

Colorado Association of REALTORS

February 2010

Homebuyer Valuation Code of Conduct: Background

The Home Valuation Code of Conduct (HVCC) establishes standards for solicitation, selection, compensation, conflicts of interest and appraiser independence. It became effective May 1, 2009, for any mortgage sold to Fannie Mae or Freddie Mac; Federal Housing Administration (FHA) adopted a number of HVCC provisions in September, 2009.

It is intended to enhance the independence and accuracy of the appraisal process and provide protections for homebuyers, mortgage investors and the housing market.

Because the Code prohibits a mortgage broker from selecting an appraiser, it has resulted in the widespread use of appraisal management companies (AMCs) – creating a host of unintended consequences.

In July, 2009 NAR conducted a membership survey which reported that 76% of respondents said the length of time to obtain a completed appraisal report increased after HVCC was implemented on May 1. Respondents who identified themselves as appraisers said that their time frame to submit an appraisal report had decreased and half of those respondents said it impaired the quality of the appraisal report. Ultimately this leaves consumers on the hook for increased costs with regard to the delayed reports.

NAR leadership and staff has met with FHA Commissioner David Stevens on several occasions to discuss REALTOR® concerns on HVCC and is continuing to push for a number of changes.

We are also thankful to FHA and its various entities for working closely with REALTORS® on this and other important issues.

Of note, CAR is in support of an effort to regulate AMCs on the state level. SB 077 seeks to regulate AMCs and gives the Division of Real Estate the authority to investigate registrants and take disciplinary actions, including imposing fines. We believe it a prudent and much-needed step to ensure increased certainty in the home-buying process. Although the federal HVCC regulations are a much larger issue with regard to appraisals, the legislation addresses an immediate need in our state.

Primary REALTOR® Concerns

- **AMCs are assigning appraisers (some of which are inexperienced) to any location regardless of geographic competency.**
- **Transactions are being delayed and sometimes at a higher cost.**
- **AMCs are putting the independent appraiser out of business.**
- **Business relationships are being deteriorated.**
- **It is more difficult than ever before to contact an appraiser, even if to ask the appraiser to consider additional data or to correct errors in the appraisal report.**
 - *In a letter dated January 14, 2010 to NAR, Freddie clarified that HVCC does not prohibit REALTORS® from communicating with appraisers regarding specific transactions; however, many appraisers are hesitant to do so.*