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In Support of

***HB 53: ACTIONS AGAINST REAL ESTATE APPRAISERS OR APPRAISAL MANAGEMENT COMPANIES;
STATUTE OF LIMITATIONS***

House Courts of Justice Committee, Civil Subcommittee

February 5, 2024

Chair Hope, Vice-Chair, Simon and distinguished members of the House Courts of Justice Civil Subcommittee,

The Appraisal Institute, the nation's largest organization of professional real estate appraisers, respectfully submits the following testimony *in support of HB 53* to create a statute of limitations on civil lawsuits against real estate appraisers and appraisal management companies. Any lawsuit against an appraiser or appraisal management company for claims of professional malpractice, misrepresentation, negligence, breach of contract, etc. would have to be filed within 5 years of the date that the appraisal service is performed.

Over the last several years, real estate appraisers have been faced with lawsuits alleging defects in appraisals performed for mortgage transactions that have gone into default. There are law firms that have purchased the rights to sue appraisers in relation to defaulted loans. Under current law, the "Discovery Rule" results in an almost infinite statute of limitations for claims against appraisers because the time for filing a suit does not commence until the party filing the claim discovers, or should have discovered, the alleged defect in the appraisal. Because these appraisals were performed many years ago, the appraiser does not have the ability to adequately defend themselves.

The Uniform Standards of Professional Appraisal Practice – with which every appraiser is required to comply - requires that an appraiser retain a work file for each appraisal for a period of five years after the appraisal was prepared. Many appraisers purge their files of all information related to an appraisal after five years. As a result, it is difficult for an appraiser to defend themselves against a lawsuit that is in relation to an appraisal that was done as long as 15 years ago.

A statute of limitations that is specific to claims against real estate appraisers, and that is tied to the date that the appraisal was performed and the USPAP Recordkeeping requirements, will provide the certainty of knowing the time period during which a suit or disciplinary action might be filed. The appraiser will be better able to take appropriate risk management steps, such as obtaining insurance coverage and retaining appropriate records.

AI appreciates the opportunity to provide this written testimony in support of HB 53. If you have any questions or need additional information, please contact Scott W. DiBiasio at (202) 298-5593 or sdibiasio@appraisalinstitute.org