

NAR Statement on Appraiser Independence

(April 2011)

In recent months interference in the appraisal process has unnecessarily put at risk a sustainable housing recovery. Our member appraisers are dealing with changes in the real estate market due to economic conditions in the country, their long time business relationships with market participants have been destroyed and their business models have been shattered. The latest blow is their enduring the consequences of the implementation of aspects of the Dodd-Frank Act.

Appraisers are being asked to include distressed transactions as comparable sales, to complete the appraisal in an unreasonable and unrealistic short time span, and to comply with a scope of work not justified by the fee being offered. In some situations appraisers are required to provide as many as eight comparable sales and/or listings. NAR believes this is interference in appraiser independence, causing harm to the real estate recovery, and harmful to consumers.

This month, compliance with the Federal Reserve's interim final rule amending Regulation Z (Truth in Lending) became mandatory. Early reports indicate that some appraisal management companies may be misinterpreting the reasonable and customary fee requirements of the statute and the interim rule. Although NAR has not commented on the customary and reasonable fee language of the statute or the interim rule, we are concerned that unfair treatment of our member appraisers will further erode their businesses and impact the quality of appraisal reports, adding risk for consumers and lenders.

NAR 2010 President Ron Phipps said "asking for up to 10 comps, reducing turnaround times, and expanding the scope of the assignment without appropriately adjusting the fee is adding unnecessary risk to an already fragile mortgage market system. We must maintain an environment where our independent appraisers are treated fairly as they are the lynchpin of the mortgage transaction." NAR has long advocated for an independent appraisal process and enhanced education requirements to promote public trust in the appraisal profession. NAR wants to ensure the consumer is provided the service bargained for along with a well-supported, credible opinion of value.