



July 7, 2006

Mr. Brian D. Montgomery
Assistant Secretary for Housing-Federal Housing Commissioner
Federal Housing Administration
U.S. Department of Housing and Urban Development
451 Seventh Street, S.W.
Room 9100
Washington, DC 20410

Dear Mr. Montgomery:

While we read with interest the conclusions set forth in the anti-flipping rule published on June 7, 2006, and agree with most of the rule as stated, there was one comment that caused us a great deal of concern.

We believe it is necessary to dispel any misperceptions that exist about the role of the real estate appraiser in a lending transaction for a mortgage, refinance, or equity loan.

Within the section "Discussion of Public Comments," HUD states, "...the abuses uncovered that resulted in the issuance of HUD's regulatory prohibition on property flipping were the result of actions by investors, other sellers, real estate agents, *appraisers*, and others with a vested interest in the sale of real estate."

As the *only* disinterested third party in the sale of real estate, the appraiser does *not* have any vested interest in the transaction. The appraiser is the only party in a transaction whose function it is to offer an objective opinion about the value of a property; who does not receive a commission or a profit; and who charges a set, flat fee for the work he or she performs in the transaction.

Of course, we do not deny there are bad actors who work in 'cahoots' with predatory 'shops' wherein this type of appraiser would indeed have a 'vested interest in the sale of the real estate.' But such appraisers are often employed by or work solely with these dishonest offenders—and, in fact, frequently get into the real estate business only to commit fraud in the first place.

As you are aware, most appraisers practice in accordance to Standards promulgated in the Uniform Standards of Professional Appraisal Practice (USPAP) which prohibits the rendering of biased opinions.

We thank you for taking the time to listen to our concerns, and we look forward to continuing to work with you on this and the many on-going issues within HUD and the FHA regarding appraisers and the

appraisal profession. In the meantime, should you need to reach us, please do not hesitate to contact Donald Kelly, Vice President of Public Affairs of the Appraisal Institute, at 202-298-5583 or dkelly@appraisalinstitute.org.

Sincerely,

Appraisal Institute
American Society of Appraisers
American Society of Farm Managers and Rural Appraisers