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April 24, 2003

The Honorable Adam Smith  
U.S. House of Representatives  
227 Cannon House Office Building  
Washington, D.C. 20515

Dear Representative Smith,

This letter is to express our concern with H.R. 1500, The Veterans' Appraiser Choice Act, which you introduced with Representative Lane Evans and Representative Michael Michaud on March 27, 2003.<sup>1</sup>

The independence of the appraisal process is a fundamental principle that assures participants in a mortgage transaction that the value of a home held as collateral will reflect the market value. This protects both the lender and the buyer. As you know, under the current Loan Guaranty program administered by the Department of Veterans Affairs (VA), real estate appraisers are selected by rotation from the VA Fee Panel, the "approved" appraiser list administered by VA. The key benefit of selecting appraisers by rotation and away from lenders, brokers, realty agents or prospective borrowers is to ensure the independence of the appraiser, whose primary responsibility is to provide the VA with an unbiased opinion of value on the property being financed.

According to our members, the VA Fee Panel is more effective in reducing instances of inappropriate client pressure than other federal housing programs such as the FHA Single Family Housing loan program, which allows the lender to choose the appraiser. Recently, the FHA Single Family program has recognized that inappropriate pressure should be avoided and has issued a proposed regulation to hold lenders accountable for the appraisals they order. Our members report that instances of inappropriate client pressure have increased since HUD allowed lenders to select appraisers and that this pressure far more likely to occur in the FHA program than in VA.

For borrowers, veterans or otherwise, to dictate to the VA the use of a specific service provider is problematic. Such a practice injects a party with a stake in the outcome of the loan into the selection process. If passed, the legislation could have a profound effect as predatory lenders, brokers and

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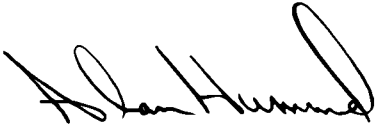
<sup>1</sup> Collectively, the Appraisal Institute and American Society of Appraisers represent more than 25,000 real estate appraisers in the United States. The Appraisal Institute is the acknowledged worldwide leader in residential and commercial real estate appraisal education, research, publishing and professional membership designation programs. ASA is an international professional appraisal society and the nation's largest multidiscipline appraisal society that teaches, tests, credentials and provides continuing education to its members in business valuation and in the appraisal of real estate and tangible and intangible personal property.

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realty agents will likely "suggest" veterans choose an appraiser that is friendly with the lender, broker or agent. As many veterans move to new areas after assignments or retirement and may not be familiar with local market conditions, such a process would leave veterans vulnerable to unscrupulous players in the real estate market. Ultimately, H.R. 1500 could threaten what is described by many of our members as one of the "most honest housing programs in the federal housing repertoire."

We urge you to reconsider your bill and withdraw it from consideration because of the unintended impact it will have on veterans. We would be happy to meet with you to discuss this and your concerns with the VA appraiser selection process. The staff of our Washington office will be in contact with you to follow up on this letter. Should you have any questions, please contact Donald E. Kelly, Vice President of Public Affairs at 202-298-5586 or [dkelly@appraisalinstitute.org](mailto:dkelly@appraisalinstitute.org) or Ted Baker, Executive Vice President, American Society of Appraisers at 703-733-2019 or [tbaker@appraisers.org](mailto:tbaker@appraisers.org).

Sincerely,



Alan E. Hummel, SRA  
President  
Appraisal Institute



John Connolly, ASA  
President  
American Society of Appraisers

Cc: The Honorable Lane Evans  
The Honorable Michael Michaud  
The Honorable Christopher Smith