



January 5, 2006

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Gentlemen:

As three of the largest professional associations representing real estate appraisers in the U.S., we want to congratulate you on the establishment of "Operation Quick Flip." We are pleased to see the Federal Bureau of Investigation, HUD-Office of Inspector General, Internal Revenue Service, U.S. Postal Service and Department of Justice are working together to investigate and prosecute cases of mortgage fraud, an issue that is a top priority for our organizations.

We have had long-standing concerns about the increase in mortgage fraud activity. Unfortunately, many circles of the mortgage industry view the appraisal process not as a tool for risk management, for which it is designed, but as a means to an end. It is common for mortgage lenders, mortgage brokers and others to use only those appraisers who "hit the number," regardless of whether it represents market value. While most appraisers perform their work in conformance with uniform appraisal standards and codes of conduct, many of these ethical appraisers have been unjustifiably added to "exclusionary lists" by financial institutions as a result of their unbending honesty. Such exclusion from future assignments constitutes "inappropriate client pressure," which has become commonplace, particularly in the residential appraisal market.

There are, unfortunately, some appraisers who will yield to such pressure or involve themselves in mortgage schemes, and this is why we want to help. Our organizations are committed to working to improve consumer and industry education about the importance of an independent appraisal process

and to assist with investigations and prosecutions involving appraisal concerns. Members of our organizations have met the highest standards in the industry, and many may be of great assistance during investigatory phases and as expert witnesses in mortgage fraud cases. Some of your agencies have already been working with our national and chapter organizations, offering training seminars on mortgage fraud issues for agency staff, appraisers and others. We would like for this cooperation to continue, and our organizations would welcome a more formal relationship should your agencies find that useful.

We are also pleased that your agencies, along with the Office of Federal Housing Enterprise Oversight and the Financial Crimes Enforcement Network, are working to establish a reporting device similar to the banking industry's Suspicious Activity Report for non-lenders. We hope that this new report will be available to real estate appraisers, as they are the only independent party in a mortgage transaction and can often be an excellent resource for reporting questionable activity.

Please contact the Appraisal Institute Director of Government Affairs, Bill Garber, at 202-298-5586 or [bgarber@appraisalinstitute.org](mailto:bgarber@appraisalinstitute.org) if you have any questions or need further assistance. We look forward to hearing from and working with you on this very important issue.

Sincerely,

Donald E. Kelly, Vice President, Public Affairs  
Appraisal Institute

Jerry Larkins, Executive Vice President  
American Society of Appraisers

Steve Runyan, First Vice President  
American Society of Farm Managers and Rural Appraisers