



# ALABAMA REAL ESTATE APPRAISERS BOARD

P. O. Box 304355  
Montgomery, Alabama 36130-4355

**Bob Riley**  
Governor

**Lisa Brooks**  
Executive Director

April 1, 2008

Honorable Troy King  
Alabama Attorney General  
11 South Union Street  
Montgomery, AL 36130-0152

Dear Mr. King:

This letter is to make you aware of the "agreement" approximately three weeks ago between OFHEO, Fannie Mae, Freddie Mac and New York Attorney General Cuomo. This agreement is known as the Home Valuation Code of Conduct (HVCC). The Alabama Real Estate Appraisers Board requests that you reject any proposal by OFHEO, Fannie Mae and Freddie Mac to enter into this agreement on behalf of Alabama.

The HVCC as written harms the very profession it is purported to protect. The HVCC is constructed in such a way as to inevitably drive the appraisal ordering process through appraisal management companies (AMC's). AMC's generally cut the fees of appraisers, which in turn we feel will result in poorer quality appraisals. Because most of the more experienced and highly qualified appraisers will not accept the lower fees, the HVCC will likely force many honest, well-qualified appraisers out of the business.

Because this agreement has negative and unintended consequences for appraisers and is not in the best interest of the public, the Alabama Real Estate Appraisers Board has no confidence in the HVCC and is issuing the following comments on Mr. Cuomo's agreement:

The members of the Alabama Real Estate Appraisers Board have no confidence that the HVCC, as it is currently written, will have any positive effect on the integrity of the appraisal process. It is the belief of the Alabama Real Estate Appraisers Board that the HVCC, as it is currently written, will have a negative effect on the integrity of the appraisal process and further erode the public trust in the appraisal process. The Alabama Real Estate Appraisers Board, therefore

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calls for the amendment of the HVCC for the following reasons:

- The HVCC will likely result in more unreliable appraisals being used by Government Sponsored Enterprises (GSE's) to determine the value of collateral for mortgage loans.
- The HVCC has no authority to penalize those individuals who attempt to improperly influence appraisers.
- The HVCC does nothing to criminalize the improper influence of appraisers or the appraisal process.
- The HVCC could undermine legitimate, ongoing efforts in Congress to pass meaningful legislation, which would criminalize the improper influence of appraisers.
- The HVCC gives shareholders in Fannie Mae and Freddie Mac false hope that collateral for mortgages is being properly valued.
- The HVCC gives U.S. taxpayers a false sense of security that its GSE's have taken all meaningful steps to address valuation concerns related to the current mortgage meltdown.
- The HVCC gives individuals taking out a conventional mortgage a false sense of security that their house is being properly appraised.

For all reasons mentioned above, the Alabama Real Estate Appraisers Board calls on OFHEO, Attorney General Cuomo, Fannie Mae and Freddie Mac, to amend the HVCC agreement in order to address these fundamental concerns before the unintended consequences of this plan cause further damage to the mortgage industry and to the appraisers who serve the nations lenders.

Of specific concern to appraisers are the provisions of Section IV of the HVCC. This section restricts the lenders involvement in the appraisal ordering process to the extent that lenders will have little alternative but to order all appraisals through an AMC's.

The Alabama Real Estate Appraisers Board believes the following alternatives should be explored, promoted and implemented before resorting to the extreme measures outlined in Section IV of the HVCC:

- a. State and Federal legislation should be enacted to criminalize the improper influence of appraisers, including stiff penalties.

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- b. Mortgage professionals should be licensed and/or certified.
- c. Mortgage professionals should sign a certification that they did not influence the appraisal process in any way. This certification would hold mortgage professionals civilly and criminally responsible. The certification SHOULD be included as a provision in the HVCC as well as in legislation with penalties for individual offenders.
- d. Enact State and Federal law requiring originators/processors ordering appraisals to deliver a copy of ALL appraisals developed at the lender's request to the borrower, the underwriter and/or the lender.
- e. Allow mortgage originators or borrowers to pick an appraiser from a list of previously approved appraisers, as the commercial banks currently do.

The HVCC should include similar provisions whereby every person involved in the origination and processing phases of the mortgage package signs a certification that every appraisal developed at the originator's request is being immediately provided to borrower, the underwriter and/or the lender.

The Alabama Real Estate Appraisers Board believes that the solutions outlined above, as well as additional education requirements for appraiser certification enacted by the Appraisers Qualifications Board (AQB) in January of this year, will promote increased competency for appraisers and improve independence in the appraisal process. If you are approached by OFHEO, Fannie Mae, and/or Freddie Mac to enter an agreement, please give these terms consideration.

Sincerely,

  
Jon B. Blissitte, Chairman  
Alabama Real Estate Appraisers Board

  
Lisa Brooks, Executive Director  
Alabama Real Estate Appraisers Board