

Thank you, Mr. Chairman.

Appraiser independence is crucial to advancing confidently toward the American Dream of homeownership and the financial security that goes with it. Sadly, your constituents are paying the price for the absence of such independence, bearing the heavy costs of investigations and massive financial failures.

Here's how the system fails consumers committing to the largest investment of their lives. A bloated appraisal is a time bomb. If I buy a house with an inflated appraisal, I may not learn the consequences until years later. When the time comes to move, to refinance, or to use my house as collateral, I may learn that it isn't worth what I thought it was. Nobody will buy the place, and my credit is threatened. The security of my American Dream has turned into a nightmare, and I'm not alone.

Last year, Congress heard impassioned testimony from Americans ruined by predatory mortgage transactions

compounded by bad appraisals. There have been 6,000 mortgage defaults in Monroe County, Pennsylvania alone. Now even more have lost their homes. The human toll does not show up on a spreadsheet.

Unfortunately, America has been to a school of hard knocks since Congress passed the Savings and Loan bailout in the 1980s. Faulty appraisals are still dictated by interested parties, the schoolyard bullies of real estate. It's common knowledge that, if an appraiser doesn't play the game and "come in" at whatever value is needed to close the deal, these bullies will take his lunch money.

I don't exaggerate. A Michigan appraiser told a mortgage firm that a property was undergoing major renovations, only to be asked, "what is it going to take to have this home appraised [ignoring] the partially completed construction...?" When an Arizona appraiser refused to "come in right," a broker informed him that—quote—"I will let the 170 loan officers that operate

out of this branch know that you are by the book and lack the intelligence to effectively get around the law...”

These abuses aren't supposed to happen, but feeble oversight and underfunded state authorities are ill-equipped to stop them. It's as if the truant officer is tossing delinquents the car keys.

It's bizarre that current federal law is distorted to favor those with lower educational achievements over appraisers who have pursued their professional studies to the highest levels. Yet that is how a critical clause in the S&L reforms continues to be misread.

It is encouraging that forty percent of appraisers continue to support their professional organizations, refusing to drop out and leave the field to less qualified licensees, who may be more vulnerable to inappropriate pressure. Still, tired of the hassle, many ethical appraisers are abandoning mortgage markets for

more “professional” endeavors, leaving less accomplished appraisers to serve homebuyers.

Both bills before the committee offer better ways of doing things. We believe that appraisal reform is a necessary part of any solution to combat mortgage fraud and predatory lending.

We like Title 4 of H.R. 1295 because it bans inappropriate pressure on appraisers, increases accountability of government regulators, and promotes professional standards. We believe that concerns about state legislation can be harmonized with our goal of open, even, and fair property evaluations throughout America.

Thank you.