



REGULATORY AND HOUSING POLICY

DAVID A. CROWE
Senior Staff Vice President

April 30, 2008

Mr. Raymond G. Romano
Senior Vice President, Credit Risk Oversight
Freddie Mac
1551 Park Run Drive, Mail Stop D2Z
McLean, VA 22102-3110

Subject: Comments Regarding the Home Valuation Code of Conduct

Dear Mr. Romano:

On behalf of the 235,000 members of the National Association of Home Builders (NAHB), I appreciate the opportunity to comment on the Home Valuation Code of Conduct (the "Code"), which is a result of the consent agreements (the "Agreements") between Fannie Mae and Freddie Mac (the housing "GSEs"), the Office of Federal Housing Enterprise Oversight (OFHEO), and the Attorney General of the State of New York.

The Agreements and the Code bring much-needed attention to concerns, shared by NAHB, that the current appraisal system has a number of serious flaws and that these shortcomings have contributed significantly to current mortgage market problems. Accurate and credible appraisals are vital to an efficient and vibrant housing finance system. Without confidence that appraisals are appropriately measuring home values, the mortgage underwriting process will become excessively restrictive and investors will inflate risk premiums, resulting in decreased availability and increased cost of mortgage credit. NAHB agrees that steps are needed to prevent undue pressure on appraisers as well as to strengthen appraiser qualification requirements and improve the state appraisal regulatory structure.

The Home Valuation Code of Conduct, while well intended, does not address the full scope of problems in the appraisal system and may not provide a full solution to the issues it does address. NAHB believes that, before moving further, OFHEO and the Attorney General of the State of New York should receive formal input from the federal and state financial institution regulatory agencies, appraisal regulatory agencies, the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (FFIEC), the Appraisal Standards Board, and the Appraiser Qualifications Board.

Such feedback would help avoid unintended consequences, such as unnecessary increases in the time and cost of appraisals. It also would help improve the scope and focus of the remedies. Further, without this input, NAHB is concerned that the provisions of the Code could create conflicts between the current appraisal regulatory structure, including, but not limited to, the regulation of federal- and state-chartered financial institutions. These conflicts could impair the function of the residential appraisal process, which should be avoided at any time, especially during the current faltering condition of the housing economy. These concerns are amplified by the fact that the Code will have the effect of de facto regulations for mortgage market participants due to the influence of the housing GSEs within the mortgage lending industry.

NAHB is specifically concerned about the provision in Section V of the Code that would prohibit appraisers who are employed by lenders from conducting appraisals on behalf of those lenders, particularly if these lenders are overseen by federal financial institution regulatory agencies. This provision of the Code appears to be unnecessarily restrictive, particularly since no reports are available that demonstrate problems with appraisals that have been conducted by appraisers who are employed by these lenders.

The concept that appraisal functions be separated from lending functions, which is addressed in Sections III, IV and V of the Code, is sound and is in conformance with existing appraisal guidelines as published jointly by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision.

Once again, NAHB appreciates having an opportunity to comment on the Home Valuation Code of Conduct. Please contact William Renner, NAHB's Director of Single Family Finance, if you have any questions concerning this letter. Mr. Renner's direct phone number is 202-266-8597.

Respectfully,



David A. Crowe
Senior Staff Vice President
Regulatory and Housing Policy

Copies to:

The Honorable James D. Lockhart
Director
Office of Federal Housing Enterprise Oversight

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Mr. Robert E. Bostrom

Executive Vice President and General Counsel

Freddie Mac