

Realtors appraise HVCC appraisal system

SAN DIEGO – Nov. 16, 2009 – Nearly one out of four Realtors® report that their clients have lost a sale since the Home Valuation Code of Conduct (HVCC) was implemented on May 1 of this year. Realtors and other industry insiders examined the impact of the HVCC appraisal guidelines on the nation's real estate recovery efforts during the 2009 Realtors Conference & Expo.

"Determining an accurate property value is very difficult in today's market, and the HVCC has unintentionally added to the problem, in many cases," says National Association of Realtors (NAR) President Charles McMillan. "As the leading advocate for homeownership, NAR has been calling for a moratorium to address the unintended consequences of HVCC and its implementation. Accurate, timely appraisals are necessary for successful real estate transactions, and both Realtors and appraisers have told us that the HVCC is adversely affecting the appraisal process."

The HVCC makes lenders responsible for hiring appraisers, but also requires lenders to insulate themselves from the appraisal process. This has led to an increase in the use of appraisal management companies (AMCs). AMCs are large brokers for individual appraisers, and the appraiser they assign to a specific home may or may not have experience or familiarity with a particular neighborhood. According to NAR, Realtors across the country have reported delayed and lost sales related to HVCC implementation because of poor appraisals often conducted by inexperienced appraisers unfamiliar with an area.

In an NAR survey conducted earlier this year, 71 percent of Realtors reported an increase in the use of appraisers not from the local area. In the same survey, 85 percent of appraisers reported a perceived reduction in appraisal quality. In addition, 76 percent of Realtors had experienced an increase in appraisal time since the new HVCC rules were enacted. NAR says these factors 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 lower rates.

"We're seeing too many appraisers from out of the area. I know from my own practice that we have had closings delayed and transactions cancelled because of errors in the appraisal process stemming from the HVCC," says panel moderator and NAR Regulatory Issues Forum Chair Ellen Renish. "Certainly there's a way to ensure more accurate, timely appraisals."

NAR Appraisal Chair Penny Triplett detailed the unintended effects of HVCC implementation, including a lack of geographic competency; decreased portability, in which lenders refuse to accept appraiser reports from other lenders; and increased consumer costs. "NAR surveys show that, on average, appraisal costs have increased \$100 for the average homebuyer since the HVCC was implemented," Triplett says.

NAR Risk Management/License Law Forum Chair Steve White shared several real-life stories of people who had lost the opportunity to become homeowners, including accounts of appraisers refusing local price comparables and appraisal reports that incorrectly claimed that local home sale prices had been falling. "Many appraisers have chosen to exit the industry, so we now deal with appraisers who are new to the business and unfamiliar with the area," says White.

Renish, Triplett and White were joined by representatives from government-sponsored enterprises Freddie Mac and Fannie Mae, and the Federal Housing Finance Agency.

While two representatives of government-sponsored enterprises (GSEs) – Jacqueline Doty, Freddie Mac's director of collateral risk management; and Robert Murphy, Fannie Mae's senior business manager, credit policies and controls – agreed that appraisal quality is the ultimate goal, they did not share NAR and the panelists' view on the HVCC.

"The GSEs have had appraisal standards in place before the (HVCC) code, and we will have standards after the code," Doty says. "Since the code was put into place, complaints about appraiser influence have decreased, and we believe the quality of appraisals has improved. Our goal is to ensure accurate appraisals that are neither too low nor too high."

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