

"HOW DID THE APPRAISAL FIELD CHANGE IN THE 1980'S
AND THE PROGNOSIS FOR THE 1990'S"

The major changes which occurred in the appraisal field in the 1980's stem from the regulatory climate resulting from the government intervention and monitoring of the appraisal industry. Although government involvement with the appraisal profession dates back to 1963 when the Federal Home Loan Bank Board (FHLBB) enacted Insurance Regulation 12 CFR 563.17-1, which required its members loan files to contain an appraisal report with an adequate description and details to provide rationale for the value derived. This requirement was expanded in September 15, 1977 when Memorandum R41(a) was adopted and shortly thereafter, revised on March 1, 1979 with R41(a-1).

The 1980's brought on FHLBB's R41(b), which was an update of the older Memorandum R41(a), effective March 19, 1982. FHLBB R41(c) replaced R41(b) on September 11, 1986 and added additional layers of required appraisal contents and standards upon the appraisal profession. With the demise of the Savings & Loan industry, tax reform and a new Bank Act, commonly known as "CEBA" (Competitive Equality Banking Act of 1987), all lead to the rescision of R41(c).

More regulations followed as the Savings & Loan industry continued to crumble with current losses reported in excess of \$300 billion dollars. As a result, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) pursuant to Title XI was proposed in conjunction with the Resolution Trust Corporation (RTC).

FIRREA proposed regulations are far reaching and basically will control both the appraiser and user of appraisers on virtually any government related transaction in excess of \$15,000 and excluding one to four-units. The proposed regulations focus on the performance and use of appraisals by its member institutions which will be governed through state certification of appraisers (designated or nondesignated) and the establishment of Uniform Standards of Professional Appraisal Practice (USPAP).

As a result of Title XI, appraisers will be subject to additional licensing and certification fees and will require covered agencies to set appraisal standards that are at least as stringent as those set forth by "USPAP". All states will be required to adopt certification models by year end 1991 with 34 states having already passed legislation.

The ramifications of state licensing are far reaching and will likely increase the amount of time necessary to complete a comprehensive appraisal, and in many instances, may increase the fees involved. Moreover, membership, or lack thereof, in any particular appraisal organization is not required, which in my opinion may open another pandora's box.

In closing, Title XI and its various regulations is another blow to the appraisal industry which has always maintained a high standard of professional practice. The creation of additional regulations and state certification will in many instances create "structured" opinions of values under predetermined guidelines which may or may

not be relevant to the appraisal in question. The recent unification of the American Institute of Real Estate Appraisers and Society of Real Estate Appraisers will add little to the events of the 1990's, and in my opinion, is too little, too late and will have no significant influence on what is to come.

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