
FEDERAL HOUSING FINANCE AGENCY



NEWS RELEASE

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Fannie Mae, Freddie Mac to Deploy Appraisal Complaint Process

Washington, DC –Fannie Mae and Freddie Mac will deploy a complaint process for violations of the Home Valuation Code of Conduct (HVCC), according to a letter from FHFA Acting Director Edward J. DeMarco to New York Attorney General Andrew Cuomo. The letter, which outlines developments with the HVCC and related agreements, states that Fannie Mae and Freddie Mac, now in conservatorship, will not be funding the Independent Valuation Protection Institute (IVPI).

“As conservator of Fannie Mae and Freddie Mac, our priority is to keep the Enterprises focused on the important role they play in supporting the mortgage market,” said DeMarco. “The need for a complaint process is being addressed in a way that we believe is more practical than with the Institute.”

Fannie Mae and Freddie Mac will deploy a complaint process to address suspected code violations including a mechanism for providing pertinent information to state and federal regulatory and enforcement departments. The process will be put in place within the next few weeks.

The letter from FHFA to Attorney General Cuomo also addresses some of the benefits the HVCC has brought to the appraisal process including insulating appraisers from undue pressure.

“The Code has improved the independence of the valuation process—a critical element in assuring homeowners pay a fair price for properties and that investors have confidence in mortgages backing securities they purchase,” said DeMarco. “The Code has also aided efforts to combat mortgage fraud, a leading contributor to the housing finance crisis.”

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The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$6.3 trillion in funding for the U.S. mortgage markets and financial institutions.



FEDERAL HOUSING FINANCE AGENCY
Office of the Director

May 19, 2010

Honorable Andrew M. Cuomo
Attorney General
State of New York
120 Broadway
New York, New York 10271-0332

Dear Mr. Attorney General:

I am writing to provide you an update on implementation of the Home Valuation Code of Conduct and the Cooperation Agreements between your office, the Office of Federal Housing Enterprise Oversight (now the Federal Housing Finance Agency or FHFA) and Fannie Mae and Freddie Mac (the Enterprises). I am also writing to inform you of a decision I have made as the Enterprises' conservator regarding the Independent Valuation Protection Institute described in the Agreements.

The Home Valuation Code of Conduct

The Home Valuation Code of Conduct deployed by Fannie Mae and Freddie Mac was implemented after taking extensive market place comments. The final version of the Code now has been integrated into the mortgage valuation process. Significant aspects of the Code have been adopted by the Federal Housing Administration, furthering its benefits to homebuyers, lenders and investors. As intended, the Code has improved the independence of appraisers—reducing opportunities for fraud, protecting consumers in the mortgage process and providing greater confidence to the investor community in their purchases of securities backed by mortgages that have appraisals performed under the Code. Ultimately, these effects inure to the benefit of homebuyers as well.

Freddie Mac and Fannie Mae each have found that appraisal quality has improved since the Code's implementation. The Enterprises have acted aggressively to facilitate the Code's operation, issuing four sets of Frequently Asked Questions (FAQs) in response to market place inquiries, including a harmonization of their FAQs that also aligns with the appraisal independence rules posted by FHA. As you know, due to the delay in implementation, the Code remains in effect until November 1, 2010.

The Independent Valuation Protection Institute

The Cooperation Agreements also called for the Enterprises to establish and fund an Independent Valuation Protection Institute. The Institute was to collect and report on complaints regarding appraisals. Of course, the plans for the Institute and the Enterprises' financial support for it were

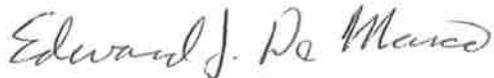
made before FHFA placed the Enterprises into conservatorships. In light of the billions of dollars in taxpayer funds the Enterprises have drawn since entering conservatorships, I cannot, as conservator, justify the Enterprises funding the Institute. Therefore, as conservator, I have determined that they will not proceed with that portion of the Cooperation Agreements.

In lieu of the Institute, I have directed the Enterprises to provide a targeted complaint process for the Code. The Enterprises will deploy a standardized complaint form and a process to facilitate submission of the form through an Internet-based process. I expect this to occur in the next few weeks. The Enterprises will act on matters received, including referring cases to state regulatory officials identifying patterns and practices suggestive of fraud or other non-compliance with the Code and providing FHFA and your office a summary of results and analytics of this complaint process.

Going Forward

All other aspects of the Cooperation Agreements will remain in force, unaffected by this action. Thank you for your ongoing interest in this important area of consumer and investor protection. Should you or your staff require additional information, please contact Alfred Pollard, FHFA's General Counsel, at (202) 414-3788.

Yours truly,

A handwritten signature in cursive script that reads "Edward J. DeMarco".

Edward J. DeMarco
Acting Director