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## PERSONAL JOURNAL

# Homeowners Refinancing Loans Push Appraisers to Go Yet Higher

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Real-estate appraiser Charles Warren recently ran afoul of a San Francisco homeowner when he wouldn't promise to appraise the house at \$2 million.

The homeowner was refinancing her mortgage and wanted a high appraisal to justify a bigger loan. "She said, 'If you're not going to come up with the number I want, I'm not going to pay you,'" says Mr. Warren, who thought the house might be worth about \$600,000 less than the homeowners' target. He lost the job.

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With interest rates hovering near 40-year lows and home prices at record levels, millions of Americans are scrambling to tap the equity in their homes through refinancings or lines of credit. Most of these loans require a

new appraisal: Higher appraisals typically result in bigger loans and sometimes better terms.

The upshot: Appraisers from around the country say homeowners are increasingly pushing them to jack up the estimated value of homes. In the past six months, the Appraisal Institute, which represents 17,000 appraisers, has seen a jump in complaints about homeowners threatening to withhold payment for appraisals that aren't as high as they want, according to its president, Alan Hummel. Some lenders are seeing similar patterns: "Homeowners don't want to be told that their home is worth less than they think it is," says Doug Perry, a vice

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president at Countrywide Home Loans Inc., a unit of Countrywide Credit Industries..

Peter Vidi, who runs an appraisal firm based in Greenbelt, Md., has just such a case sitting on his desk. The owners of a home in Washington, D.C., who are refinancing their mortgage, believe the property is worth \$260,000. "But a prudent buyer would only pay \$230,000 today for it," he says. "We're telling them that a legitimate appraiser won't push value. That's a land mine that will ultimately come back to haunt you."

## ON THE HOME FRONT

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The mounting pressure on appraisers highlights the changing role of homes in the personal finances of Americans. Consumers used to strive to pay off their mortgages. Now, many constantly tap the rising value of their homes through cash-out refinancings and home-equity loans or lines. As a result, many homeowners are piling on debt that will make them vulnerable if the economy slows or interest rates rise.

Even with historically low interest rates, nearly 1% of the 34 million loans tracked by LoanPerformance were either in foreclosure or 90 days or more delinquent at the end of May, the highest level since the end of 1999, says Sheila Meagher, LoanPerformance's vice president

of market research. What's more, "we don't anticipate that's the end of it," she says. "We think we'll see a fallout in the next quarter or two."

Appraising homes, of course, is an inherently subjective process. For some time, appraisers have complained that they felt pressured to deliver high appraisals on home sales so that real-estate agents and mortgage brokers could make bigger commissions and bankers could generate more loan fees.

Now, the push increasingly comes from homeowners who want to borrow more when they do cash-out refinancings or take out home-equity lines. Mr. Vidi, the Maryland appraiser, says pressures like these typically come when home prices are softening. Home prices have been increasing rapidly in most market, but he wonders if that is beginning to change. "There's going to be a downturn in the market eventually," Mr. Vidi says. "When real-estate values slide down, people are going to be screaming."

Inflating your appraisal is not only risky in the event housing prices fall, it can also be illegal. Lenders and homeowners have the right to report inflated appraisals to state licensing boards that regulate appraisers. In California, the Office of Real Estate Appraisers received 400 or so complaints against appraisers last year.

There are steps you can take to boost the appraisal on your house without pressuring the appraisers. Before the appraiser arrives, you should spruce up the appearance of your property.

Present the appraiser with a list of all additions and improvements to the home. If you're in a neighborhood with rapidly rising prices, collect information on comparable homes that have sold recently.

The appraisal industry could be blamed for bringing some of the abuse from homeowners on themselves. A few years ago, after a spate of late or non-payment of appraisal fees by mortgage brokers, many appraisers began collecting their fees directly from the homeowner before they inspect the property.

With borrowers controlling the payment, "now they have a pressure point," says Mr. Hummel of the Appraisal Institute. An appraiser in Des Moines, Iowa, he recently received a call from an unhappy homeowner who wanted the appraisal fee refunded. "With my appraisal, the bank wouldn't give him sufficient money to buy the boat he wanted. "I said, 'Buy a smaller boat.' He didn't like that answer."

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