



HVCC (Home Valuation Code of Conduct) ***“Myths and Realities”***

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The following paragraphs are extracted directly from the Fannie Mae, Freddie Mac (HVCC and Frequently Asked Questions), and Federal Housing Financial Agency Websites.

KEY ISSUES AND CONCERNS

“Loan Production Staff MAY communicate with the appraisers.”

Myth: Loan Production staff is prohibited from communicating with appraisers.

Reality: Loan production staff may communicate with the appraisers, but they cannot be involved in selecting, retaining, recommending or influencing the selection of any appraiser for a particular appraisal assignment. Further, loan production staff cannot have any “substantive communications with an appraiser or appraisal management company relating to or having an impact on valuation, including ordering or managing an appraisal assignment.”

“Appraisal Assignments ARE NOT required to be made on a rotation basis.” ***(the most qualified and competent appraiser should be selected)***

Myth: The HVCC requires that lenders and appraisal management companies utilize rotational panels in making appraisal assignments.

Reality: The HVCC does not require the use of a rotational list of approved appraisers by lenders and appraisal management companies. Appraisers should not be selected for an assignment just because they are “next on the list.” Further, lenders are under no obligation to expand the number of appraisers on their appraiser panels as a result of the HVCC. Instead, lenders and AMCs should select the appraiser on their panel that is most qualified and competent to complete the specific assignment. According to Freddie Mac Bulletin 2009-18, “Appraisers must be familiar with the local market in which the property is located, must be competent to appraise the subject property, and must have access to the data sources necessary to develop a credible appraisal.” The Freddie Mac Bulletin further states that “Some markets or properties may require that the appraiser have access to non-traditional data sources in order to provide the Seller with a credible appraisal. In such cases, the Seller should ensure that the appraiser has access to the necessary market data to support any conclusions about the market.” Lastly, Freddie Mac states that “Sellers should consider membership in a professional appraisal organization as a qualification criterion”, but that it should not be the only factor used in selecting an appraiser for an assignment.

“Communication with appraisers IS NOT PROHIBITED”- (Real Estate Brokers and Agents, and any authorized person on the Lender’s Staff, MAY communicate with the appraiser.

Myth: Real estate brokers and agents are prohibited from communicating with appraisers even if they have no direct interest in a specific sale.

Reality: Real estate agents and brokers, both those directly involved in a transaction and others that are contacted by an appraiser, provide information to an appraiser that is invaluable to the appraiser in developing an accurate and reliable opinion of value. This includes information related to closed and pending sales, terms & conditions of sale, etc. Without this information, an appraiser has a much more difficult time developing an accurate and reliable opinion of value. Agents and brokers, including those that have a direct interest in a transaction, are permitted to communicate with an appraiser and to provide additional information to an appraiser, so long as the communication and information is done in a way that is not intended to influence the outcome of the appraisal.

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Myth: Every person on a lender's staff, all third parties (i.e., AMCs) authorized by the lender, and other persons/entities directly involved in the transaction are prohibited from communicating with an appraiser.

Reality: The lender's staff, the staff of an authorized third party, and any other party in the transaction may communicate with an appraiser to correct factual errors in an appraisal report. Further, anyone who is not part of the lender's loan production staff or who is not compensated on a commission basis upon the completion of a loan, or anyone who does not report to any officer of the lender not independent of the loan production staff or process may communicate with an appraiser. Appraisers are also permitted to receive other market information for consideration in the analysis, such as closed and pending sales, terms & conditions of sale from real estate agents, home builders, home inspectors, and other third parties. These entities may communicate with an appraiser so long as the information provided by the party is presented in a way that is not seeking to influence the appraisal results.

"COMP CHECKS"- Although "comp checks" are prohibited by both USPAP (Appraisal Standards) and HVCC, an appraiser can be engaged in a consulting assignment to do raw data research, or to perform an appraisal assignment with a "very narrow scope of work" (appraiser has the option to charge no fee).

Myth: "Comp checks" which are prohibited under the HVCC without an engaged appraisal assignment are the only way to determine if there is sufficient value in the collateral before proceeding with a loan application.

Reality: Lenders often want to know if there is sufficient value in the collateral before proceeding with a loan application. To determine this in the past, lenders and brokers would request "comp checks" of the appraiser. The HVCC bars lenders from ordering "comp checks" without engaging an appraiser in an appraisal assignment.

Lenders may engage appraisers in appraisal assignments that involve a scope of work that is significantly narrow. For example, the appraiser could provide an answer to the question "is the property worth at least \$XX" or "is it within a certain range," rather than a single point value estimate? This still would be an appraisal; the appraiser would need to complete the necessary research and analysis to answer such a question, and would have to document that analysis properly. Alternatively, the appraiser could be engaged in a consulting assignment to provide raw data to the client to help with their analysis.

Presented by **Evan R. Gillins, CRREA**
"California Certified Residential Real Estate Appraiser"
FHA Approved since 1999

Phone (661) 722-1992 Fax (661) 722-9323
www.myAVappraiser.com value@myAVappraiser.com