

# **A.G. Schneiderman Secures \$7.8 Million Settlement With First American Corporation And EappraiseIT For Role In Housing Market Meltdown**

*One Of Nation's Largest Appraisal Management Companies Was Pressured By Washington Mutual To Inflate Residential Real Estate Appraisals*

*Schneiderman: We Will Continue To Litigate Cases Arising From The Mortgage Crisis And Bring Wrongdoers To Trial If Needed*

NEW YORK – Attorney General Eric T. Schneiderman today announced a \$7.8 million settlement with eAppraiseIT, formerly one of the nation's largest real estate appraisal management companies and its parent corporation, First American Corporation, for colluding with savings and loan giant Washington Mutual to inflate the values of homes. Today's settlement resolves charges that the corporation violated appraiser independence laws, which regulate the conduct of real estate appraisers.

The settlement was entered into with CoreLogic Inc., formerly known as The First American Corporation and CoreLogic Valuation Services, successor-in-interest to its subsidiary eAppraiseIT.

“Coercion of appraisers to inflate home values and the erosion of appraisal independence directly contributed to the housing crisis. By giving in to lender pressure, these corporations violated a principle that is vital to restoring and maintaining a healthy housing market,” said **Attorney General Schneiderman**. “Today's settlement demonstrates our office's commitment to investigating the causes of the mortgage crisis and holding wrongdoers accountable. We will continue to litigate cases arising out of the financial crisis vigorously and take defendants to trial as needed.”

The Attorney General's office originally filed a complaint against First American and eAppraiseIT, a company that performed over 260,000 appraisals nationally for Washington Mutual, Inc. (WaMu). The complaint charged that WaMu pressured eAppraiseIT to allow WaMu's loan officers to select property appraisers for WaMu-originated mortgages. This was a clear violation of the Uniform Standards of Professional Appraisal Practice (USPAP) and federal and state law. This practice led to inflated property valuations and enabled WaMu to originate a greater number of mortgages than would have been possible had appraisals been performed by fully independent appraisers. Appraisal management companies are required to provide a buffer between bank loan staff and individual appraisers to eliminate pressure or conflicts of interest.

From early 2006 through late 2007, eAppraiseIT conducted some 10,000 appraisals for WaMu in New York. Thousands of these appraisals were conducted by appraisers who had been hand-selected by WaMu staff for a "proven appraiser list" with the expectation these appraisers would inflate property valuations, thereby allowing more home loans to close at higher values. eAppraiseIT also permitted WaMu loan officers to submit multiple reconsiderations of value, known in the industry as "ROVs," often without any evidence of error or substantiation that would support WaMu's efforts to increase the property values above the initial appraisal.

First American sought to have the case dismissed, arguing all the way to the New York Court of Appeals that New York's action was preempted by federal law. The Court of Appeals rejected these arguments and held that federal law did not preempt the Attorney General's claims for fraudulent and deceptive appraisal practices, noting that the federal law explicitly envisions a cooperative effort between federal and state authorities to ensure that real estate appraisal reports are objective and independent and comply with industry standards. The United States Supreme Court denied First American's petition to hear the case.

This past June, the case proceeded to trial before Justice Charles Ramos of the New York Supreme Court. Witnesses presented by Attorney General Schneiderman included appraisers who testified that they stopped getting WaMu eAppraiseIT assignments despite years of satisfactory work, only to later discover they had been removed from the "proven appraiser list" because they refused to provide the values that would satisfy WaMu's loan officers. Evidence introduced at trial included a 2007 email from a former WaMu sales office employee, stating, “The appraisal list that eAppraiseIT ... is using has been totally scrubbed. But instead of keeping good appraisers, they went for the BADddd ones.” The Attorney General also produced expert testimony that First American's appraisals were generally higher than would have been expected when using independent benchmarks of value for such properties.

The settlement provides that the defendants will pay \$4 million in civil penalties and \$3.8 million in costs, fees and disbursements incurred during this protracted litigation. In addition, the defendants, who are no longer in the appraisal business, agreed to comply with applicable federal and state appraisal standards if they reenter the appraisal business in the future.

The case was handled by Senior Trial Counsel David N. Ellenhorn, Deputy Solicitor General Richard Dearing, Assistant Attorney General Ellen Fried and Special Counsel Scott R. Wilson under the supervision of Chief of Consumer Frauds and Protection Bureau