



Appraisal Institute News Release



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Mortgage Fraud Increase Shows Importance of Valuation Professionals: Appraisal Institute

CHICAGO (April 24, 2012) – Responding to a new study indicating that mortgage fraud in the United States increased 20 percent from the third quarter of 2010 to the third quarter of 2011, the nation's largest professional association of real estate appraisers today encouraged lenders and consumers to work with valuation professionals who hold competence and ethics in the highest regard.

The Appraisal Institute reacted to the Financial Crimes Enforcement Network's March 2012 Mortgage Loan Fraud Update, which found that depository institutions submitted 19,934 Suspicious Activity Reports in the third quarter of 2011 pertaining specifically to mortgage loan fraud, a 20 percent increase over the previous year. The total number of all SARs (including loan workouts, debt elimination attempts and other activity) filed in the third quarter of 2011 increased 14 percent from the previous year to 200,871.

"These ongoing reports of fraud in the housing industry reinforce the need for consumers and real estate professionals to rely on individuals with not only the right experience, but the reputation and ethics to help guide them through today's uncertain marketplace," said Appraisal Institute President Sara W. Stephens, MAI.

FinCen noted that California and Florida had the most mortgage loan fraud, followed by New York and Illinois. Among the fraudulent activities that FinCen cited was a suspicious activity report related to a false home inspection indicating allegedly defective drywall made in China; another report accused several parties of colluding in a lease-to-buy foreclosure bailout scam, including a recently licensed home inspector, a drywall contractor and a buyer and seller. FinCen made no mention of appraisers in their report. FinCen is a bureau of the U.S. Department of the Treasury. Its mission is to enhance the integrity of financial systems by facilitating the detection and deterrence of financial crime.

Fannie Mae reported in its March 2012 Mortgage Fraud Monthly Statistics Update that in 12 percent of the cases, a specific material fact about the property and/or the comparable sales was misrepresented. The Appraisal Institute's own research, based on an analysis of data found in the Appraisal Subcommittee National Appraiser Registry, reported on U.S. appraiser disciplinary actions from the year 2000 through year-end 2011. Individual states initiate disciplinary actions and report them to the Appraisal Subcommittee. The Appraisal Subcommittee of the Federal Financial Institutions Examination Council, created by Congress in 1989, oversees the real estate appraisal process as it relates to federally related transactions.

- For the most recent five-year period (2007-2011), there were 1,766 disciplinary actions.
- There were 2.6 times more disciplinary actions in 2007-2011 than there were in 2002-2006.
- For 2011, the overall number of disciplinary actions decreased 6.8 percent from the prior year.

In 2000-2011, 7.9 times more nonmember appraisers than Appraisal Institute members received a disciplinary action. Based on the most recent five-year averages, the Appraisal Institute represents 26 percent of the entire U.S. appraiser population, but only 12.1 percent of all disciplinary actions.

To see the Financial Crimes Enforcement Network's March 2012 Mortgage Loan Fraud Update, click [here](#).

Click [here](#) to see Fannie Mae's March 2012 Mortgage Fraud Monthly Statistics Update.

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The Appraisal Institute is a global membership association of professional real estate appraisers, with nearly 23,000 members in nearly 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. Organized in 1932, the Appraisal Institute advocates equal opportunity and nondiscrimination in the appraisal profession and conducts its activities in accordance with applicable federal, state and local laws. Members of the Appraisal Institute benefit from an array of professional education and advocacy programs, and may hold the prestigious MAI, SRPA and SRA designations. Learn more at www.appraisalinstitute.org.

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