## **ASSOCIATION OF APPRAISER REGULATORY OFFICIALS**

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February 24, 2009

Honorable Timothy Geithner Secretary of the Treasury Department of the Treasury 1500 Pennsylvania Avenue, NW Washington, DC 20220

Dear Mr. Secretary:

The Association of Appraiser Regulatory Officials (AARO) is an organization whose members are real estate appraiser licensing agencies of U. S. States and Territories; it was created after Congress passed the Financial Institution Reform Recovery and Enforcement Act (FIRREA) of 1989. AARO membership includes forty-eight of the fifty-six jurisdictions mandated by FIRREA to create appraiser licensing agencies. These agencies issue appraiser licenses and certifications to those individuals who possess the education and experience requirements promulgated by The Appraisal Foundation; and, they oversee compliance, by appraisers, with the Uniform Standards of Professional Appraisal Practice (USPAP) and other standards of professional conduct.

The AARO Executive Committee wishes to express concerns to you about federal regulations and policies that would allow Broker Price Opinions (BPOs) to be used in establishing real property collateral values for mortgage modifications. Our concerns are as follows:

- 1) BPOs are unreliable and real estate appraisals are far more likely than BPOs or AVMs (Automated Valuation Models) to produce accurate opinions of the fair market values of single family collateral properties;
- (2) Individuals performing BPOs lack meaningful (or sometime, any) valuation qualifications, may not be objective and unbiased or even independent of the transaction for which they're opining a value, and are not properly accountable to anyone for their BPO work;
- (3) Permitting real estate agents and/or brokers to provide valuations for the millions of loan modifications predicted, would severely weaken the Congressionally established system of state appraiser certification and licensing which while not perfect is operating effectively throughout the country to oversee appraisal practice, to protect the safety and soundness of mortgage loans and provide consumers who buy homes with an important, independent source of information on the actual market values of their properties;
- (4) There is an ample supply of appraisers (the Appraisal Subcommittee's Registry of appraisers indicates almost 120,000) who can perform appraisals quickly and reliably; and

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(5) Appraiser licensing agencies are consumer protection agencies and have responsibility to protect the public and to protect the integrity of appraisals used by the financial market.

To reiterate, we are very concerned that using valuation products (such as BPO's) prepared by unqualified individuals who are not accountable to any valuation oversight entity, and who are not held to any valuation standards of professional practice, is dangerous to the mortgage bailout program, to the financial and banking industry and to the consumer.

Sincerely,

Neva C. Conway, President

Association Appraiser Regulatory/Officials

cc: Honorable Chris Dodd, Chairman, Senate Committee on Banking, Housing and Urban Affairs

Honorable Richard Shelby, Ranking Republican, Senate Committee on Banking, Housing, etc

Honorable Barney Frank, Chairman, House Committee on Financial Services Honorable Spencer Bachus, Ranking Republican, House Committee on Financial Services

Honorable James Lockhart III, Director, Federal Housing Finance Agency