



June 23, 2009

The Honorable Ed Perlmutter
United States House of Representatives
415 Cannon House Office Building
Washington, DC 20515

Dear Representative Perlmutter:

On behalf of the more than 35,000 members of our respective professional organizations, we would like to take this opportunity to clarify several issues relating to the valuation of green residential properties highlighted in H.R. 2336, the Green Resources for Energy Efficient Neighborhoods (GREEN) Act of 2009.

We applaud your effort to ensure that affordable housing is more energy efficient, healthy and environmentally sustainable. As professional appraisal organizations, we are pleased to see attention being paid to the appraisal process and we commit to providing assistance as this legislation is considered by Congress.

Section 20 of the legislation relates to appraisals, proposing to require: 1) The appraiser to consider a property's renewable energy sources and energy-efficiency or energy-conserving improvements or features, 2) The Appraisal Subcommittee to establish requirements to ensure that state licensed and certified appraisers are qualified to value such items 3) The Appraisal Subcommittee (together with HUD, Fannie and Freddie) to establish guidelines for appraising photovoltaic (solar) features. It appears the bill sponsors intend to elevate recognition of energy efficient items in the real estate appraisal process. While we support that goal, we believe the Committee should consider the following:

1. Appraisal standards already require consideration of a property's energy efficient items in the development of an appraisal. Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 requires appraisers to comply with the Uniform Standards of Professional Appraisal Practice in appraisals for Federally Related Transactions. USPAP already requires consideration of property characteristics that affect value. (Standards Rule 1-2(e)(i).) Further, USPAP requires appraisers to keep themselves up-to-date so they remain aware of factors that affect value. (S.R. 1-1(a), Comment.)
2. Under existing law and practice, the Appraisal Subcommittee does not establish appraiser qualifications criteria for real estate appraisers. That responsibility is managed by the Appraiser Qualifications Board of the Appraisal Foundation, which is authorized by Congress to establish minimum requirements to obtain certifications for real estate appraisal practice. Further, the existing qualifications criteria permit education programs (courses and seminars) relating to the valuation of energy efficient items. In fact, our organizations offer several programs relating to this subject today.
3. It may not be appropriate to develop specific guidelines relating to a particular energy efficient fixture. We are not sure why photovoltaic features are being given special attention in the legislation, for there are other energy-efficient/conserving improvements that require the same expertise.

Taken as a whole, we caution against legislating changes to USPAP and appraiser qualifications criteria. While these are important subjects, they are already built into the valuation process through appraisal standards and appraiser qualifications. In fact, the predominant form used by residential appraisals (the “URAR” or Uniform Residential Appraisal Report) contains several sections for appraisers to note energy efficient items and make quantitative adjustments to the appraisal. To the extent that appraisers may not be including this information in appraisals, we believe this is best addressed through education and awareness. For several years, our organizations have undertaken efforts to educate the appraisal community regarding these issues. Information relating to the completion of energy efficient items in appraisal reports is contained in base education in completing the URAR, and we have developed an entire seminar around the Valuation of Green Residential Properties. Further, we have offered seminars relating to the Energy Star program, raising awareness about this program and what appraisers should look for when conducting site inspections.

Additionally, we would like to correct a statement made by Jerry Howard of the National Association of Home Builders at a June 11th hearing of the Financial Services’ Subcommittee on Housing and Community Opportunity. Mr. Howard erroneously stated that appraisers are not trained to look into energy efficient standards when valuing a property. In fact, appraisers, as noted above, **are** required by the Uniform Standards of Professional Appraiser Practice (USPAP) to consider all property characteristics that affect value, including energy efficient items. The current Fannie Mae and Freddie Mac appraisal forms include a section for energy efficient items. Further, USPAP requires appraisers to keep themselves up-to-date so they remain aware of factors that affect value.

As the largest professional organizations of real estate appraisers in the United States, we would be pleased to meet with you or your staff to discuss alternative language that would achieve the goals of the legislation in a way that is consistent with existing rules, regulations, methodologies and current efforts underway.

To arrange a meeting or if you have any questions or concerns, please call Bill Garber, Director of Government Affairs, Appraisal Institute at 202-298-5586, (bgarber@appraisalinstitute.org), Brian Rodgers, Manager of Federal Affairs, Appraisal Institute at 202-298-5597 (brodgers@appraisalinstitute.org); or Peter Barash, Government Relations Consultant to the American Society of Appraisers at 202-466-2221 (peter@barashassociates.com).

Sincerely,

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