

STATEMENT OF THE
AMERICAN SOCIETY OF APPRAISERS
AND THE
NATIONAL ASSOCIATION OF INDEPENDENT FEE APPRAISERS
TO THE
CALIFORNIA SENATE STANDING COMMITTEE ON
BUSINESS, PROFESSIONS, AND ECONOMIC DEVELOPMENT

JUNE 29, 2015



Good Afternoon. Chairman Hill, Vice-Chairwoman Bates, Members of the committee. My name is John Russell, and I am here today on behalf of the American Society of Appraisers and the National Association of Independent Fee Appraisers, and our over six hundred fifty California members, to express our strong opposition to AB 624 and its Senate analog. We believe this bill would significantly harm Californians who rely on real estate appraisals, and undo a quarter-century of well established appraisal standards and oversight for reasons that are lacking merit.

The main argument being advanced by supporters of this bill is that the Uniform Standards of Professional Appraisal Practice – or USPAP – Does not give appraisers enough latitude to perform appraisals for international clients in conformance with International Valuation Standards – or IVS. This argument is flatly wrong. USPAP affords appraisers latitude to provide a range of valuation services and appraisal types to clients – and does so without forcing appraisers to abandon key professional underpinnings such as ethics, competency, and record keeping. In fact, efforts are underway between the Appraisal Foundation – the entity Congressionally-authorized to promulgate appraisal standards in the United States – and the International Valuation Standards Council – to harmonize USPAP and IVS so that appraisers may more readily perform valuations in conformance with each standard alone, or both together. In short, the alleged problem does not exist, and efforts are nearing completion to make it even easier to do the types of international assignments being discussed.

The harmonization of USPAP and IVS speaks to the profession's ongoing effort to coalesce its standards and practices. To allow for the introduction of myriad new standards in California would run counter to the direction of professional appraisal practice today, and only serve to hinder users of appraisal services and confuse Californians who rely on these appraisals. What's more, there is no guarantee that lenders and secondary market participants would accept appraisals completed under alternative standards, and could, at a minimum, require Californians to obtain multiple appraisals at additional cost and time in order to complete lending requirements. There even exists the outside potential for the use of alternative standards to slow or freeze credit liquidity within the state, harming consumers and small businesses who seek to finance the purchase of homes or offices here.

This is all without saying that were this law to pass, the already constrained resources of the Bureau of Real Estate Appraisers would be taxed even further as they would be required to oversee numerous standards. Failing the provision of substantial resources to augment its capacity, one can imagine the ability of BREAA to provide effective oversight would be crippled in such a diverse environment.

One final point we wish to make is to emphasize the manner in which USPAP is updated on a recurring basis. The Appraisal Foundation, a neutral third-party not-for-profit organization, oversees the USPAP exposure draft process. This process, by which USPAP is updated every two years, is fully open and transparent over several rounds, and allows for comments from all appraisers and other stakeholders in the appraisal profession. This emphasis on public participation and constant modernization ensures that the standards of appraisal practice remain current. We cannot say with any degree of certainty whether other valuation standards, if allowed, would be as welcoming to such daylight and scrutiny, or would be as focused on meeting the existing and emerging needs of all stakeholders, and would be free from self-interest to the detriment of Californians broadly.

Again, we thank the committee for holding this important hearing, and would take any questions you may have either now, or by writing after the hearing.