



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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April 20, 2009

John A. Koskinen
Interim Chief Executive Officer
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102

Dear Mr. Koskinen:

I am writing on behalf of the 1.2 million members of the National Association of REALTORS® (NAR) to urge a one year delay in the implementation of the Home Valuation Code of Conduct (HVCC). The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

There are many benefits for consumers and real estate practitioners to delaying the effective date of the HVCC until May 1, 2010. Stakeholders across the country will be granted sufficient time to prepare for changes to the appraisal process brought forth by the HVCC. We believe a one year delay in the effective date of the HVCC could allow the following issues to be addressed:

Lack of Guidance

The final version of the HVCC was announced on December 23, 2008, and both Fannie Mae and Freddie Mac created a list of frequently asked questions for their respective Web sites. However, neither of the government sponsored enterprises (GSE), Fannie Mae or Freddie Mac, provided substantive guidance on implementation until weeks before effective date of the agreement. The Federal Housing Finance Agency (FHFA) has been silent on the agreement since the announcement late last year.

States are Regulating AMCs

Appraisal management companies (AMC) will have an increased role in the real estate appraisal process because HVCC requires mortgage brokers to order appraisers through third party organizations and this will be, in most cases, AMCs. Many state legislatures are in the process

of enacting laws to regulate AMCs. In other states, the regulatory agencies are in the process of promulgating rules and procedures. Since AMCs will have a larger role in the real estate transaction, states should have more time to finalize their actions.

HVCC does not Apply to FHA

The Federal Housing Administration (FHA) is not participating in the agreement. FHA's market share is over 30 percent and is expected to continue increasing this year. For most borrowers the options for purchasing a home are a loan insured by FHA or a loan purchased by one of the GSEs. It may be difficult for lenders as well as appraisers to navigate two separate requirements under HVCC particularly since FHA utilizes many of the GSE requirements. For example, when Fannie Mae issued form 1004 MC, FHA announced that it too would require the use of this form for its appraisals. Lenders and appraisers may be confused over where HVCC applies and where it does not. The agreement also does not apply to Veterans Affairs and Federal Home Loan Bank mortgages.

HVCC May Increase the Cost of Real Estate Transaction

The agreement reached between the New York State Attorney General and the GSEs, including the valuation code, does not address the costs of the real estate transaction. Appraisers will now have to consider their obligations to USPAP and the Appraisal Foundation and the additional burden of ensuring the HVCC, in conjunction with the institute, is being adhered to. This may also be an issue for lenders. The creation of a new set of standards to follow and a new oversight organization may lead to increasing the cost of the real estate transaction.

Lenders are not Prepared for HVCC

According to a survey distributed FNC, Inc., lenders have not completed necessary upgrades to assure compliance with the HVCC. While 80 percent of respondents felt confident that their systems will comply with HVCC, only 14 percent had completed necessary systems upgrades. Almost one quarter of respondents are "not at all confident" in a completed and approved HVCC compliance policy statement. In a statement, FNC's HVCC implementation expert warned that "some lenders may not be fully aware that their systems and processes will require significant changes to avoid penalties associated with selling their new originations to the GSEs after May 1."

No Clear Enforcement Agency

It's not clear who will be responsible for enforcement of the agreement. The HVCC does not clearly delineate which agency or organization will be responsible for enforcement of all or part of the agreement. There are multiple stakeholders affected by the agreement and none have clear responsibility to see that it is enforced. There is no accountability if there is no organization clearly responsible for enforcement.

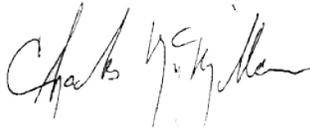
IVPI is not Yet Functioning

The Independent Valuation Protection Institute (IVPI) was announced as part of the HVCC to receive complaints from appraisers and users of appraisal services on the improper influence or attempted improper influence of appraisers. In the original agreement between the GSEs and the New York State Attorney General, Andrew Cuomo, \$5 million was to be paid by Fannie Mae and Freddie Mac to fund the first 5 years of the Institute's existence. The final agreement includes the IVPI but makes no mention of funding. It's not clear whether the GSEs will provide the upfront funding and long-term funding was never addressed in the HVCC.

In our comments provided on April 30, 2008, we recommended the Independent Valuation Protection Institute be affiliated with an already existing appraisal organization. This will help to ensure that the code is implemented to add value to the appraisal process rather than becoming a duplicative layer of bureaucracy. Under the final agreement of the HVCC, the lender, rather than the IVPI, is responsible for establishing a telephone hotline to receive complaints from appraisers, individuals, or any entity concerned with the improper influencing of appraisers or the appraisal process. Lenders report any improper activity to the IVPI and the state regulating agency. If properly implemented, the code will complement, rather than duplicate or contradict, already existing appraisal codes such as the Uniform Standards of Professional Appraisal Practice (USPAP). Further, the IVPI will be better positioned to work with appraisal organizations and state regulatory agencies to ensure the independence of appraisers and the integrity of the appraisal process.

Thank you for your time and consideration of this matter. A one year moratorium for the HVCC will ensure adequate time to address these issues. A similar letter is being sent to Michael J. Williams, new President and Chief Executive Officer of Fannie Mae. If you have any questions or concerns, or if I may be of service to you, please do not hesitate to contact me or our Senior Regulatory Policy Representative, Jerry Nagy, at 202.383.1233 or jnagy@realtors.org.

Sincerely,



Charles M. McMillan, CIPS, GRI
2009 President, National Association of REALTORS®

cc: The Honorable James B. Lockhart III
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The Honorable Andrew Cuomo
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