



January 27, 2010

Del. Frank M. Conaway, Jr.
House Office Building Room 315
6 Bladen St.
Annapolis, MD 21401

Delegate Conaway:

On behalf of the 35,000 credentialed appraisers represented by our organizations throughout the U.S. (including 471 in Maryland), we are writing in strong opposition to House Bill 42, which would prohibit state certified and licensed appraisers from conducting appraisals when they “know the asking price or the selling price of the real estate being appraised at the time the appraisal is conducted.” We oppose the legislation because its provisions violate the Uniform Standards of Professional Appraisal Practice (USPAP) and controlling federal laws which mandate adherence to USPAP in federally related real estate transactions. Additionally, enactment of HB 42 would place in serious jeopardy the lawfulness of Maryland’s entire real estate appraisal licensing system. In short, its approval would create immediate turmoil in Maryland’s residential real estate markets. Our strong objections to the bill are specifically based on the following:

First, the provisions of HB 42 are in direct violation of USPAP, which requires real estate appraisers to obtain all available information regarding the terms and conditions of the sale of property to be appraised, including seller concessions and all other features of a sales transaction that can affect value, and to utilize the information in their analysis if it is available. Standards Rule 1-5 specifically states that in developing an opinion of market value, an appraiser must “analyze all agreements of sale, options and listings of the subject property current as of the effective date of the appraisal.” Importantly, federal law (Title XI of the Financial Institutions Reform, Recovery and Enforcement Act or FIRREA) mandates that appraisers adhere to USPAP as a fundamental condition of their licensure in all federally-related transactions.

Enactment of HB 42 would effectively scuttle the sale of any Maryland residential property whose mortgage is to be insured by FHA or guaranteed by VA; whose mortgage is to be sold to Fannie Mae or Freddie Mac for resale into the secondary mortgage markets; and most mortgaged properties financed by a federally regulated financial institution.

Second, because the provisions of HB 42 are so fundamentally in violation of USPAP, their approval and enforcement would create serious doubt that Maryland’s entire appraiser licensing system is in compliance with Title XI of FIRREA; and, in our view, would almost certainly trigger a compliance investigation by the Federal Appraisal Subcommittee.

The premise behind the introduction of HB 42 is that knowledge of the asking or selling price of a property will bias the conclusions of the appraiser. That premise is not only false; it betrays a fundamental lack of understanding of the generally recognized methodologies and techniques employed by appraisers in reaching their conclusions of fair market value. Moreover, in considering HB 42 (or any other legislation impacting the judgment of professional appraisers), we believe it is appropriate to point out that appraisers are among the most highly regulated and accountable professions in the United States. Not only are appraisers subject to a variety of federal and state laws and regulations, they are also obliged to adhere to USPAP’s comprehensive Ethics Rule; and, if they are also accredited by a recognized professional appraisal organization such as ours, they are bound by a strict Code of Ethics imposed by

their accrediting organization. Any concerns regarding the independence and competency of appraisers can be allayed by stepping back and looking at the several layers of accountability that already exist to ensure that consumers and financial institutions are receiving objective, thorough and accurate appraisals.

For these reasons, we respectfully ask you to reconsider House Bill 42. We would be happy to meet with you and discuss our concerns in greater detail. If you have any questions, please contact Peter Barash, Government Relations Consultant, American Society of Appraisers at (202) 466-2221 or peter@barashassociates.com, or Bill Garber, Director of Government Relations for the Appraisal Institute, at 202-292-5586 or bgarber@appraisalinstitute.org.

Sincerely,

American Society of Appraisers
Appraisal Institute
American Society of Farm Managers and Rural Appraisers
National Association of Independent Fee Appraisers

CC: Del. Dereck E. Davis, Chair, Economic Matters Committee
Steven J. McAdams, Chair, Maryland Commission of Real Estate Appraisers and Home Inspectors
Patricia Schott, Administrator, Maryland Commission of Real Estate Appraisers and Home Inspectors