

## A shabby mess

*by The San Diego Union-Tribune*

In a dozen different ways, it's become plain that the toxic combination of greed and dishonesty produced the mortgage and housing crisis that threatens to drag the U.S. economy into a recession.

The latest evidence of this involves Washington Mutual, the nation's largest savings and loan. Jennifer Wertz, a Sacramento appraiser, is suing WaMu for allegedly blackballing her firm in retaliation for Wertz's refusal to inflate the value of homes involved in pending loans. In May 2007, Wertz contends, a WaMu manager demanded she change her description of local property values from "declining" to "stable." Wertz says she refused - and never was hired by WaMu again.

The thrift is far from the only lender whose ethics are in question. A study published last year showed a stunning 90 percent of appraisers felt pressured to make dishonest valuations in recent years, when housing values soared from coast to coast. Against this backdrop, recently enacted state reforms are simply inadequate. A law that took effect in October makes it a misdemeanor to "improperly influence a real estate appraiser" and requires home appraisers to undergo considerably more training with a more rigorous curriculum.

We think it's time for Sacramento or Washington or both to take up a smart reform idea that emerged during the savings and loan crisis of the 1980s. It would have required financial institutions to create "fire walls" between the bank officials who ordered and reviewed appraisals and the officials who made final decisions on loans - and mandated steep penalties for lenders who didn't separate appraisal evaluations and loan approvals, and failed to maintain an honest, transparent process.

This would be a welcome first step. Unfortunately, instead of pushing for common-sense safeguards to minimize the chance of a future housing crisis, many lawmakers tout proposals to bail out homeowners who made irrational decisions and the lenders who abetted them. This is the exact wrong approach - one that lays the groundwork for another debacle down the road.

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