

July 4th District/State Work Period
NAR Information Pack
Home Valuation Code of Conduct



National Association of REALTORS® Government Affairs Division
500 New Jersey Avenue, NW, Washington DC, 20001

Page One: NAR Regulatory Talking Points

Page Three: NAR Regulatory Issue Brief

NAR Regulatory Talking Points Home Valuation Code of Conduct



National Association of REALTORS® Government Affairs Division
500 New Jersey Avenue, NW, Washington DC, 20001

Talking Points on the Home Valuation Code of Conduct—HVCC

When visiting with your Congressional or Senate Offices you should stress the following points regarding HVCC:

- *NAR is calling for an 18 month moratorium on the Home Valuation Code of Conduct (HVCC) to address implementation issues.*
- *The Code has been in effect for almost two months and its implementation is causing a great deal of confusion in the real estate industry.*
- *This confusion is causing delays in closings and canceled sales, which result in artificially low existing home sales.*

Why NAR supports a moratorium

It allows an opportunity to address the following issues:

- Allowing lenders to obtain appraisal reports from AMCs where the lender has a stake in ownership does not meet the goal of the HVCC to assure the independence of the appraisal process. The HVCC should be amended to prohibit lenders from obtaining an appraisal from an AMC where the lender has a stake in ownership.
- AMCs are not uniformly regulated by the states and there is no federal regulation. Many state legislatures are in the process of enacting laws to regulate AMCs. A moratorium will allow many states time to finalize legislation and regulation of AMCs.
- The Independent Valuation Protection Institute (IVPI) is as an integral part of the HVCC and, to date has not been implemented. The purpose of the IVPI is to receive complaints from appraisers and users of appraisal services on the improper influence or attempted improper influence of appraisers. A moratorium allows time for the implementation of the IVPI.
- Appraisers now must consider their obligations under the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Foundation with the additional burden of complying with the HVCC. Higher costs may also be an issue for lenders. These are costs that may be passed on to the consumer.



NAR Regulatory Talking Points Home Valuation Code of Conduct



National Association of REALTORS® Government Affairs Division
500 New Jersey Avenue, NW, Washington DC, 20001

Additional Background Information:

- NAR has approximately 30,000 appraiser members from across the country. All of NAR's 1.2 million members are vitally concerned about appraisals.
- NAR supports the independence of appraisers and the integrity of the appraisal process.
- NAR applauds Attorney General Cuomo and both GSEs for their efforts to address appraisal fraud.



NAR Regulatory Issue Brief

Home Valuation Code of Conduct



National Association of REALTORS® Government Affairs Division
500 New Jersey Avenue, NW, Washington DC, 20001

Home Valuation Code of Conduct Issue Brief

On May 1, 2009, the Home Valuation Code of Conduct (HVCC) went into effect. The HVCC establishes standards on solicitation, selection, compensation, conflicts of interest and appraiser independence. However, the current appraisal process remains largely intact. This paper briefly discusses how the HVCC impacts various stakeholders in the mortgage transaction.

REALTORS®

- The impact on individual REALTORS® is minimal. Individual REALTORS® and licensed real estate agents may not serve as a third party between a lender and appraiser. This includes selection, retention, and compensation of an appraiser. However, it is unlikely that REALTORS® were participating in these activities, to a significant degree, prior to May 1, 2009.
- Individual REALTORS® are still permitted to communicate with appraisers to ask that additional data be considered or that errors in the appraisal be corrected.
- Broker REALTORS® that offer services as a lender or affiliated lender or that offer appraiser services must comply fully with the HVCC if there is an expectation that their loans will be purchased by Fannie Mae or Freddie Mac on or after May 1, 2009.

Appraisers

- Appraisers who work primarily with mortgage brokers may be affected the most. These appraisers will see a steep decline in appraisal requests from mortgage brokers. However, much of their business will likely come from appraisal management companies (AMCs) retained by lenders or mortgage brokers.
- Appraisers who work with lenders will see a change in the process if the lender decides to comply with the HVCC by retaining an AMC to choose appraisers. In this case, the appraiser will see business decline from the lender but increase from the AMC – similar to what occurs for appraisers working with mortgage brokers.
- Not all lenders will utilize AMCs (see below). Appraisers who work with lenders directly are not likely to see a significant change in the appraisal process.

Lenders

- **Lenders Selling to GSEs:** Lenders must establish a firewall between loan production staff and appraisal staff. Lenders may create this separation by retaining the services of a third party company, such as an AMC, that will select an appraiser for the lender.
- Lenders may instead meet the requirements of the HVCC by creating a firewall internally between underwriting staff and staff that selects and retains appraisers.
- Lenders selling mortgages to the GSEs must certify, represent, and warrant that the appraisal report was obtained in a manner in compliance with the HVCC.
- **Lenders Not Selling to GSE:** Lenders not selling mortgages to Fannie Mae or Freddie Mac are not obligated to adhere to the HVCC.



NAR Regulatory Issue Brief

Home Valuation Code of Conduct



National Association of REALTORS® Government Affairs Division
500 New Jersey Avenue, NW, Washington DC, 20001

Mortgage Brokers

Mortgage brokers can initiate an appraisal request from an AMC only if the following conditions are met:

- The AMC is specifically authorized by the lender to act on its behalf and the AMC is not acting on behalf of the mortgage broker.
- The AMC selects, retains, and provides for payment of all compensation to the appraiser on the lender's behalf.
- The appraiser's client is the lender and the appraiser correctly identifies the lender as the lender/client on the appraisal report.
- The lender has policies and procedures in place that comply with the Code.
- The lender ensures that the AMC has policies and procedures in place that comply with the Code.

Otherwise, a lender may not accept any appraisal report completed by an appraiser selected, retained, or compensated in any manner by a mortgage broker. A lender may accept an appraisal report prepared for a different lender if certain conditions are met.

Consumers

- The borrower will receive a copy of any appraisal on the borrower's property upon completion of the appraisal and at no additional cost to the consumer.
- There is some concern that the appraisal process may take longer and increase costs for the consumer. While it is too early to tell if these conditions will develop, the NAR is tracking the HVCC and will take appropriate steps if the agreement results in any harm to the consumer.

GSE Mortgages

Fannie Mae and Freddie Mac, the government sponsored enterprises (GSEs), must adhere to the HVCC as a condition of the agreement between the GSEs and New York State Attorney General Andrew Cuomo. Lenders who sell mortgages to the GSEs must adhere to the code and they must represent and warrant that all appraisals are obtained in a manner consistent with the Code.

Other Mortgages (FHA, VA, Rural Development, FHLB)

Federal Housing Administration (FHA), Veterans Affairs Loan Guaranty, Rural Development's Single Family Housing Guarantee Program, and the Federal Home Loan Bank mortgages are not subject to the HVCC.

More Information on the HVCC:

Fannie Mae (HVCC and Frequently Asked Questions)

<https://www.efanniemae.com/sf/guides/ssg/relatedsellinginfo/appcode/>

Freddie Mac (HVCC and Frequently Asked Questions)

http://www.freddiemac.com/singlefamily/hvcc_faq.html

Federal Housing Finance Agency

<http://www.fhfa.gov/webfiles/277/HVCC122308.pdf>

REALTOR® is a registered collective membership mark which may be used only by real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics

