



NAIFA Responds to HVCC Issue

The National Association of Independent Fee Appraisers (NAIFA) recognizes the issues recently raised by several organizations including the National Association of Realtors (NAR), National Association of Home Builders (NAHB) and the National Association of Mortgage Brokers (NAMB) on the problems in the real estate marketplace concerning appraisals.

These problems are reported to be related to fees, turn times, geographic competency, technical competency and the use of Appraisal Management Company's (AMCs). In the end, it is the consumer that suffers from these activities and NAIFA wants to help the consumer be better informed so they can understand the appraisal requirements associated with their loan.

HVCC was imposed in an effort to improve the independence and objectivity of the appraisal in the residential market. Its main objectives were to prohibit the ability of a mortgage broker or loan officer from ordering an appraisal and improve the independence and objectivity of the process.

The U.S economy is in crisis and we need to get commerce moving in a sound, diligent manner that provides for the consumer and protects the lending investment.

A high-quality appraisal is an important component to that process, and NAIFA wants good, quality appraisals associated with every transaction. Like every profession, there are going to be bad apples. NAIFA is committed to promoting the highest standards of appraiser competency and ridding the industry of those bad apples.

However, there has been some confusion concerning the implementation of HVCC by lending institutions. Some think that HVCC requires lenders to use an (AMC) in order to accomplish the independence. This is not true. The FAQs issued by both Fannie Mae and Freddie Mac clarified this issue. Institutions can order appraisals within their organizations as long as they meet the independence criteria specified in HVCC.

An AMC is a third-party company hired by the lender to find an appraiser and engage them to do the work. The AMC pays the appraiser typically a portion of the fee received from the lender.

Another misconception is that the appraiser cannot have any communication with the borrower or real estate agent. This is also not true. The appraiser needs all the information that is relevant to the property and surrounding area and many times the owner or agent is the best source for that information.

Because of misconceptions, the use of AMCs has dramatically increased since the issuing of HVCC. This has caused an increase in the complaints about appraisers, including:

- The appraisers being asked to complete appraisals in short time period, such as 12 to 24 hours;
- The fees to appraisers in some cases to be exceedingly less than the fee paid the AMC;
- The quality of the appraisal being poor;
- The appraiser not having the local market knowledge; and/or
- The appraiser being out of the area.

These are all legitimate issues and NAIFA recognizes these concerns.

The fact is that all of the concerns mentioned above are all the responsibility of the lending institution. They are responsible for making sure that the competency of the appraiser and the quality of the appraisal meets the standards required to execute a sound mortgage decision. This is true whether or not they use an AMC.

In today's marketplace, the appraisal is the most important analysis that needs to be conducted. The consumer needs to make sure the lending institution is requesting and getting a quality appraisal. In an effort to help the consumer during this period of unrest and confusion within the mortgage industry over

appraisals, NAIFA will be issuing a “Consumer Guide for Quality Appraisals”. The complete guide will be available soon at www.NAIFA.com.

This guide will provide dos and don'ts for the consumer in regards to the appraisal process and the lender. Questions will be provided with explanations that can be asked of the lender concerning their appraisal process.

NAIFA thinks this guide will help improve the quality of appraisals by making the consumer better informed and knowledgeable on the requirements for a quality appraisal. Here are some examples of questions the consumer might ask the lender:

- Who selects the appraiser to value my home?
- Can any appraiser complete a thorough analysis on my home?
- How is the cost of my appraisal determined?
- How much time is involved in completing this appraisal?
- Am I entitled to a copy of the appraisal?

NAIFA has been a leader for decades in the appraisal industry and recognizes that more than ever, today's consumer needs reliable, dependable and honest appraisals when they are making one of the most important decisions of their life. NAIFA's response to the HVCC issue reinforces its commitment to its members and to its industry. If you have any questions regarding the issue at hand, please contact NAIFA Headquarters at (312) 321-6830 or e-mail info@naifa.com.