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HVCC Not Going Away Anytime Soon

Although the Home Valuation Code of Conduct agreement between Fannie Mae, Freddie Mac, and the New York State Attorney General is set to expire on Nov. 1, that doesn't mean it will disappear on that date.

That was the message Jerome Nagy, regulatory policy representative for the NATIONAL ASSOCIATION OF REALTORS®, had for Appraisal Committee members gathered Wednesday morning at the 2010 Midyear Legislative Meetings & Expo in Washington, D.C.

According to Nagy, there is no requirement for government-sponsored enterprises to remove HVCC guidelines from seller servicer agreements after Nov. 1. He expects its impact will linger well after the expiration date.

The HVCC is intended to help ensure appraiser independence by requiring lenders to keep an arm's length distance between the lender who originates the loan and the way the appraiser who values the property is chosen. ([Read more about the HVCC here.](#))

Most lenders, including virtually all large lenders, have chosen to outsource appraiser selection to appraisal management companies. The reliance on AMCs has raised concerns among practitioners and appraisers because of the policies of some AMCs for splitting fees and for how they select appraisers.

A proposed bill, H.R. 3044, would place an 18-month moratorium on the HVCC. A moratorium, should it pass, would require the two secondary mortgage market companies to stop following the HVCC provisions, effectively removing them from their rules for that time period. But Nagy is not optimistic about the moratorium's prospects.

"Frankly, [that bill] is going nowhere at this point," he said.

While NAR supports H.R. 3044, it's focusing its efforts on the Wall Street and Consumer Protection Act of 2009 (H.R. 4173), which Nagy believes has a much better chance of passing. It has already been passed by the U.S. House but awaits a vote in the Senate. NAR wants to include a provision similar to the moratorium included in H.R. 3044 in that bill.

Other appraisal reforms included in H.R. 4173 include: regulation of the AMCs through the Financial Institutions Reform Recovery and Enforcement Act of 1989; regulation of automated valuation models via HUD's Appraisal Subcommittee; and prohibition of using broker price opinions to determine value in the purchase of a primary residence.

In addition to that bill, the proposed Green Act of 2009 (H.R. 2336) could have an impact on the appraisal profession. It would amend FIRREA to ensure energy-efficiency or -conservation improvements are accounted for in appraisals, and also establish requirements for license and certification on energy efficiency and renewable energy.

"We broadly support enhanced education for appraisal professionals, so this is in line with [NAR] policy," Nagy said.

— Brian Summerfield, REALTOR® Magazine