

REALTORS® Concerns with The Home Valuation Code of Conduct



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The Home Valuation Code of Conduct (HVCC) has been in effect for over three months and REALTORS® report many adverse, unintended consequences since its implementation. According to a July 2009 survey of REALTORS®, 76 percent of respondents said the length of time to obtain a completed appraisal report increased after May 1, 2009. More than one third of REALTORS® have lost at least one sale because of a delay in the appraisal process. At the same time, respondents who identified themselves as appraisers said their time frame to submit an appraisal report has decreased and half of these respondents say this impairs the quality of the appraisal report. Finally, consumers are paying more for delayed appraisal reports that may have quality issues.

Lender-Owned AMCs Cause Conflicts of Interest

The proposed HVCC would have barred lenders and affiliates of lenders from relying on an appraisal report obtained by, or through, an appraisal management company (AMC) that is more than 20 percent owned by the lender or affiliate of the lender. The final Code does not limit lender ownership of AMCs. NAR believes that lenders should be prohibited from using an appraisal report from any AMC where the lender or the lender's affiliate maintains an ownership stake. 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.

AMC Regulation Improving at State Level

Because the HVCC requires mortgage brokers to arrange for appraisals through third party organizations, AMCs now have an increased role in the real estate appraisal process. Our members are reporting that AMCs are giving appraisers assignments in areas where they lack geographic competency. For a variety of reasons, appraisers may feel compelled to take these assignments. Many state legislatures are in the process of enacting laws to regulate AMCs. In other states, the regulatory agencies are in the process of promulgating rules and procedures. NAR believes there is a critical need for this state regulation. Since AMCs will have a larger role in the real estate transaction, a moratorium will allow states time to finalize their actions.

IVPI has Not Been Established

The Independent Valuation Protection Institute (IVPI) was announced as an integral part of the HVCC. 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. To date, the IVPI has not been implemented and there has been no indication of when the IVPI will be available. A moratorium would give the GSEs more time to implement this critical element of the HVCC.

HVCC May be Increasing Costs to Consumers

The HVCC does not address the costs of the real estate transaction. Appraisers now must consider their obligations under the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Foundation and the additional burden of complying with the HVCC. The creation of a new set of standards to follow, including a new oversight organization, may lead to increasing the cost of the real estate transaction. According to a July survey of REALTORS®, more than two thirds of respondents indicate that appraisal fees are increasing for the borrower. A moratorium will allow more time to assess the impact of the HVCC on consumers and establish an appropriate balance.