

**Prepared Testimony of Representative Adam Smith of Washington State,
Read by Representative Rick Larsen of Washington State**

on

H.R. 1500, Veterans' Appraiser Choice Act

before the

Committee on Veterans' Affairs Subcommittee on Benefits

U.S. House of Representatives

Wednesday, June 11, 2003

I would like to thank Chairman Brown, Ranking Member Michaud and their staffs for the opportunity to testify on HR 1500, Veterans' Appraiser Choice Act. This is an issue that I have been working on for many years and is very important to me.

First I would like to start by giving you a little bit of background on the VA home loan program by telling you who runs the program and describing the process a veteran goes through to use the loan.

The VA Loan Guaranty Service is the organization within the Veterans Benefits Administration charged with the responsibility of administering the home loan program. The purpose of this program is to help the families of veterans and active duty personnel to purchase, retain or refinance homes in recognition of their service to the nation. The VA home loan program has made mortgage credit available to many veterans whose loans otherwise would not have been made.

The current process a Veteran goes through when applying for a VA loan starts with the Veteran selecting a lender, presenting a VA Certificate of Eligibility and then completing the loan application. The lender will usually develop the credit information and request the VA to assign an approved appraiser to determine the reasonable value for the property. In most instances the veteran pays for credit report and appraisal. Either the VA or the lender will issue a value for property based on the appraisal. According to the VA Loan Guarantee Service, the value of a property is that figure which represents the amount "a reputable and qualified appraiser, unaffected by personal interest, bias or prejudice, would recommend to a prospective purchaser as a proper price or cost in the light of prevailing conditions."

The Department of Veterans Affairs requires that the home being bought with a VA loan must have this appraisal to insure the worthiness of the home. They also state that "the property appraisal is performed by a designated VA Fee Appraiser assigned from a list of approved appraisers. These appraisers have been determined to be knowledgeable of proper real estate appraisal techniques and standards; have had sufficient real estate appraisal experience, and have satisfied VA requirements for appraiser designation."

In current law the pre-approved appraiser is picked in a lottery system that automatically allows the appraiser to receive a job with no regard as to how well he or she performs. I believe this is unfair to the consumer. If the Department of Veterans Affairs has an application process the appraiser must pass in order to join this pre-approved list then the veteran, as a consumer, should be allowed to pick the appraiser of their choice to ensure the appraisal market remains competitive.

There is a provision in 38 U.S.C. 3731(e)(2) that allows a Veteran, if unhappy with the first appraisal, to have a second appraisal done by another VA-approved appraiser of the veteran's choice and submit this additional valuation to VA. The VA must consider both appraisal reports. It is my proposal that you only strip current law of the automatic rotating system and instead allow the veteran his choice of the pre-approved appraisers.

Today more than 29 million veterans and service personnel are eligible for VA financing and I believe the original intent of the Veterans Loan Guarantee program was to make home buying easier for the veteran's. Unfortunately in recent years we have seen that it is actually making it harder now many home sellers will not chose a Veteran with a VA home loan due to the word of mouth about how difficult the process can be. A very small number of appraisers are giving the whole system a bad name by taking too long in the appraisal process and holding up loans or just giving appraisals which are markedly different from other appraisers for the same property. In the current system there is no incentive for the appraiser to do their best because they are guaranteed a job if on the approved list. If this was a competitive market, like in other home loan systems, the appraisers would weed themselves out by not delivering a quality product.

Some have argued that allowing the veteran to choose an appraiser from the VA approved list will result in pressure being put on appraisers to provide an appraisal which is not independent and unbiased. I do not believe that most appraisers will compromise their professional responsibilities. Those that do should be removed from the VA list. Since VA retains control over which appraisers qualify to perform appraisals for VA home loans, I believe that veterans and service members should be allowed to select an appraiser form VA's approved list.

My district includes Fort Lewis Army Post and McChord Air Force Base so many of my constituents fit within the requirements for a VA home loan. Therefore you see the importance to me in making the veteran's home loan process easier for our members of the Armed Services. I believe HR 1500 makes a very small change to current law that will allow the veteran to have a voice in the process and will ultimately make the list of approved appraisers more competitive, thus giving the veteran a better service.

In closing, I would like to thank you again for allowing me to testify on The Veterans' Appraiser Choice Act and I would ask the Subcommittee on Benefits for their support in passing this important piece of legislation.