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## **A look at the HVCC from MBREA president Minnehan**

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Once upon a time, not that long ago, appraisers, mortgage brokers, loan originators, buyers and sellers were all going along on their merry ways. Everyone was happy. It was all too good to be true. The bubble was getting bigger. A buying frenzy was going on that was spurred by relaxed financing requirements and the belief that property values would always continue to climb.

Then I heard a story about a buyer who couldn't make his first mortgage payment and couldn't sell his home for what he paid for it. He had a first mortgage for 80% and a second mortgage for 20%. The now dreaded 80/20. Values were beginning to be questioned. At first no one wanted to believe it was happening. Then the foreclosures started. They were followed by the short sales. More and more homeowners were underwater. Something had to be done. Who was to blame for the lack of oversight that led to this situation? What was causing values to decline? Was the relationship between appraisers, mortgage brokers and mortgage originators the place to put the blame? Or was it the pressure put on all involved to make the deal? It appears that there were many players in the blame game.

What could be done to right the wrongs? Who would rise to champion the cause? As we all know it was attorney general Andrew Cuomo from New York (working with Fannie Mae, Freddie Mac and FHFA) who came out of the blue and took charge. He cut the deal and we ended up with the Home Valuation Code of Conduct known as the HVCC or the Code. It went into effect on May 1st, 2009. It was adopted by Fannie Mae, Freddie Mac and the Federal Housing Finance Agency (FHFA). The FHA got on board at a later date. The purpose of the Code is to enhance the independence and accuracy of the appraisal process and provide added protections for homebuyers, mortgage investors and the housing market.

The Code changed the guidelines for lenders regarding their relationship with appraisers. Mortgage brokers were forced to Appraisal Management Companies in order to comply with the Code. The result was many appraisers lost their long time relationships with them. Some appraisers ended up leaving the business or were forced to work for an AMC just to survive. They now get paid less for doing the same amount of work. Most appraisers are still adjusting to the changes. The appraisers I talk to are glad they no longer get calls for comp checks or to see if the value could be adjusted just a little higher.

Appraisers are required to decline assignments for which they are not qualified. I have heard stories about appraisers taking assignment from outside of their normal areas. Just last night a fellow Rotarian shared a story of an appraiser from Acushnet doing an appraisal in Jamaica Plain. The intent of the HVCC appears to have been good. Time will tell if reality meets the intent.

I'm looking for a happy ending to this story. It appears that the economy continues a slow recovery. Home prices are still out of reach for many buyers and underwater owners cannot refinance or sell without a loss. Confidence has to return to the market. I heard recently that the market has

bottomed and that now it the time to buy. The happy ending will come when the buyers and homeowners able to get back into the market.

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