

July 18, 1988

Bill requiring lenders to use certified appraisers advances

By Elizabeth Razzi

A U.S. House subcommittee approved legislation July 6 that would require practically all mortgage lenders to use certified appraisers and appraisal standards developed by a private organization founded by the eight major appraisal associations, including NAR's affiliate, the American Institute of Real Estate Appraisers.

The bill would require that appraisals for all "federally covered transactions" meet the appraisal standards established by the private Appraisal Foundation and be performed by an appraiser certified by a state-level agency.

Federally covered transactions would include loans issued by federally insured lenders; loans insured or guaranteed by FHA and VA or made by the Farmers Home Administration, and mortgages sold on the secondary market through Fannie Mae and Freddie Mac.

The measure passed by the Subcommittee on Commerce, Consumer and Monetary Affairs is a revised version of legislation introduced earlier by Subcommittee Chairman Doug Barnard, D-Ga. Barnard's bill would have created a new federal agency to develop and maintain real estate appraisal standards.

Although the second version avoids creating a new federal agency—and therefore another layer of bureaucracy—the National Association still has a deep concern about the appraisal bill, according to Stephen D. Driesler, NAR senior vice president for government affairs.

The Association's concern is rooted mainly in its objection to the idea of the federal government telling states to set up mandatory certification programs for appraisers, said Driesler.

NAR believes a voluntary system of appraiser certification, similar to the way certified public accountants are regulated, is the most appropriate approach, he said.

The subcommittee-passed bill would charge a maximum \$5,000 fee on all "commercial for-profit transactions" in order to

fund the federal government certification program and calls for fines of \$5,000 for a first violation and \$10,000 for subsequent violations when a non-certified appraiser provides an appraisal in connection with a federally covered transaction.

Fines for soliciting the work of a non-certified appraiser for such transactions could go as high as \$25,000 for a first violation and \$50,000 for subsequent violations.

NAR analysts said that consideration by the full House Committee on Government Operations will likely occur in early August.