

Appraisers and the Pressure to Inflate Valuations September 2, 2001

The New York Times

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REAL estate appraisers not only find themselves losing business to electronic appraisals, they and their professional associations have been complaining that many loan officers and mortgage brokers have pressured them to appraise properties at inflated prices instead of at their actual value, so that loan applications will be approved. Refusal to go along, appraisers say, often results in their being blackballed by lenders, who will look for more compliant appraisers.

In the last two years the problem has been the subject of Congressional hearings and conferences attended by officials of the mortgage industry, consumer groups and the government. More than 6,000 appraisers have signed a petition demanding a ban on pressure tactics. And a self-described "unlicensed, uncertified, unsupervised" Web site is boiling over with complaints from respondents who identify themselves as appraisers and who give example after example of the pressures and illegal tactics. "Many of the appraisers I've talked to told me they were shut out by the banks when they wouldn't give a property a high valuation if the equity wasn't there," said Mike L. Austin, a retired appraiser who is president of the American Society of Appraisers.

Similarly, the appraisers quoted in the accompanying article said that they had either been asked to inflate their appraisals or that they knew appraisers who were asked. But they also had praise for the many honest loan officers and mortgage brokers they deal with.

At a daylong conference in Washington this April, Mr. Austin's predecessor as president of the American Society of Appraisers, Richard A. Amoling, minced few words in discussing what he said was "the pressuring of appraisers to induce them to make market value estimates."

Mr. Amoling pointed out that Senate hearings and government reports exposed "a variety of fraudulent real estate schemes" that detailed the misconduct of many participants, including appraisers, in the mortgage process. He added that such pressuring is increasing, and in the process it is eroding the independent judgment of the appraisers and contributing to the ability of unscrupulous individuals to engage in improper and unsound mortgage loan practices.

The American Bankers Association, the Mortgage Bankers Association of America and other like-minded organizations have also deplored such illegal and borderline practices. Yet the lender organizations and the appraisers' organizations are divided about how to cope with the problem.

For now there appears to be growing support for a bill introduced in the House last month by Representative Jan Schakowsky, Democrat of Illinois, that would outlaw many of questionable

practices. The provisions include clamping down on flipping, the practice of selling the same property several times, often within days at inflated prices, a practice that frequently involves illegal kickbacks.