



## **The North Carolina Professional Appraisers Coalition supports House Bill 716 (Senate Bill 829)**

### **Regulation of Appraisal Management Companies**

On May 1st, 2009, Fannie Mae and Freddie Mac implemented a private policy known as the Home Valuation Code of Conduct (HVCC) in a settlement agreement with the New York State Attorney General in order to avoid further investigation by his office. This well-intended policy looked to eliminate pressure placed on real estate appraisers from those ordering appraisals in the home loan process, who might seek to influence valuations. However, this policy effectively empowered Appraisal Management Companies (AMCs) to become the third party or the middleman between appraisers and their clients.

Unfortunately, the HVCC code was not developed through any of the Federal financial regulatory authorities, but through private policy. Thus, the HVCC is rife with unintended consequences, which have had enormous ramifications nationwide. One significant unintended consequence has been to cement AMCs into the national home loan process, restricting and forcing many real estate appraisers to abide by the demands of these AMCs in order to be able to perform any appraisals:

- AMCs are allowed to be owned, and **are owned by lenders**, a direct conflict of interest
- AMCs exert **more** pressure on appraisers than any client pre-HVCC
- AMCs create no revenue on their own, but are paid from the appraiser's fee
- AMCs often focus on the cheapest and fastest, not the quality of appraisals
- AMCs are not required to be owned or operated by appraisers
- AMCs often require the appraiser to sign "hold harmless" agreements
- AMCs are not required to be insured
- AMCs are not required to be licensed
- AMCs have no required standards or ethics
- AMCs are completely unregulated...**

This lack of regulation of AMCs has put the citizens of North Carolina at great risk. All of the above are detrimental to the honest and well regulated process of purchasing and lending on a home in North Carolina by affecting both home valuations and loan qualifications.

The NC House Bill 716/Senate Bill 829 addresses each of the above and seeks to REGULATE AMCs with enforcement through the North Carolina Appraisal Board. This proposed legislation will ensure that 1) all of the citizens of North Carolina are being protected, 2) real estate commerce in North Carolina is not being manipulated or restricted, 3) it will promote public trust. The *North Carolina Professional Appraisers Coalition* SUPPORTS this legislation and the protection of all North Carolina homeowners and potential homeowners.

**It is critical that you make your voice heard by your State House Representative. Please use the link below to contact all of the representatives within your county.**

<http://www.ncga.state.nc.us/gascripts/members/memberList.pl?sChamber=House>