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## FEATURE REPORT

# Pressure debate moving appraisal industry toward action

*Appraisal industry leaders acknowledge that lender pressure on appraisers has reached pandemic proportions and something must be done. The first step may be defining inappropriate pressure.*

### EXCLUSIVE

Merriam-Webster's Dictionary defines

pressure as "the burden of physical or mental distress; the constraint of circumstance; or the weight of social or economic imposition."

The dictionary also defines pressure as "the application of force to something by something else in direct contact with it."

When it comes to defining pressure on appraisers, there is no definition.

What may seem like inappropriate pressure to one appraiser may be normal business to another valuation professional.

One industry leader hopes to spearhead an effort that could help alleviate pressure on appraisers and arrive at a common definition.

**David Feldman**, executive vice president of eAppraiseIT, said the appraisal management company is taking an active, leading role in the issue of lender pressure.

"During this year, there will be lots of different opportunities to take an active role and we plan to make it part of our 2007 approach to doing business in the industry," Feldman said. "We were disturbed in some ways by the results of the October Research survey. In our world, we are the gatekeepers and the buffer. There are still some appraisers who feel directly or indirectly, correctly or incorrectly that we (AMCs)

are part of the pressure problem."

Feldman told *Valuation Review* he was surprised by the results of the 2007 October Research National Appraisal Survey, which detailed that 25 percent of appraisers in the study felt pressure from AMCs to overstate or change property values.

Feldman acknowledged that lenders do have the right to ask appropriate questions to appraisers.

"No one has defined 'appropriate,'" he said. "We all know inappropriate and we all know really inappropriate. We quickly get into this area of 'Is that OK?'"

In many instances, a lender may offer extra comps to an appraiser and ask them to consider them. If the appraiser complies and sticks with their value, that should be the end of the issue. Frequently, that is not the case.

"If the lender back with another set and yet another set, it crosses the line of being an appropriate question," Feldman said.

"What we'd like to do as a company is work with the industry and come out with educational guidelines, not only for appraisers but for lenders, brokers and all the various people who connect with this industry, even the regulators and the legislators."

Legislatures in several states are considering measures that deal with pressure on appraisers and they are all

**EXCLUSIVE**

different. Feldman is promoting an effort to draft legislation that would put lawmakers in statehouses across the country on the same page.

“One of my hopes is to have a recommended statute that makes sense that we could offer to the various state legislatures,” he said.

The issues were discussed at the recent AMC Think Tank, sponsored by Forsythe Appraisals. Feldman participated in the event, which was held earlier this month in Orlando. The draft legislation would be crafted to cover all of the issues relevant to the appraisal industry regarding the issue of lender pressure.

“Lender pressure is the hot topic,” Feldman said.

“Appraisers are most bothered by it.” Feldman said draft legislation language could be developed through The Appraisal Foundation’s Industry Advisory Council.

“If the foundation found this to be worthwhile, which I hope they would, that would be the group to do it,” he said.

Pressure and appraiser independence were hot topics at the recent Forsythe event, according to **Alan Hummel**, SRA, senior vice president and chief appraiser at Forsythe Appraisals.

“There is a growing need to educate appraisers to understand the difference between pressure and queries, and to educate clients as well, on how to properly query an appraiser. As an industry, we need to define appraiser pressure and reach consensus as to what pressure is from a legal standpoint,” he said.

**Jeff Schurman**, executive director of TAVMA, attended a portion of the session and noted the development of a clear definition of pressure is needed to keep the industry on the same page.

“The first step is to come up with a definition,” he said.

“Coercion and extortion have clear legal definitions. For the industry, a similar definition needs to be developed.”

Schurman added that educating clients on what constitutes illegal pressure also would serve as a release valve of sorts, easing the growing pressure on appraisers.

“What one persona may thing as a clever way to address an appraiser, another may view as pressure,” he said.

“Some clients just don’t know that what they are doing is

a pressure tactic. Others know exactly what they are doing.”

Feldman said his proposals aren’t an eAppraiseIT issue, but an overall industry effort. In addition to The Appraisal Foundation, he said TAVMA also could be instrumental in developing solutions. He said he has talked with other industry leaders, including Schurman and Hummel, about defining lender pressure.

Feldman has been involved, with others in the industry, in developing a paper that details appropriate and inappropriate contact and forming a distribution network to get the word out to the appraisal industry.

“We’ve also talked about developing a course for appraisers and this would be one aspect of it,” he said. “It also would detail just what lender pressure is and tell appraisers what lenders can ask them.”

Feldman said events like the National Appraisal Congress, which will convene in Washington, D.C., in the fall, help to spark additional debate over problems facing the appraisal industry while driving toward potential solutions.

The inaugural National Appraisal Congress, hosted by October Research Corp. and sponsored by Zaio Corp. and Valuation Review, will compile specific recommendations for federal, state and association-based initiatives.

The exclusive invitation-only event will bring together top thought leaders from the valuation industry, consumer groups, regulators and appraisal trade organizations. One objective is to develop solutions to the increasing pressure appraisers have been reporting from mortgage brokers, lenders and real estate agents to hit a predetermined value, or to overstate a property’s condition.

Following the National Appraisal Congress, recommendations will be made to several political, consumer and regulatory groups in an effort to craft a consensus solution to the problems of pressure, appraiser independence and mortgage fraud.

“This may be the most important process the industry has seen that can bring swift and meaningful answers to many of the problems currently plaguing the valuation industry and its customers,” said **John Ross**, vice president of Zaio Corp. and former CEO of the Appraisal Institute.

For more from our exclusive interview with **David Feldman**, check out upcoming editions of *Valuation Review*.