

**Support HB 2189 - Statute of Limitations on  
Claims Against Real Estate Appraisers**

February 27, 2017

Chairman Holvey and Members of the Business & Labor Committee, the Appraisal Institute (AI) ***strongly supports HB 2189***. AI is a global professional association of real estate appraisers, with nearly 19,000 professionals in almost 60 countries throughout the world. Its mission is to advance professionalism and ethics, global standards, methodologies, and practices through the professional development of property economics worldwide.

HB 2189 would establish a statutory limitation on the time in which civil actions against real estate appraisers can be filed following the date the appraisal was performed.

Real estate appraisers have been faced with lawsuits alleging defects in appraisals performed for mortgage transactions originated during the “real estate bubble” that have gone into default. Lawsuits are filed by borrowers, lenders, or investors and typically allege that an appraiser committed professional negligence or misrepresentation by reporting an inflated value that resulted in the plaintiff borrowing, paying or loaning too much money. However, in most cases the real reason for the default is a significant reduction in the market value of the property or poor underwriting of the borrower and the collateral at the time the loan was made.

Under current law, the “Discovery Rule” results in an almost infinite statute of limitations for claims against appraisers because the time for filing a suit does not commence until the party filing the claim discovers, or should have discovered, the alleged defect in the appraisal. When commencing these actions, the plaintiffs perform a review of the appraisal in question at the time the mortgage goes into default and allege that the appraisal is defective for a variety of reasons, some as simple as a minor violation of the Uniform Standards of Professional Appraisal Practice (USPAP) that likely had no material impact on the value conclusion. Because of the Discovery Rule, the statute of limitations does not run until these alleged defects are discovered.

Because these appraisals were performed many years ago, the appraiser does not have the ability to adequately defend themselves. Many appraisers purge their files of all information related to an appraisal after five years, as is permitted by USPAP. A statute of limitations that is specific to claims against real estate appraisers will provide the certainty of knowing the time period during which a suit might be filed, and the appraiser will be better able to take appropriate risk management steps.

The AI respectfully requests that you vote yes on HB 2189. I’d be happy to answer any questions.

Scott W. DiBiasio  
Manager, State & Industry Affairs  
Appraisal Institute  
440 First Street, NW, Suite 880  
Washington, D.C. 20001  
(202) 298-5593  
[sdibiasio@appraisalinstitute.org](mailto:sdibiasio@appraisalinstitute.org)