



NATIONAL ASSOCIATION
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Richard F. Gaylor, CIPS, CRB, CRS, GRI
President

April 30, 2008

Home Valuation Code of Conduct Response
Attn: Ray Romano, Senior Vice President, Credit Risk Oversight
Freddie Mac
1551 Park Run Drive, Mail Stop D2Z
McLean, VA 22102-3110

Dear Mr. Romano:

On behalf of the 1.2 million members of the National Association of REALTORS®, I am writing to provide comments on the implementation of the Home Valuation Protection Code. NAR has approximately 30,000 appraiser members from across the country and approximately 750 retain our Residential Accredited Appraiser (RAA) and General Accredited Appraiser (GAA) designations.

NAR supports the independence of appraisers and the integrity of the appraisal process. We applaud the New York State Attorney General Andrew M. Cuomo and both government sponsored enterprises (GSE), Fannie Mae and Freddie Mac, for their efforts to address appraisal fraud in the mortgage industry. While the agreement addresses appraisal fraud, we have concerns with the implementation of the proposed "New Home Valuation Protection Code" through the newly created "Independent Valuation Protection Institute."

The agreement signed between the New York State Attorney General and Fannie Mae and Freddie Mac expires in 28 months. The newly created Independent Valuation Protection Institute will be funded by both GSEs for 5 years. The agreement is silent on how the GSEs will operate with respect to appraisals after the agreement expires. There is no indication from any party involved in the negotiations that the agreement will continue after 28 months, if one or both of the GSEs will return to pre-agreement appraisal requirements, or if a third option will be explored. It is also unclear how the Independent Valuation Protection Institute will be funded after 5 years or if more than the \$5 million allocated by the GSEs is required to fund its operations.

NAR recommends the Independent Valuation Protection Institute be affiliated with an already existing appraisal organization. This will help to ensure that the code is implemented in such a way that it adds value to the appraisal process rather than becoming a duplicative layer of bureaucracy. If properly implemented the code will compliment, rather than duplicate or contradict, already existing appraisal codes such as the Uniform Standards of Professional Appraisal Practice (USPAP). Further, the Independent Valuation Protection Institute will be better positioned to work in conjunction with appraisal organizations and state regulatory agencies to ensure the independence of appraisers and the integrity of the appraisal process.

There is concern that GSEs will increase their reliance on automated valuation. While this would appear to address appraiser influence in a transparent way, a deeper look at automated valuations generally



reveals they are not able to consider qualitative factors with the same level of reliability that professional licensed and certified appraisers produce. Professional appraisal organizations and licensed and certified appraisers should work closely with the GSEs to ensure the highest quality appraisals remain the preferred method of valuation for residential real estate transactions.

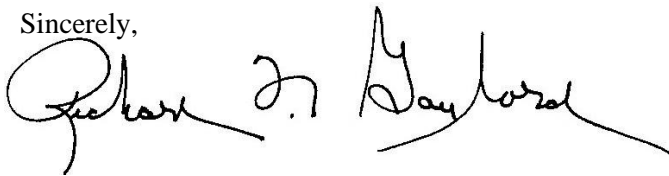
The agreement reached between the New York State Attorney General and the GSEs, including the valuation code, does not address the costs of the real estate transaction. Appraisers will now have to consider their obligations to USPAP and the Appraisal Foundation and the additional burden of ensuring the Code, in conjunction with the institute, is being adhered to. This may also be an issue for lenders. The creation of a new set of standards to follow and a new oversight organization may lead to increasing cost of the real estate transaction. The GSEs and the institute should work to ensure this agreement is implemented without increasing costs of the real estate transaction.

Several items in the Home Valuation Code of Conduct should be clarified. NAR recommends the following modifications to the Code:

- Section I. 1) should include the term “partial payment” and should read “withholding or threatening to withhold a timely payment, *or partial payment*, for an appraisal report;”.
- Section V states that any employee of the lender be “appropriately trained and qualified in the area of real estate and appraisals.” The word qualified is not defined and does not necessarily mean that the employee must be a licensed appraiser. If the employee is not licensed, then the individual may be operating under the broad scope of “appraiser” without liability to be disciplined while acting like an appraiser. The employee should be licensed and certified by the state in which the property to be appraised is located. The same requirement should hold for employees of appraisal management companies as well.
- Section VI states that lenders or affiliates of lenders cannot use an appraisal report obtained by or through an appraisal management company that is owned by the lender or affiliate of the lender and that this prohibition does not apply where the lender has an ownership interest in the appraisal management company of 20 percent or less. Lenders should be prohibited from using an appraisal report from any appraisal management company where the lender or the lender’s affiliate maintains an ownership stake. Allowing lenders to obtain appraisal reports from appraisal management companies where the lender has a stake in ownership does not meet the spirit of this agreement and does not uphold the independence of the appraisal process.

Thank you for the opportunity to present the views of the National Association of REALTORS®. These comments are also being provided to Freddie Mac and the U.S. Office of Federal Housing Enterprise Oversight. If you have any questions or comments regarding this letter, please contact our Regulatory Policy Representative Jerry Nagy at 202.383.1233 or jnagy@realtors.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard F. Gaylord". The signature is fluid and cursive, with a large initial "R" and "G".

Richard F. Gaylord, CIPS, CRB, CRS, GRI
2008 President, National Association of REALTORS®