



Prepared Testimony

Of

James L. Henderson, SRA

On

The Impact of Overhead High Voltage Transmission Towers and Lines on Eligibility for Federal Housing Administration (FHA) Insured Mortgage Programs

Before the

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Subcommittee on Insurance, Housing and Community Opportunity

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Chairman Biggert, Ranking Member Gutierrez, Chairman Miller and members of the Subcommittee on Insurance, Housing, and Community Opportunity, I thank you for the opportunity to share the perspectives of professional real estate appraisers on the valuation issues relating to residential properties with high voltage transmission lines on behalf of the 25,000 members of the Appraisal Institute and the American Society of Farm Managers and Rural Appraisers.

Appraisals of properties with transmission lines are similar to other appraisal assignments, but can be more complex. When an appraiser identifies and observes a high voltage transmission line, it is important to report to the client its existence and analyze any potential effects on value. This is consistent with the important role of real estate appraisers in assessing lender collateral risk.

Like many factors in real estate, the proximity of the line to dwellings and the impact on view will be case by case and market specific. Proximity is a critical factor. When the transmission towers are extremely close to the residence, the impact on marketability will be more severe. Alternatively, some markets may show little to no resistance, at all, or even place a premium on it if it creates open space or a greenbelt in the backyard. In other situations, the resistance may depend on the type of power line corridor that is involved. There are many potential factors such as the size and type of tower, and the line capacity, to name a few.

When analyzing potential market impacts, a common method is "paired sales analysis." The paired sales approach attempts to match the characteristics of a subject property sold within a claimed area of impact (the subject area) with individual sales of similar properties sold outside the claimed area of impact (the control area). The issues here center on the availability of sales and the ability to identify sales that can be considered a match to the subject property.

Other methods, such as multiple regression analysis, can be utilized by appraisers and may be well suited to identify the independent effect of the transmission line, holding the other value-determining factors constant.

However, this is only possible with a relatively large number of (subject area and control area) sales, which is often not available.

The Federal Housing Administration has specific policies relative to appraisals of properties with high voltage transmission lines. These policies are generally consistent with standard appraisal practices, but specifically require the appraiser to indicate whether the subject site, dwelling or related property improvements are located within the easement serving a high-voltage transmission line. If the subject site, dwelling and improvements are located outside the easement, the property is considered eligible for funding and no further action is necessary. If the easement encroaches upon the subject property it becomes the requirement of the lender to obtain a letter from the owner or operator of the tower stating that the subject improvements are not within the (engineered) fall distance of the tower. We note – this is not an appraisal issue, but one of agency policy and lender decision.

In either case, the appraiser is instructed to note and comment on the effect on marketability resulting from the proximity to the hazard. The appraiser's function is to provide information to the lender, and it is the lender (and HUD) that make the decision to reject if the situation warrants it. Otherwise, the appraiser accounts for the influence of the high-voltage transmission line in the valuation of the property.

Currently, Fannie Mae and Freddie Mac will accept loans with transmission line proximity so long as the appraiser discloses the influence and provides comment if there is an adverse influence and loss in value. These policies are found in the Seller/Service Guidelines. However, one must also recognize that FHA has a slightly different mission than Fannie Mae and Freddie Mac that includes health and safety considerations. These policies can be found in Handbook 4150.2 and the agency's Valuation Protocol, Appendix D.

Lastly, in regards to the Tehachapi Renewable Transmission Project and the question of whether or not the property value of homes located near the project have decreased, I recommend hiring a local, professional designated appraiser, specifically, one with residential experience relative to properties that have transmission line influence, to determine if there's any loss in value as result of the power lines. It's easy to assume your property values will lose major value, but an unbiased, professional appraiser can analyze the market thoroughly, to determine whether that is actually the case.

Thank you for the opportunity to testify today, and I am happy to answer any questions you might have.