



**Office of Federal Housing Enterprise Oversight  
(OFHEO)**

***NEWS RELEASE***

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**FOR IMMEDIATE RELEASE**

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**OFHEO, NY ATTORNEY GENERAL, FANNIE  
MAE AND FREDDIE MAC SIGN  
AGREEMENTS TO COMBAT APPRAISAL  
FRAUD**

**Washington, DC** – OFHEO Director James B. Lockhart announced agreements with OFHEO, New York State Attorney General Andrew Cuomo, Fannie Mae and Freddie Mac (the Enterprises) to strengthen the independence of the appraisal process. For mortgages the Enterprises buy or guarantee, the agreements seek to enhance appraisal and evaluation services that are critical to the residential mortgage process. Flawed appraisals artificially inflate home prices and are often a sign of mortgage fraud and undue influence on appraisers.

"Accurate, independent appraisals are very important to ensuring the safety and soundness of Fannie Mae, Freddie Mac and the mortgage market," said Director Lockhart. "These agreements build upon existing federal and state laws and regulations to further strengthen the single-family home appraisal process. The agreements should help restore confidence in the mortgage market by enhancing underwriting practices, reducing mortgage fraud and making home valuations more reliable. I thank the Attorney General, Fannie Mae and Freddie Mac for their strong roles in this important effort."

There are many significant provisions in the agreements that are designed to strengthen the independence of appraisers, including eliminating broker-ordered appraisals, prohibiting appraiser coercion, and reducing the use of appraisals prepared in-house or through captive appraisal management companies in underwriting mortgages. The agreements also enhance quality control in the appraisal process and establish a complaint hotline for consumers.

The agreements include a Home Valuation Code of Conduct that the Enterprises will apply to lenders selling mortgages to Fannie Mae or Freddie Mac. The Code becomes effective on January 1, 2009.

The parties also agreed to establish and the Enterprises fund an Independent Valuation Protection Institute designed to supplement current efforts to provide an appraisal complaint process, mediation of appraisal disputes, and mortgage fraud reporting. The agreement seeks the comments and concurrence of the federal banking agencies and solicits the comments of market participants that will be considered in making amendments to the Code during the implementation process.

"Attorney General Cuomo and I understand these are strong steps which will improve our mortgage finance system," said Lockhart. "This Code is one way of ensuring that homebuyers and secondary mortgage market investors get the fair and independent property valuations that they expect and deserve. At the same time, I will be closely monitoring the nine-month period prior to implementation. OFHEO is committed to working closely with fellow regulators, the New York Attorney General, Fannie Mae, Freddie Mac, appraisers, lenders and other market participants to assure that the roll-out of the new code builds upon best practices, recognizes constructive comments to identify further refinements, and avoids unintended consequences."

"In addition, OFHEO will continue its work to combat mortgage fraud, including its joint efforts with state and federal regulators. It is imperative that state appraisal licensing bodies be active in policing appraisal practices at the state level and that federal agencies share information on a timely basis in order to assist law enforcement and regulatory efforts to fight mortgage fraud," Lockhart said.

[Fannie Mae Agreement](#)

[Freddie Mac Agreement](#)

[Home Valuation Code of Conduct](#)

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*OFHEO's mission is to promote housing and a strong national housing finance system by ensuring the safety and soundness of Fannie Mae and Freddie Mac.*

This press release can be found at <http://www.ofheo.gov/newsroom.aspx?ID=417&q1=1&q2=None>