

# Illinois Coalition of Appraisal Professionals

---

205 West Wacker, Suite 202  
Chicago, IL 60606

Telephone 312-616-9403  
Fax 312-616-9404

February 27, 2009

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

Dear Mr. Secretary:

The Illinois Coalition of Appraisal Professionals is a political action group established in 1994 to provide a unified voice for real estate appraisers in our State. The Illinois Coalition of Appraisal Professionals (ICAP) is supported by the following sponsoring organizations:

- American Society of Appraisers
- American Society of Farm Managers and Rural Appraisers
- Appraisal Institute
- National Association of Independent Fee Appraisers
- National Association of Master Appraisers

ICAP's mission is to promote the appraisal profession and its image to the general public and to users of appraisal services. ICAP initiates discussion and analysis of issues affecting professional appraisers and monitors political action with the intent to influence legislation, regulation and public opinion toward the appraisal profession.

The ICAP Board wishes to convey our concerns about the federal regulations and policies allowing Broker Price Opinions (BPO's) to be used in establishing real property collateral values for mortgage modifications. Our sentiments echo those expressed by the national offices of our sponsor organizations. Without parroting their earlier communications, I would like to point out some of the observations we commonly share with the public about our profession.

As you know, an appraisal is an opinion of value that is called for whenever anyone has significant financial risk connected to the value of an asset. The professional aspect comes about in applying prescribed discipline and methodology in support of that opinion and putting it into language fit for reading by the general public; especially if this opinion could potentially become a central topic in a courtroom or financial statement.

In many business transactions there is temptation to take the quickest, cheapest route to a conclusion. It is human nature to cut corners and this desire for expediency often drives valuable innovation. However, one pesky aspect of appraisal is that it amounts to predicting the behavior of people with their money, so professional appraisals completed in strict adherence to the Uniform Standards of Professional Appraisal Practice (USPAP) become critical to minimize the influence of individual prejudice.

One recurrent theme in our national financial difficulties seems to be a breakdown of the pricing, communication or understanding of risk associated with investments. In our opinion, BPO's or automated valuation models (AVM's) are no substitute for professional appraisal reports from licensed appraisers, given the nuances of a rapidly changing market that severely limits the effectiveness of simple algorithms or formulaic approaches. We are reminded daily of the risks of accepting "expert" advice in lieu of clear, concise documentation; ask any of the otherwise savvy investors who placed their trust in Bernard L. Madoff Investment Securities LLC. In many cases the taxpayers or property owners on the wrong end of the mortgage crisis are not the richest or most sophisticated but those in greatest need of protection.

Such protection comes in the form of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), which established a system for state certification and licensing of real estate appraisers and mandated reliance on such appraisers to value collateral in important federally-related transactions. Individuals who become state licensed or certified appraisers must meet rigorous requirements involving valuation-specific training, education and experience; and their conduct is regulated by appraiser licensing agencies in the 50 states and territories.

We are concerned that the use of shortcuts or alternate valuation products (like BPO's) by individuals lacking professional or regulatory oversight poses an unacceptable risk to the financial industry, taxpayers, and the public.

Sincerely

Illinois Coalition of Appraisal Professionals

Steven R. Thomas, CAE, PPS, ASA

President

Cc

Honorable Chris Dodd, Chairman, Senate Committee on Banking, Housing and Urban Affairs  
Honorable Richard Shelby, Ranking Republican, Senate Committee on Banking, Housing and Urban Affairs  
Honorable Barney Frank, Chairman, House Committee on Financial Services  
Honorable Spencer Bacchus, Ranking Republican, House Committee on Financial Services  
Honorable James Lockhart III, Director, Federal Housing Finance Agency