

Housing appraisers pushing for reform

by **Catherine Reagor** - Dec. 13, 2009 12:00 AM
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Home appraisers are expected - and trusted - to provide honest and accurate reports on a property's value for the buyer, seller and lender. Appraisals are the first link in the chain of decisions and agreements that result in a mortgage and the stated value of a home.

When the housing market crashed, inflated appraisals were a factor, especially in connection to mortgage-fraud schemes that artificially inflated home prices and made the fall in values all that much steeper.

Appraisers were often among the culprits. Inexperienced appraisers who write up inaccurate valuations are also a problem, but allegations of fraud are behind most complaints.

In the third in an occasional series on real-estate and lending regulatory reforms, *The Arizona Republic* looks at the role appraisals played in bringing down the market and new efforts to regulate the people who are at the heart of establishing home values.

"Arizona's regulation of bad appraisers has been a national joke," said Richard Hagar, a Seattle-based appraiser and fraud expert for lenders and regulators. Hagar visited Phoenix in October to talk to the Coalition for Arizona Appraisers about what it will take to improve the state's regulatory system.

The coalition is made up of veteran Arizona appraisers who are asking the state for more rules and penalties to repair damage to their profession.

Appraisers have long been required to be licensed in Arizona - unlike loan officers, who will be licensed for the first time this summer. But the coalition is concerned that it's too easy for bad appraisers to keep their licenses and continue compiling inaccurate appraisals. It plans to help introduce legislation in January to reform state regulation of the industry. Nationally, a new rule adopted by the biggest lenders limits who can hire an appraiser in a home sale. The goal is to ensure that appraisers are neutral and eliminate any pressure put on them to come up with a "certain" valuation so a sale can go through.

Backers of regulatory reform regarding appraisers want to ensure the quality of the appraisals for everyone concerned.

Appraisers

Home appraisers are hired as independent contractors to provide a neutral assessment of a property's value based on comparable sales, market conditions and a detailed inspection of the home. When a home is purchased or refinanced, an appraisal is required by the lender to determine the home's fair value.

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