

March 8, 2019

TO: Senate Committee on Business and General Government

FR: Laurie Egan, MNAA
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Keizer, OR 97303



Coalition of Oregon Real Estate Appraisers
6700 SW 105th Ave, Suite 200
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National Association of Appraisers
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RE: SB 109-1 amended to incorporate HB 3079, Oregon Appraisers and Evaluations

Dear Chair Riley and Members of the Committee,

My name is Laurie Egan and I am a Certified Residential Appraiser residing in Keizer, Oregon. I have been a member of the appraisal profession for over 30 years and owned an Oregon-based appraisal firm for over two decades before moving into the Collateral Risk and Regulatory Compliance world of banking. I presently serve as an officer of the Coalition of Oregon Real Estate Appraisers (COREA) representing Oregon appraisers across the state. I also serve as Immediate Past President and Association Manager of The National Association of Appraisers (NAA) representing appraisers across the country. HB 3079 was sponsored by Rep. Paul Holvey at the request of the Coalition of Oregon Real Estate Appraisers and I write today in support of proposed amendment to SB 109 which incorporates HB 3079.

Background

Under Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Congress mandates that all appraisals for federally related real estate transactions be prepared by state licensed or certified appraisers. In order to protect federal financial and public policy interests as well as to satisfy safe and sound lending practices, FIRREA also requires that appraisals be prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP).

FIRREA also grants authority to the Federal agencies (e.g. FDIC, OCC, et al) charged with oversight of financial institutions to identify categories of real estate transactions that do not require the services of an appraiser and therefore do not require the corresponding valuation products to be prepared in compliance with USPAP. The Agencies determined that residential transactions with a transaction value of less than \$250,000, and amended to include business loans secured by real estate under \$1,000,000, would not require an appraisal (performed by a state licensed or certified appraiser in accordance with USPAP) and that an "evaluation" could be obtained instead. An evaluation is an opinion of market value which may be prepared by non-appraisers and that is not required to be prepared in compliance with USPAP. USPAP compliant appraisals require a much higher standard of care and diligence than non-USPAP compliant evaluations.

Additionally, on November 20, 2018, the Federal Deposit Insurance Corporation (FDIC) issued proposed rulemaking that would increase the \$250,000 residential threshold (referred to as the de minimis) to \$400,000, which will undoubtedly increase the utilization of (non-appraiser prepared) evaluations by financial institutions.

The Issue

In Oregon, real estate appraisers are required to be licensed or certified by the Oregon Appraiser Certification and Licensure Board and are required to comply with USPAP when developing and reporting *all* opinions of value. The issue is that “evaluations” are not USPAP compliant therefore, due to technical language in Oregon statute, the very individuals most qualified to provide “evaluation” services (Oregon licensed and certified appraisers) are specifically barred from doing so. Evaluations are therefore being performed exclusively by non-appraisers in Oregon.

In light of the last financial crisis, one can certainly debate the merits and/or prudence of the utilization of evaluations in lieu of appraisals, however, this is not the issue we are addressing. We believe Oregon’s citizens and financial institutions would be best served and protected by allowing appraisers to perform evaluation services and we simply wish to introduce “house-keeping” language into Oregon law which would remove the (likely unintentional) exclusion of state licensed and certified appraisers from providing these services.

The Solution

The solution is really quite simple: correct technical language in Oregon statute in order to allow Oregon licensed and certified appraisers to conduct evaluations outside of the confines of USPAP. With little opposition, similar legislation has been enacted in several states including North Carolina, Florida, Georgia, Illinois, Indiana and Tennessee which does just that. SB 109-1 amended to incorporate HB 3079 accomplishes the same.

We are not opposed to qualified non-appraisers performing evaluations and fully support SB 109, however, we strongly feel that it is in the best interest of Oregonians that those most qualified to perform evaluations (appraisers) not be prohibited from doing so. It is my hope that you concur and will support the amendment to SB 109-1 which incorporates HB 3079.

Thank you for your consideration of my comments and please do feel free to contact me with any questions.

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