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Homebuyer Beware

Some Say Oversight of the Real Estate Appraisal System Is Broken

By Mitch Weiss The Associated Press

CHARLOTTE, N.C. — Several members of Congress vowed to press to fix the system that monitors real estate appraisers but said this week it is unlikely lawmakers will act before the end of the year, despite evidence some consumers are falling victim to fraud.

“We just don’t have a functional system yet,” said Rep. Paul Kanjorski, a sponsor of unrelated appraisal reform legislation that passed the House last year. “We have to fix the system or it will be a long time before the economy recovers.”

Kanjorski’s comments came after The Associated Press published a six-month investigation that identified key failings in the nation’s regulation of appraisers. The Pennsylvania Democrat said there isn’t enough time to recast the House legislation, a version of which is stalled in the Senate, to address the AP’s findings.

But Kanjorski said that if re-elected, doing so would be a priority next year.

The AP’s investigation found that since 2005, more than two dozen states and U.S. territories have violated federal rules by failing to investigate and resolve complaints about appraisers within a year. Some complaints sat uninvestigated for as long as four years and as a result, hundreds of appraisers accused of wrongdoing remained in business.

Experts told the AP the failings helped contribute to the current meltdown of the nation’s housing market.

Kanjorski and Rep. Judy Biggert, R-Ill., sponsored appraisal reform legislation last year that passed the House in November. It would prohibit mortgage brokers, real estate brokers and other interested parties from influencing or attempting to influence an appraisal. The proposed law would also require a lender to make the appraisal available to the homebuyer no later than three days before closing, and set specific penalties for violating the law.

A similar bill introduced in the Senate by Sens. Bob Casey, D-Pa., and Mel Martinez, R-Fla., is stalled in that chamber’s Banking Committee, although Casey’s staff said Monday that he plans a renewed effort to move it forward in the wake of the AP’s report.





MATT YORK/THE ASSOCIATED PRESS Some experts say failure to regulate the real estate appraisal system has contributed to the current meltdown of the nation's housing market, including a 50 percent spike in foreclosures in July.