



HB 1151 – Residential Real Property Sales – Appraisals

Position: Support with Amendments

Maryland REALTORS® supports the efforts of the Task Force on Property Appraisal and Valuation Equity to address issues that exist within the property valuation process. To that end, we suggest the following amendments and considerations on HB 1151.

In new 14–104.2.(A), sellers may request a new appraisal when the initial appraisal is below “current market value.” Because that term is not defined in the bill, we are unclear as to what measure would be used to determine “market value” and which party would be making that determination, especially when an appraisal is itself a measure of current market value. REALTORS® suggest that the contract price as agreed to by both the seller and potential buyer is a more appropriate trigger for any additional valuation procedures.

In addition, this bill does not make reference to the federal reconsideration of value process (ROV), as instituted in October 2024. A reconsideration of value (ROV) is a request from a financial institution to the appraiser or other preparer of the valuation report to reassess the report based upon potential deficiencies or other information that may affect the value conclusion.

REALTORS® are unclear as to whether HB 1151’s new appraisal is in addition to the ROV, or if it is intended to replace it. Both of these approaches would require additional amendments to the bill as introduced.

If it is intended to work with the ROV, clarification is needed on whether the ROV process needs to be completed before an additional appraisal is completed, or if a seller may request an appraisal without needing to go through ROV. If this is intended to supplant the federal ROV, a determination must be made as to whether that is allowable under federal lending guidelines, and if lenders would be amenable to offering mortgage products to Maryland purchasers under a standard that differs from that in other states.

Also, if a new appraisal is conducted, it is unclear as to which appraisal would provide the controlling value. An additional appraisal could return a property value that is higher, lower or unchanged from the initial valuation. Buyers and sellers could have different interests in those values, particularly if the initial appraisal ordered by the buyer’s lender returned a lower purchase price, while an additional appraisal requested by the seller results in a higher purchase price. Without clarity, this would greatly complicate a real estate sales transaction, particularly as it relates to the use of and conditions covered under an appraisal contingency.

Finally, we do have concerns about the costs that this would add to mortgage lending. If a lender must provide a new appraisal to a seller without charge, those costs must be accounted for in the overall cost of providing a mortgage loan in Maryland. We believe this would raise costs for

every borrower, because lenders would not know in advance which sellers would request additional appraisals and which would not.

We are happy to continue conversations with stakeholders on HB 1151 and its provisions to ensure an orderly process for appraisal reconsideration.

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