

NAR Issue Summary

Housing / Appraisal Mortgage Fraud

NAR Committee:

Federal Financing and Housing Policy Committee

What is the fundamental issue?

In a survey by October Research, close to 90% of appraisers have reported improper influence to hit a target from mortgage originators, since appraisers rely on referrals and repeat business, 70% feared harm to their business if they did not comply. Pressuring an appraiser to overstate or understate the value of a dwelling distorts the lending process and harms consumers.

I am a real estate professional. What does this mean for my business?

NAR's appraisers ought to be able to appraise properties fairly and accurately without pressure to meet a target value. Such pressure jeopardizes the integrity of the real estate transaction. Furthermore, consumers ought to be able to obtain a copy of their appraisal before closing.

NAR Policy:

In 2002, NAR adopted policy that would require lenders to disclose the appraisal, and the methods used to the borrower. In 2005, NAR adopted policy that would: 1. Prevent those involved in the real estate transaction from improperly influencing the appraisal; 2. require lenders to get a physical inspection of the property for higher cost loans; and 3. increase the Appraisal Subcommittee's accountability to Congress, while opposing the expansion of the subcommittee's regulatory authority.

Opposition Arguments:

N/A.

Legislative/Regulatory Status/Outlook

HR 1728 would amend the Truth in Lending Act to consider certain actions that threaten appraiser independence as unfair, deceptive, and unlawful. The legislation would also impose civil penalties on those violating the law.

Current Legislation/Regulation (bill number or regulation)

No actions at this time.



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