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FAVORABLE ON SENATE BILL 477

SB 477 - Civil Actions - Real Estate Appraisals - Statute of Limitations

Senate Judicial Proceedings Committee

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The Appraisal Institute, the world's largest organization of professional real estate appraisers respectfully submits this written testimony in **strong support of Senate Bill 477**, which would provide Maryland's real estate appraisers with clarity regarding the time period during which they may be subject to civil lawsuits arising from appraisal services.

Under current law, claims against appraisers are subject to the discovery rule, meaning the statute of limitations does not begin to run until a claimant discovers or should have discovered an alleged defect in an appraisal. In practice, this can result in appraisers facing liability exposure many years, or even decades, after an appraisal was completed. As a result, appraisers effectively operate under an indefinite statute of limitations, even though the appraisal itself reflects a professional opinion of value as of a specific date in time.

In many cases, alleged defects in appraisals are not identified until a mortgage loan defaults. At that point, the party holding the loan may scrutinize the appraisal for potential issues and attempt to attribute the loss to the appraiser. These claims are frequently based on minor or technical deviations from professional standards and are often framed as professional negligence, misrepresentation, or malpractice. However, loan defaults are commonly caused by factors unrelated to the appraisal, such as job loss, divorce, changes in interest rates, or broader market declines.

Professional standards require appraisers to retain their work files for a set period of time. After that period expires, records are typically and appropriately destroyed. If a lawsuit is filed years later, the appraiser may no longer have access to the documentation necessary to defend their work. Faced with escalating legal costs and an impaired ability to mount a defense, appraisers are often pressured to settle claims regardless of merit simply to avoid financial ruin.

It is also important to recognize that lenders are required to review appraisals at the time a loan is originated. A competent appraisal review process should identify any deficiencies when the appraisal is first submitted, not years later after a loan has failed for unrelated reasons.



Senate Bill 477 strikes a fair and appropriate balance. The bill establishes a two-year discovery period while also imposing an outside four-year limitation measured from the date the appraisal service was performed or should have been performed. This approach preserves the ability of legitimately aggrieved parties to pursue claims, while also ensuring that those claims are brought within a reasonable and predictable timeframe.

SB 477 has important safeguards. It does not apply where it is alleged that an appraiser committed fraud. In addition, SB 477 applies prospectively only, and it does not interfere with the authority of regulatory agencies to pursue administrative enforcement where warranted. Accountability is preserved; what the bill provides is certainty and fairness.

For small appraisal businesses, predictability in liability exposure is essential to managing risk, maintaining insurance coverage, and continuing to provide valuation services that Maryland's real estate and lending markets rely upon.

For these reasons, the Appraisal Institute respectfully urges the Senate Judicial Proceedings Committee to issue a **favorable report on Senate Bill 477**.

Thank you for your consideration.

