



Federal Housing Finance Agency

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The Honorable Peter J. Visclosky
United States House of Representatives
2256 Rayburn House Office Building
Washington DC, 20515

Dear Representative Visclosky:

Thank you for your recent letter regarding the Home Valuation Code of Conduct deployed by Fannie Mae and Freddie Mac to reduce coercion of appraisers and to protect the safe and sound operations of the Enterprises.

The Home Valuation Code of Conduct was created in March 2008, was opened for public comment by the Enterprises and was revised based on feedback received. The final version was released December 2008, four months before the May 1, 2009 implementation date. The code is effective for 18 months. The final code enhances protection of the Enterprises, currently under Federal conservatorship, from mortgage and appraisal fraud, which has been one of the driving forces behind the increasing numbers of mortgage foreclosures. The code will benefit homeowners and investors by protecting them from inflated home valuations.

The Home Valuation Code of Conduct ("the code") is an extension of existing Fannie Mae and Freddie Mac seller servicer guidelines that address appraiser coercion. The code does not alter the fundamental business models that exist in the appraisal industry, nor does it alter the fees or charges of any participants in the valuation system. Small lenders are excluded from some of the provisions of the code so long as they maintain a non-coercion policy.

One important element of the code is the requirement that Fannie Mae and Freddie Mac perform quality control checks on appraisals on mortgages they purchase. This is to avoid harm to the Enterprises from fraudulent or deficient appraisals, but it also benefits consumers who can be more confident in the appraisals on their home purchases. Under the code, appraisers must abide by Uniform Standards of Professional Appraisal Practice (USPAP), which includes familiarity with local markets, and lenders may reject appraisals not performed correctly as an unprofessional practice. The actual valuation of a property is still governed by appraisal industry standards and state regulators, not by the Home Valuation Code of Conduct. The code does not provide any authority to lenders that they do not already possess under banking law.

Additionally, the code conforms closely with existing and proposed bank regulatory guidelines that regulate certain communications between those ordering appraisals and those approving loans. Lenders may evaluate appraisers for their work product and only specific coercive conduct is barred by the code.

During the implementation of the Home Valuation Code of Conduct, Fannie Mae and Freddie Mac have maintained an open dialogue with all market participants. FHFA's examiners and legal team will continue their active oversight in this area and continue to consult with financial regulators and the private sector to assure that the code remains consistent with federal law and regulation.

Sincerely,

Peter Brereton

Peter Brereton
Associate Director for External Relations