

# The Home Valuation Code of Conduct (HVCC) REALTORS® Issue Summary



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

## REALTORS® Accomplishments

NAR President Charles McMillan met with Federal Housing Administration (FHA) Commissioner Dave Stevens to discuss REALTOR® concerns about implementation of the Home Valuation Code of Conduct (HVCC). NAR recommended that Mr. Stevens consider ways to avoid some of the pitfalls experienced so far under HVCC as it has applied to non-FHA mortgage loans.

While mortgage brokers are removed from the FHA appraisal process, appraisal management companies (AMCs) have stringent rules on how they charge fees. As a result of NAR's concerns with AMCs, FHA determined that third party appraisal companies, including AMCs, cannot charge more than prevailing rate in a market and may not reduce fees to appraisers.

During these conversations, NAR urged that:

- FHA and the government sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, adopt a combined frequently asked questions (FAQ) document to address HVCC implementation concerns.
- The FAQ document should be codified in conjunction with existing appraisal policy to provide consistency across the real estate market. FHA agreed to initiate conversations with the GSEs on the FAQs.

### HR 3126 Passes Committee with HVCC Amendment

On October 22, 2009, HR 3126, the "Consumer Financial Protection Act of 2009," passed the House Financial Services Committee with an amendment that would ultimately sunset the HVCC. The bill requires that the Consumer Financial Protection Agency (CFPA) issue a final regulation no later than 60 days after enactment of HR 3126. Upon the effective date of the rule, the HVCC will sunset. During the debate Representative Gary Miller (R-CA) and Capital Markets Subcommittee Chair Representative Paul Kanjorski (D-PA) agreed to work on the amendment language to include the appraisal provisions from HR 1728, the "Mortgage Reform and Anti-Predatory Lending Act." These amendments provide enhancements to protect appraiser independence and regulate AMCs.

NAR is supporting this amendment and supports incorporating the appraisal provisions from HR 1728 into the CFPA legislation. Since HVCC is scheduled to end in the summer of 2010, this legislative approach appears to be more practical than seeking an 18 month moratorium that NAR has supported.

### REALTORS® Create HVCC Work Group

The new HVCC Work Group will meet to address problems with implementation of HVCC, the future of HVCC and best practices on working within the rules of HVCC. The Work Group will also offer additional improvements to HVCC that will continue to protect appraiser independence without harming the real estate industry.



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## REALTORS® Ongoing Concerns with HVCC

NAR seeks:

- 1) Requiring the GSEs and their regulator, the Federal Housing Finance Agency (FHFA) to implement the Independent Valuation Protection Institute (IVPI) by a certain date. Fannie Mae and Freddie Mac announced a complaint form that will appear on the interim IVPI Complaint Web site. The complaint form is not available until the Web site becomes publicly available—planned for November 2009.

The Web site will collect complaints from any party about non-compliance with the HVCC or attempted improper influencing of appraisers or the appraisal process. The IVPI will be responsible for ensuring the complaints are submitted to the proper organization for action or remedy.

- 2) Prohibiting lenders from ordering appraisals from an appraisal management company (AMC) if the lender has ownership stake in that AMC.

This will avoid the potential for a conflict of interest. It is very difficult to monitor banks to be sure they are not unduly influencing AMCs that they own.

- 3) Requiring increased education/awareness of HVCC requirements among industry stakeholders. For examples, appraisers should be willing to receive additional market information or corrections of errors to help them achieve the most accurate appraisals possible.
- 4) Requiring staff of banks and other lenders who select appraisers to be licensed and certified by the state in which the property to be appraised is located. The same requirement should hold for employees of AMCs.
- 5) Regulating AMCs through the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), which would require their licensing by the states.

## Upcoming Actions at Convention

**Friday, November 12, 12:30-2:30 pm** - The Risk Management & License Law Forum and Regulatory Issues Forum are bringing together a panel of experts to explore the issues presented by the implementation of HVCC. The panel will include an appraiser, a real estate broker, a representative from an AMC, and representatives from FHA, FHFA, Freddie Mac, and Fannie Mae. REALTORS® will have an opportunity to ask questions of the panel. The forum will be held in San Diego Convention Center Ballroom 20A, upper level.

**Saturday, November 14, Noon-1:15 p.m.** – NAR is presenting a special forum with FHA Commissioner David H. Stevens. REALTORS® can hear the Commissioner discuss the latest FHA issues, including appraisals, and will have the opportunity to ask questions. The forum will be held in San Diego Convention Center Room 6A, upper level.

