information sharing and enforcement.
- Create a national registry for state appraisal agencies to report license or certification suspensions or revocations.
- Increase appraiser license registration fees from \$25 to \$40, and allow the ASC to use the fees to make grants to state appraisal agencies to help defray enforcement costs.
- Give the ASC the authority to monitor funding and staffing levels of the State appraiser certifying and licensing agencies so they are at proper levels.
- Give the ASC the authority to impose interim sanctions and suspensions on state appraiser certifying and licensing agencies if they are found to be out of compliance.
- Permit special consideration of appraisers' designations or training from professional appraisal organizations as an indication of their proficiency.
- Call for a Government Accountability Office study on improving the appraisal process and the effectiveness of state compliance efforts. Additionally, the study would examine the existing de minimis.

In the Senate **S. 2452, *The Homeownership Preservation and Protection Act***, Introduced by Sen. Christopher Dodd (D-CT), chairman of the Banking, Housing and Urban Affairs Committee, would prohibit mortgage brokers from steering prime borrowers to more expensive subprime loans, create a fiduciary duty for mortgage brokers toward borrowers, and prohibit prepayment penalties and yield spread premiums. Appraisal provisions include banning lenders from “encouraging” or “influencing” an appraiser to “hit” a certain value in connection with making a home loan, a requirement for all appraisers to carry a bond and granting consumers a private right of action against appraisers. The Appraisal Institute is strongly against the bonding and right of action provisions.

This measure is expected to be considered by the Senate Banking, Housing and Urban Affairs Committee sometime this spring. To view the bill, click the link below:

<http://thomas.loc.gov/cgi-bin/query/C?c110:./temp/~c110HTIOVE>

## **Congressional Stimulus Plan**

The House and Senate have both released proposals to stem the significant rise in mortgage foreclosures. The Appraisal Institute’s Washington office is working closely with both chambers of Congress on appraisal provisions to be included in their respective packages. The Appraisal Institute hopes to require separate appraisals for each foreclosed property and is encouraging inclusion of appraisal reforms as part of the proposed foreclosure prevention legislation. The House and Senate bills may be introduced in March, and action is expected to occur shortly after enactment.

- To view the official House Financial Services Committee summary of the housing stimulus package, click the link below:

<http://financialservices.house.gov/FHA.html>

- To view the House stimulus discussion draft, click the link below:

[http://www.house.gov/apps/list/press/financialsvcs\\_dem/frank\\_158\\_xml.pdf](http://www.house.gov/apps/list/press/financialsvcs_dem/frank_158_xml.pdf)

- To view the official Senate Banking, Housing and Urban Affairs Committee summary of the Senate housing stimulus package, click the link below:

[http://banking.senate.gov/public/index.cfm?FuseAction=Articles.Detail&Article\\_id=2a7ba2e4-05dc-427d-9010-7d6ede08d45a&Month=3&Year=2008](http://banking.senate.gov/public/index.cfm?FuseAction=Articles.Detail&Article_id=2a7ba2e4-05dc-427d-9010-7d6ede08d45a&Month=3&Year=2008)