

WSRAR Appraisal Task Force

Do you have a question or issue for the newly formed WSRAR Appraisal Task Force?

If so, please email Susan Jester, sjester@wsrar.com. The primary objectives of this task force are to improve communication between the two professions and to educate brokers about the appraisal process and issues that affect the appraisal industry.

House Committee Considers Eliminating the HVCC *By Brad Hunter*

The Home Valuation Code of Conduct imposed by Fannie Mae and Freddie Mac last May could be terminated by the proposed Consumer Financial Protection Agency under a bipartisan amendment approved by the House Financial Services Committee October 22nd. The amendment would require the new agency's director to replace the code with a set of rules developed through regular administrative procedures and public comment periods.

The valuation code was the product of a settlement among New York Attorney General Andrew Cuomo, Fannie Mae and Freddie Mac, and the Federal Housing Finance Agency. The code's purpose was to ensure appraiser independence from loan officers, lenders and brokers who exerted pressure to "hit the number," even if it meant inflating the property's true value.

Though most people agree with the code's goal of appraiser independence, critics say the code has created more problems than it has solved and has encouraged lenders to use inexperienced, out-of-area appraisers resulting in inaccurate valuations. The National Association of REALTORS and the National Association of Home Builders have conducted member surveys that found the HVCC often produces valuations below the agreed-upon sales price, causing delays. Mortgage brokers say the code prevents them from selecting qualified local appraisers and has compelled some loan applicants to pay for multiple appraisals. Brian Davidson with Davidson & Associates said, "Like many things rushed into without thought and planning, the HVCC was doomed from the beginning... In my opinion, adding an unregulated administrative layer (the appraisal management companies) to the process of ordering appraisals is unnecessary and costly to all involved. It will take time to undo the problems that have been created by the HVCC and AMC's."

Though the House Financial Services Committee bill establishing the Consumer Financial Protection Agency is endorsed by President Obama and could pass the full House as part of a larger regulatory reform package, its future is uncertain in the Senate. Several local appraisers have expressed doubt that the HVCC will be sunset any time soon. Mike Leamon with Leamon & Associates comments, "While the bankers and mortgage companies really don't like the HVCC, they really don't like the idea of another federal agency regulating the lending industry. I doubt anything will be done for at least a year." Bill White with White and Associates remarked that appraisal management companies have begun to reevaluate their strategy of low-cost appraisals under the considerable pressure of outside sources. If the bill should fail, housing groups may choose to lobby for an 18-month moratorium.

