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UNFAVORABLE ON HB 1299

Real Property - Residential Sales - Communications During Appraisal Process

House Economic Matters Committee

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The Appraisal Institute, the nation's largest organization of professional real estate appraisers, respectfully **opposes HB 1299** as introduced, which would establish a Maryland-specific reconsideration of value (ROV) process for residential mortgage transactions.

We share the sponsor's goal of addressing real estate value inequities that stem from past discriminatory government policies, including redlining, exclusionary zoning, and environmental injustices. These systemic harms have had lasting impacts on communities and housing markets, particularly in communities of color. However, professional appraisers did not create these policies, and individual appraisers do not have the authority or ability to unilaterally correct the structural inequities embedded in broader market forces and public policy. Meaningful reform must be comprehensive and policy-driven, not imposed through mechanisms that compromise the valuation process.

We oppose HB 1299 as drafted due to concerns regarding appraiser independence, conflicts with established professional standards, and the creation of an inconsistent and unworkable framework. That said, we would welcome the opportunity to collaborate with the sponsor and the Committee on amendments that would align Maryland's reconsideration of value requirements with the policies already established by the government-sponsored enterprises and federal bank regulators. A consistent, nationally harmonized approach would better protect appraiser independence, reduce confusion in the marketplace, and promote fairness, transparency, and public trust without creating unnecessary duplication or unintended consequences.

Undermines Appraiser Independence

The appraisal process is designed to produce an independent, objective opinion of value. HB 1299 fundamentally alters that process by requiring appraisers to notify multiple parties, including buyers, sellers, and real estate agents, when a value may fall below a contract price or estimated value.

This requirement introduces non-client parties into the appraisal development process and compels appraisers to engage with stakeholders who have a direct financial interest in the outcome. This structure is inconsistent with the long-standing framework governing appraiser independence and risks undermining public trust in appraisal results.



Conflicts with USPAP Requirements

Appraisers in Maryland must comply with the Uniform Standards of Professional Appraisal Practice (USPAP), which establish clear obligations regarding independence, confidentiality, and the appraiser's relationship with the client.

HB 1299 creates tension with USPAP by:

- Requiring communications with parties other than the appraiser's client.
- Encouraging disclosure of preliminary value conclusions before the appraisal report is completed.
- Mandating engagement with value-influencing information during development.

USPAP does not contemplate a process in which appraisers provide pre-decisional value signals or participate in iterative feedback loops with non-client stakeholders. The bill therefore places appraisers in a position where compliance with state law may conflict with professional standards.

Creates a State-Mandated Influence Mechanism

Although framed as an opportunity to submit additional data, the bill effectively creates a state-sanctioned mechanism for parties to advocate for a particular value outcome during the appraisal process.

By requiring appraisers to pause their analysis, consider submissions intended to support a contract price, and respond in a formal addendum, the bill transforms the appraisal process into a negotiated or adversarial exercise. This is inconsistent with the role of the appraiser as a disinterested third party.

Misidentifies the Appraiser's Role in the Mortgage Process

In mortgage lending transactions, the lender, not the appraiser, controls the reconsideration of value process. Federal guidance from the GSEs and federal banking regulators requires that requests for reconsideration of value be submitted to the lender or appraisal management company, which then determines whether the information warrants review by the appraiser.

HB 1299 instead requires the appraiser to directly notify and interact with transaction participants, including buyers, sellers, and real estate agents. This fundamentally alters the established structure of the mortgage process by assigning responsibilities to appraisers that properly belong to the lender or client.

This shift creates confusion regarding accountability and increases the likelihood that appraisers will be placed in adversarial positions with parties who have a direct financial interest in the transaction outcome.

Conflicts with Existing Federal ROV Frameworks

Federal banking regulators, including the OCC, Federal Reserve, FDIC, NCUA, and CFPB, have issued [Interagency Guidance: Reconsiderations of Value of Residential Real Estate Valuations](#),



which defines an ROV as a request from a financial institution for an appraiser to reassess a completed valuation based on potential deficiencies or additional information that may affect the value conclusion.

Under this framework, ROV requests occur after the appraisal is completed, are initiated and managed by the lender or client, and are designed to preserve appraiser independence.

HB 1299 would create a separate state process allowing reconsideration requests before completion of the appraisal, involving parties other than the client, and imposing timelines inconsistent with the federal framework. This would create regulatory inconsistency and increase compliance risk.

The Appraisal Institute supports ROV processes but believes they should align with the uniform federal framework, rather than creating differing state requirements.

Pending Federal Legislation Further Establishes a National ROV Framework

It is also important to note that pending federal legislation (Sen. Scott Amendment to [HR 6644](#)) would require the Government Sponsored Enterprises, the Federal Housing Administration, the Department of Veterans Affairs, and the U.S. Department of Agriculture to each implement and maintain requirements ensuring that creditors of federally backed mortgage loans establish a review and resolution procedure for a consumer-initiated reconsideration of value or subsequent appraisal in connection with a consumer credit transaction secured by the borrower's principal dwelling. In other words, a national ROV framework is already being developed at the federal level. Enacting a Maryland-specific pre-completion process now risks creating a duplicative and potentially conflicting structure just as a uniform federal standard is being implemented.

Prevents Affected Loans from Being Sold to the GSEs

Secondary market standards impose strict requirements to protect appraiser independence. The Appraiser Independence Requirements (AIR) established by Fannie Mae and Freddie Mac explicitly prohibit influence over the appraisal process.

For example, Fannie Mae's AIR provides that every person in a transaction is prohibited from:

“Requesting from or providing to an [appraiser] an anticipated, estimated, encouraged, or desired value or value range for a property except that a copy of the sales contract for purchase transactions may be provided to an [appraiser] that has been engaged to complete an appraisal assignment;” and

“Providing to an [appraiser] a proposed or targeted loan amount except that a copy of the sales contract for purchase transactions may be provided to an Independent Party that has been engaged to complete an appraisal assignment”

HB 1299 raises serious concerns in this regard. By requiring appraisers to consider and respond to information submitted by interested parties, often for the purpose of supporting a contract price or estimated value, the bill risks facilitating communications that could be viewed as impermissible influence under AIR.



In particular, the bill's application to refinance transactions could expose appraisers to target or benchmark values during the development of the appraisal. Under GSE requirements, such practices may prevent lenders and appraisers from representing compliance with AIR, a prerequisite for selling loans to Fannie Mae and Freddie Mac.

As a result, loans subject to this framework may be rendered ineligible for sale on the secondary market, creating unintended risk for Maryland lenders and borrowers.

Potential Impacts on Mortgage Availability

Because the bill creates a process that may conflict with federal appraisal independence requirements, lenders may face uncertainty about whether loans originated under this framework can be sold to the secondary market.

If loans cannot be readily sold to Fannie Mae, Freddie Mac, or other secondary market participants, lenders may limit the types of loans they originate in Maryland or impose additional risk premiums. These consequences could ultimately reduce mortgage availability or increase borrowing costs for Maryland consumers.

Conclusion

For these reasons, the Appraisal Institute respectfully urges the Committee to issue an unfavorable report on HB 1299 in its current form.

We welcome the opportunity to collaborate with the sponsor and Committee on alternative approaches that enhance transparency while preserving the independence and integrity of the appraisal process.

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