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I would think by now it would be apparent to just about everyone that our society cannot afford to continue the enablement of shoddy lending practices. The prior and current misconduct at these lending institutions, including Fannie and Freddie, have literally brought the general economy to it's knees. The taxpayers of this generation and at least the next couple of generations to follow will be living with the fallout from that misconduct. Government's role as a regulator in these areas of commerce is both necessary and appropriate, given the magnitude of the lending business and its impact on the taxpayers. I would go so far as to suggest that it was the *failure of the federal government* to enforce the existing laws and regulations that has enabled the misconduct of the lenders and its resulting aftermath. To be sure, those failures continue to this day. The whole purpose of requiring the lenders to engage in the various forms of due diligence - including obtaining impartial and unbiased appraisals - is to protect the public's interests. Any compromise that undermines the intent behind those requirements also undermines both the public's interests as well as the public's trust in government. This brings to the forefront the question "what is the government's intent with respect to these requirements?" Does the government really mean what it says it means, or is it's unspoken intent to provide the lenders with the means to readily subvert the stated purpose of the existing banking regulations and to provide the facade of the rule of law? Right now the popular perception is the latter rather than the former; and government has only itself to blame for that poor public perception. A problem is best addressed at its source. If the problem we're seeking to solve is the usage of substandard appraisals by the lenders then that's the place to start. The truth of the appraisal business is that in the real world it is the lenders who determine the quality of the appraisals they use. It is the work they actually accept and use that sets the bar, not what they *say* they will accept and certainly not what we as appraisers assert should set those minimums. Government's role in all this is to take steps to require the actions at the lenders to

match their stated intentions. So far, the banking regulators have been failing miserably in that role. It should be apparent that it's both cheaper and more effective for the government to keep an eye on the conduct at the lenders than to attempt to monitor every transient loan originator or appraisal management company entity that rents a mailbox at a strip mall. Cutting off the loan originators and the realty agents from the appraisal engagement loop was a great first step, but it's still only a half-measure. The lenders have shifted the function of providing plausible deniability from these outside loan salesmen to the AMCs, with the apparent blessing of the government.
If the federal government is serious about banking reform then they need to get tough with the lenders and deal with them on this issue even more directly than is provided in Regulation Z. In the case of appraisals that would mean holding them 100% accountable for their decision to use those appraisals. As in *actually* being accountable. One way to do that would be to mandate formal appraisal reviews of a significant percentage of those appraisals, and by that I don't mean the superficial automated "reviews" that consist of nothing more than comparing the value conclusion of an appraisal with the output of an automated valuation model to see if they're within 10% of each other. Prohibit the lenders from using appraisals from appraisers who have ever gotten caught lying to them in appraisal work in the past. Lying in an appraisal about the factual attributes of the subject property or any of the comparables should be a one-strike offense. Require the lenders to either engage the appraiser directly through an in-house appraisal department or require that appraisal department to review 100% of the appraisals engaged by third parties. No exceptions and no "partnerships" that share that responsibility. In either case every appraisal decision should include a personal signature by an employee at the lender that signifies the personal acceptance by the individual for that decision. In light of current events I wouldn't recommend the use of robo-signatures for those decisions. Criminally prosecute any party at the lender who infringes on the requirements for impartial, unbiased and competent appraisal work. If you start with the CEOs of these companies and work your way down the corporate ladder it won't take you but about 20 minutes to identify the job title where the buck for one of those decisions stops. Corporate is defined by upper management, not by the desk jockeys at the bottom. I think it is important for everyone trecognize that the most important users of these appraisals are not the mortgage brokers who packaged the deal or even the lenders who made the loan decision. No, it is the parties who are compelled to accept the financial losses for these bad decisions. So far, those responsible parties have been limited to the investors worldwide who have purchased mortgage-backed securities and other bundles of mortgages sold by Fannie/Freddie, and the taxpayers who have been forced by the engineered too-big-to-fail scenario to provide the bailouts and to suffer the ravages of the devaluation of the dollar as well as the other macro-economic fallout from these banking failures. The cheapest and easiest way to solve problems is to take steps to avoid them and prevent them from occurring in the first place; not reacting to them and investigating them and throwing money at them after the fact. If the federal government really does have a sincere interest in addressing the misconduct in the lending business it should be starting at the top of the food chain, which by definition involves a low fewer people than starting at the bottom. As for the cost of appraisals cutting into economic viability, that's a red herring. Current events have demonstrated that good decisions with appraisals ultimately cost a lot less than dealing with the fallout from bad decisions and the resulting substandard appraisals. Good appraisals don't cost money, they save money - a lot of it.