



March 20, 2015

House Committee on Business and Labor
Support for HB 3419

Mr. Chair and Committee Members:

My name is Owen Bartels. I am the Managing Director of Integra Realty Resources – Portland in Portland, Oregon. I also serve as the chair of the Government Affairs committee of the Greater Oregon Chapter of the Appraisal Institute. I am here to discuss HB 3419.

The real estate appraisal industry is one focused on consumer protection and helping to maintain the strength of the real estate lending economy, which is a key component of our lending and banking framework. Appraisers are trained and licensed for our impartiality. We are included in the risk threshold analysis in order to protect the public's interest where Federal Deposit Insurance Corporation (FDIC) insured institutions are involved. Our work standards include adherence to the Uniform Standards of Professional Appraisal Practice (USPAP), established federally by the Appraisal Foundation. These standards ensure our objective and through approach.

In Oregon, appraisal license requirements are outlined as follows:

Oregon Appraisal License Requirements		
	Certified Residential	Certified General
Education	Bachelors (4-year) Degree	Bachelors (4-year) Degree
Appraisal Experience	2,500 Hours	3,000 Hours
Appraisal Education	200 Hours	300 Hours
Minimum Trainee Period	24 Months	30 Months
Examination	Yes	Yes

Further, appraisers are precluded from operating where they have a specific financial interest in the outcome. We are paid a flat fee regardless of our conclusion, and are incentivized only to create a clear, credible, and reliable product. Appraisers are specifically precluded from advocacy, aside from supporting our own conclusions.

Broker Price Opinions (BPOs) do not require training or impartiality, and do not comply with the Uniform Standards of Professional Appraisal Practice or any other federally recognized standard. This reduces transparency and unnecessarily exposes the public and consumers to biases and influence from non-objective participants. It is certainly possible and allowable for brokers issuing a BPO to have a vested financial interest in an outcome.

The two largest purchasers of mortgages in the secondary market – Fannie Mae and Freddie Mac – and the Federal Housing Administration have recognized the importance of having accurate and reliable valuations on the collateral that backs up the mortgages that they purchase. Each of these entities requires that an appraisal be performed on any collateral for mortgages that they are going to purchase or insure. Further, the Federal Reserve Board does not believe commercial BPOs satisfy the requirements of an evaluation.

Despite the above, I have become concerned about expansion of the use of Broker Price Opinions (BPOs) in recent years. As the practice expands we increase risks to federally insured institutions and to the public providing that insurance.

I urge you to vote yes on HB 3419. Thank you for your consideration. I am happy to answer any questions.

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