

## **Appraisers Should Have Knowledge of Area, Access to MLS**

Last month, the National Association of REALTORS® (NAR) President Charles McMillan met with the Federal Housing Finance Agency (FHFA)—which regulates Fannie Mae—and the New York Attorney General’s office. This meeting was called to clarify concerns over the new Home Valuation Code of Conduct (HVCC) for home appraisers, which was implemented this past May, for all conventional single-family mortgage loans originated on or after May 1, 2009, and sold to Fannie Mae or Freddie Mac. The HVCC does not apply to loans that are insured or guaranteed by a federal agency, such as FHA and VA loans.

The HVCC establishes standards for solicitation, selection, compensation, conflicts of interest, and appraiser independence. According to the FHFA, the HVCC expanded on existing appraisal standards seeking to redress problems that contributed to the current mortgage crisis. (Although, there is a growing number of people who believe that seller concessions led more to the current mortgage crisis than appraisals.) However, with the new HVCC guidelines there were unintended consequences.

“Our members were experiencing delayed and lost sales because of poor appraisals conducted often by inexperienced appraisers who were not familiar with the area,” said McMillan. The ramifications were so great to REALTORS® and the housing industry that he shared our concerns regarding the implementation of the HVCC with the FHFA and the New York Attorney General’s office.

Some other concerns REALTORS® shared with NAR included:

- Appraisal Management Companies (AMC’s) are assigning appraisers to any location regardless of geographic competency.
- AMC’s are putting the independent (experienced) appraiser out of business. (Although, lenders may directly retain the services of an independent appraiser.)
- 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.
- The HVCC cuts the appraiser’s pay while increasing the cost to the borrower.

McMillan shared the results of an NAR survey at this meeting. One item reported was that 71 percent of REALTORS® noted an increase in the use of appraisers who were not from the local area. This often adversely affected the sale or the sales process, which occasionally resulted in the loss of a sale or a homeowner’s inability to refinance into today’s rates.

My main issue with appraisals in our mountain- and foothill-area (regardless of whether the appraisal is for Fannie Mae, Freddie Mac, FHA, VA, or other) is that *some* of them are being provided by appraisers who are not members of our local multiple listing service (MLS). When an appraiser signs Fannie Mae’s residential appraisal report form, the appraiser is also certifying the following:

- I have knowledge and experience in appraising this type of property in this market area.
- I am aware of, and have access to, the necessary and appropriate public and private data sources, such as *multiple listing services*, tax assessment records, public land records, and other such data sources for the area in which the property is located.

When an appraiser is not a member of the local MLS, they do not have the necessary information as required by Fannie Mae, *in my opinion*, and this definitely impacts the quality of the appraisal. We have valuable information, via the MLS, about properties; much of this information cannot be found in tax assessment records or public records.

In addition, when an out-of-area appraiser comes to our area to do an appraisal, they don't often understand our unique, rural environment. Add to this that they don't join the local MLS to obtain important data, and you get an appraisal that falls short. The use of unqualified in-state or out-of-state appraisers, unfamiliar with local conditions, should be reported to state appraiser licensing agencies.

As a result of the meeting with McMillan, Fannie Mae and Freddie Mac issued clear guidelines that states lenders should use appraisers who have clear experience in the geographic area and clarification that appraisers are not prohibited from talking to real estate agents. REALTORS® can often be a source of data in the market in which the subject property is located and any data provided by a third party, such as a REALTOR®, must still be researched and verified independently by the appraiser.

"NAR has asked Congress and the FHFA to immediately implement an 18-month moratorium on the new HVCC rules to further address unintended consequences of this new rule," said McMillan. In fact, a bill (HR. 3044) was introduced June 25, 2009, by House of Representatives Childers (Mississippi) and Miller (California) to impose an 18-month moratorium on the HVCC. HR3044 along with its HVCC moratorium were referred to the House Committee on Financial Services.

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