

## House Bill 2501:

### Appraisal Management Companies; Reasonable & Customary Fees; Evaluations

February 27, 2017

House Business & Labor Committee

Chairman Holvey and Members of the Business & Labor Committee:

My name is Marlo Dill, ARA. I am an Oregon State certified general real estate appraiser in good standing, have been appraising rural real estate in Oregon for 19 years and current representative of The American Society of Farm Managers and Rural Appraisers (ASFMRA) Executive Council District VII. ASFMRA members are recognized as 'The Most Trusted Rural Property Professionals', specializing in the appraisal and management of rural real estate. Many ASFMRA appraisers practice in rural areas of Oregon and throughout the US.

ASFMRA strongly opposes Oregon House Bill 2501.

The Appraiser Certification and Licensure Board has done a good job in the oversight of real estate appraisers and appraisal management companies doing business in Oregon with the limited resources available to them. Fee regulation for private enterprise is beyond the control of a state board and will not fix any perceived issues.

We live in a free economic market based on supply and demand. The factors regulating the price of an appraisal are based on many factors, including but not limited to: lending requirements for the various banks, AMC's or government agencies; location and complexity of the property type; use of the appraisal; scope of work; and how long the assignment takes.

Appraisals can be completed for many reasons: real estate loan transactions for purchase or refinance; estate taxes, estate planning (i.e., gifting); litigation proceedings - lawsuit, divorce; conservation easements or condemnation; IRS issues. Consider the endless complexity of property types, clients, and intended uses for appraisal services.

Appraisals do take time to accurately complete, there is no way around that, but a realistic time frame is achievable. That realistic time frame is not two weeks from when the closing papers are signed on a real estate transaction. There is a time lag between the lender finding a regionally competent appraiser and the hiring of said appraiser that is seldom accounted for in the appraisal process, but the appraiser gets blamed for it. Unique properties do take longer to be appraised and the project will cost more.

It is not the appraiser's job to make the appraisal align with the agreed upon sale price. While often the market supports the transactions, there are times when it does not. **The appraiser is the only uninterested third party involved in the transaction process.**

The reason for the shortage is largely created by too much regulation, notably the onset of Dodd/Frank and the entire appraisal management system which has made appraisal work less profitable and less appealing as a profession, as well as over-burdensome record keeping requirements for appraisers wanting to bring in new appraisal assistants. Adding another level of regulatory over-reach by having a state agency dictate fees would dramatically compound the

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problem, and further exacerbate the perceived appraiser shortage. Oregon is growing and a significant number of consumers are refinancing; demand is currently high for appraisers; as such we have seen recent growth within the industry.

**HB 2501 Section 3**

- (1) The Appraiser Certification and Licensure Board shall **adopt rules establishing the payment rates for independent contractor appraisers.**
- (2) The board shall **establish the payment rates based on the customary and reasonable rates of pay for independent contractor appraisers in this state.** In calculating the rates, the board shall take into consideration academic studies, independent private sector surveys and any other factor affecting compensation rates.

The proposed regulatory action focuses on one element of the appraisal profession - lending appraisal for single family residential properties, but places a blanket restriction on the entire profession, which indicated covers a wide range of property types, clients, and intended uses, far beyond the capacity of the ACLB to oversee. The author of HB 2501 omitted the word minimum, minimum payment rates, unless the desire is an attempt to control the earning potential of an entire privately owned and operated industry.

Property owners in rural areas would be hurt the most by this proposed bill, which is very short sighted and does not fix the problem. In fact it would deter new people from wanting to come into the business. In 1994 a residential appraisal in Central Oregon cost \$425; only within the past two years has that fee risen to \$700, and this is well below the cost of living increase.

**HB 2501 Section 6** ORS 674.10

Amended to read.... Refer to line 32 on page 4 "**or for**"

This change opens financial institutions up to fraud and doesn't protect the consumers or lenders.

In short the proposed HB 2501 is not only unconstitutional and discriminatory it will hurt both real estate appraisal profession and consumers that rely upon our services. ASFMRA strongly opposes HB 2501. Moving forward, we hope to be included in discussions in order to work together when market conditions prove challenging.

Please vote no on HB 2501. Please don't hesitate to reach out to me if I can be of assistance.

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