

## **FACT SHEET**

*Listed below are key provisions of the March 3, 2008, agreement between Fannie Mae/Freddie Mac, the New York Attorney General's office, and the Office of Federal Housing Enterprise Oversight (OFHEO).*

***The Appraisal Institute requests feedback from members on the agreement and the new Code of Conduct to help identify problems and solutions to be advanced in our official comment letter. Please submit your comments no later than March 31 to [appraisalcomments@appraisalinstitute.org](mailto:appraisalcomments@appraisalinstitute.org).***

### **HOME VALUE PROTECTION PROGRAM AND COOPERATION AGREEMENT**

- Fannie Mae/Freddie Mac have agreed to adopt a Home Valuation Protection Code of Conduct (below) establishing requirements governing appraisal selection, solicitation, compensation, conflicts of interest, and corporate independence, among other things.
- Fannie Mae/Freddie Mac will adopt requirements contained in the Code and make appropriate changes to their Seller Guides. The effective date of the changes will be January 1, 2009.
- The parties to the agreement will establish the Independent Valuation Protection Institute ("the Institute"), an independent entity governed by a board of directors, to monitor and study this area.
- The board of directors of the Institute must be approved by both the Attorney General and OFHEO, and the Institute may be affiliated with an existing academic, professional association and/or industry organization.
- The Institute will establish a complaint hotline for consumers, and appraisers will be able to contact the Institute if they believe their independence has been threatened in any way.
- The Institute will mediate complaints or forward complaints to federal or state regulators or state and federal law enforcement agencies for possible investigation or prosecution.
- The Institute shall report publicly on the results of its activities to the Attorney General of New York and OFHEO on a bi-annual basis.
- The agreement requires Fannie Mae/Freddie Mac to provide an opportunity to comment on the new Code of Conduct, agree to review the comments in good faith, and consider any amendments to the Code to avoid any unforeseen consequences. Fannie Mae/Freddie Mac opened the comment period on March 14, and it is scheduled to run through the end of April.

### **HOME VALUATION CODE OF CONDUCT**

- No employee, director, officer, or agent of the lender, independent contractor, appraisal management company, or partner on behalf of the lender, shall influence or attempt to influence the development of an appraisal report.
- Withholding payment is considered improper influence of an appraiser.

- Requesting a pre-determined value is considered improper influence of an appraiser.
- Providing to an appraiser a desired value for a subject property or a proposed or target amount to be loaned to the borrower is considered improper.
- The lender or any third-party specifically authorized by the lender shall be responsible for selecting, retaining, and providing for payment of all compensation to the appraiser.
- The lender will not accept any appraisal report completed by an appraiser selected, retained, or compensated in any manner by any other third party (including mortgage brokers and real estate agents).
- Loan production staff of the lender are forbidden from participating in appraisal selection, review and management functions.
- Lenders shall not utilize any appraisal report prepared by an appraiser employed by:
  - the lender,
  - an affiliate of the lender,
  - an entity that is owned by the lender,
  - an entity that owns the lender,
  - a real estate “settlement services” provider (as defined by RESPA), or
  - an entity that is owned, in whole or in part, by a “settlement services” provider.
- The lender shall provide the borrower with a copy of the appraisal report immediately upon completion and no less than three days prior to the closing of the loan.
- The lender will establish a telephone hotline and an e-mail address to receive any complaints from appraisers or other entities concerning the improper influence or attempted improper influence of appraisers.
- The lender shall quality-control test, by use of additional appraisals, the appraisals or valuations that are used by the lender, including the results of automated valuation models, broker’s price opinions or “desktop” evaluations.

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*For More Information*

*To download full copies of the agreement and the accompanying Code of Conduct, visit [www.appraisalinstitute.org/cuomofanniefreddie](http://www.appraisalinstitute.org/cuomofanniefreddie).*