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HVCC: What have we learned after four months?

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Home Valuation Code of Conduct (HVCC) stories are in the news everywhere you look these days. As the arm of the Code reaches out it seems to have an effect on nearly everyone involved in a mortgage. Most of the news stories, articles, and blogs follow a familiar vein similar to the National Association of Realtors' Realtor Magazine by-line "The Trouble with the HVCC" or from Real Estate Appraisers & Inspectors Working Real Estate publication "HVCC Hits: Appraisers Talkback".

This week a real estate deal in a local office was slowed down by the regulations of the new Code of Conduct. A condominium listed through MLS was placed under agreement by a buyer represented by a buyer's agent. The first-time buyer, attracted by the large rooms and distant harbor views, chose the condo after considering several others nearby. The price was negotiated and the parties settled on an agreeable purchase price. The financing was approved pending the appraisal and the home inspection was conducted with no surprises.

The listing agent did not provide a copy of the P&S nor did she offer comparable sales to the appraiser. The buyer's broker had no contact with the appraiser at all. The appraiser who lives in the next town is knowledgeable of the area and qualified to perform the assignment. The appraisal was turned around quickly and three closed sales were provided along with one pending sale and one active listing. In the appraiser's opinion the borrower was overpaying for the unit and rendered an opinion two or three percent under the purchase price.

The mortgage broker informed the real estate brokers and provided them with a copy of the appraisal for their review. One of the brokers was the buyer's representative for one of the comparable sales and had knowledge of the conditions of the other sales. The buyer's broker notified the appraiser of the new information which would have an effect on the value opinion and she readily received the data and promised to consider it once verified. But first, the AMC had to be notified. Then, the AMC would have to notify the lender who would decide if the appraiser should consider the new data or order a second appraisal. The scenario has yet to play out but the process has been slowed significantly. There are lessons to be learned from this experience.

It is in the best interest of the listing broker as well as their client's to provide the appraiser with as much verifiable information about the subject and comparable properties as possible. The buyer's broker should offer the same either to the listing broker or to the appraiser directly. This is not doing the appraiser's job; it's equipping the appraiser to do her job better. As for the appraiser, she may not have verified all the conditions of the sale. Geographical competence is not the issue, but pressure to comply with quick turn around times often results in appraisers not waiting for return phone calls from sources.

It is unfortunate that brokers are blaming appraisers and appraisers are pointing fingers at the AMCs. Both appraisers and brokers control their own destinies. We need to cooperate and understand that we all have responsibilities to our clients. Appraisers lacking geographical

competence are obligated, not only under USPAP but also under good business practice and ethics provisions, to either refuse the assignment or to allocate enough time to gain the competency.

Recently, one of MBREA's members shared a letter he sent to New York attorney general Andrew Cuomo. To paraphrase from his candid observations: "The HVCC is a failed experiment...you can't legislate integrity...lenders rotating lists assign appraisers work outside their geographical competence....consumers are waiting longer and its costing them more."

At the Mass. Board of Real Estate Appraisers we continue to speak on behalf of appraisers at both the state and federal level. We recognize the difficulties caused by the HVCC and encourage appraisers to contact us with their own personal experiences.

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