



The Foundation Pleased Congress Requested Government Accountability Office Study of Appraisal Exemptions by Federal Agencies

(Washington, DC) February 12, 2020 – The Appraisal Foundation is pleased that Congress announced it has requested the Government Accountability Office conduct a study pertaining to the 1989 law that set up appraisal regulations, Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). That study, which will focus on federal practices that exempt many real estate transactions from appraisals, is a first step to help protect taxpayers and homebuyers.

"Thirty years ago, Congress passed FIRREA to protect homeowners and the federal deposit insurance fund from the impacts of inaccurate and inflated property valuations," said David Bunton, president of The Appraisal Foundation. "Over the years, however, federal agencies have created loopholes that exempt 90 percent of real estate transactions from the appraisal requirement."

The study was requested by Congresswoman Maxine Waters, Chairwoman of the House Financial Services Committee, and Congressman William Lacy Clay, Chairman of the Subcommittee on Housing, Community Development and Insurance. They have asked the GAO to look into federal agencies' implementation of Title XI of the FIRREA.

"We applaud Congresswoman Maxine Waters and Congressman William Lacy Clay for requesting the GAO study. Their leadership on this issue will help Congress determine whether the law is being implemented as intended and is effectively protecting homebuyers, taxpayers and the economy," he said.

In the letter requesting the study, Waters and Clay asked the GAO to address the four issues of threshold increases, regulatory exemptions, appraisal waivers and evaluations. All four practices have resulted in a significant decrease in the number of transactions when appraisals are required.

The de minimis threshold for residential real estate, which sets the transaction amount under which an appraisal is not required, has increased from \$50,000 to as much as \$400,000 since the law's enactment.

Exemptions occur when a federal financial regulatory agency carves out a category of transactions from FIRREA's appraisal requirements. The agencies allow evaluations in place of appraisals for these transactions. Evaluations are less comprehensive than appraisals and do not meet the same standards for valuing property or qualification requirements of the person doing the evaluation.

The Appraisal Foundation has expressed concerns about the implementation of FIRREA to Congress on several occasions. Over the past year, Bunton has testified before Clay's subcommittee and followed up with two letters.

"This year marks the thirtieth anniversary of the enactment of FIRREA," Bunton wrote Waters in December. "This milestone provides a fitting backdrop for a comprehensive GAO study of the original intent of Congress in enacting Title XI versus the impact of Title XI today. The resulting recommendations could help guide needed corrections in this regard," Bunton wrote.

The Appraisal Foundation is the nation's foremost authority on the valuation profession. The organization sets the Congressionally-authorized standards and qualifications for real estate appraisers, and provides voluntary guidance on recognized valuation methods and techniques for all valuation professionals. This work advances the profession by ensuring appraisals are independent, consistent, and objective. More information on The Appraisal Foundation is available at www.appraisalfoundation.org (<http://www.appraisalfoundation.org/>).

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