



## **GSE APPRAISAL AGREEMENTS & THE HOME VALUATION CODE OF CONDUCT**

### **NAMB Position**

NAMB strongly supports policy initiatives that seek to ban coercion of appraisers. However, we believe it is critical for mortgage and real estate professionals to maintain an appropriate level of contact with appraisers to ensure appraisal quality and independence.

The Home Valuation Code of Conduct (HVCC), as written, goes too far. It will impair consumer choice and impede competition, ultimately costing consumers more money and hurting small businesses in a way simpler, more effective, less burdensome solutions would not.

The Code is fundamentally flawed in two basic respects. First, it will significantly deter consumers from comparison shopping for a loan product that is right for them. Second, it will have an immediate and adverse impact on competition in the mortgage market, resulting in fewer choices and increased costs for consumers.

### **Background**

On March 3, 2008, OFHEO Director James B. Lockhart announced agreements between OFHEO, Fannie Mae, Freddie Mac, and New York State Attorney General Andrew Cuomo to strengthen the independence of the appraisal process. These agreements, together with the Code, endeavor to enhance appraiser independence by prohibiting lender-affiliated appraisal companies from participating in the underwriting process. The agreements also prohibit mortgage brokers and real estate professionals from participating constructively in the home valuation process.

On December 23, 2008, New York Attorney General Cuomo released a revised HVCC included in the agreements with Fannie Mae and Freddie Mac, and their new regulator the Federal Housing Finance Agency. The revised HVCC is a de facto regulatory action, failing to follow necessary regulatory procedure.

### **Specific Issues**

1. The Code will create a disincentive for consumers to comparison shop for different loan products and services.
2. The Code will penalize consumers who need to obtain financing quickly or change lenders or loan programs after initial application.
3. The Code will lead to unnecessary and unreasonable delays in the home purchase and financing process.
4. The Code will create an anti-competitive marketplace, which will significantly increase consumer costs and reduce consumer choice of loan products and services.
5. The Code will drive small business mortgage brokers and independent appraisers out of business by devaluing their services and driving their customers to direct competitors.

### **Status / Outlook**

NAMB submitted comments to Fannie Mae, Freddie Mac, OFHEO, and NY Attorney General Andrew Cuomo's Office on April 30, 2008. NAMB has engaged Baker & Hostetler LLP to file a lawsuit over the revised HVCC, with the support of numerous mortgage brokers, independent appraisers, and real estate agents. The new policies outlined in the HVCC are scheduled to take effect May 1, 2009.