



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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Charles McMillan, CIPS, GRI
President

June 22, 2009

The Honorable Andrew Cuomo
Attorney General
The Capitol
Albany, NY 12224

The Honorable James B. Lockhart III
Director
Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552

Dear Attorney General Cuomo and Director Lockhart:

I am writing on behalf of the 1.2 million members of the National Association of REALTORS® (NAR) to urge an 18 month moratorium on the Home Valuation Code of Conduct (HVCC). The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®. NAR has approximately 30,000 appraiser members from across the country and approximately 750 have earned our Residential Accredited Appraiser (RAA) and General Accredited Appraiser (GAA) designations.

As you know, we made a similar request to the government sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, on April, 20, 2009. The Code has now been in effect for almost two months and our members report that it is causing delays in closings and canceled sales, which result in artificially low existing home sales. Though our existing home sales increased in May, the rise was smaller than implied by rises in pending home sales. There is no doubt a rise in the fallout rate and we are currently conducting research to assess the extent of appraisal problems in hampering the housing market's recovery. Any delay in the recovery will mean a further decline in home prices, which will hamper the economic recovery and lead to a greater number of foreclosures. Problems arising from the implementation of HVCC may reverse

positive momentum at a time when the real estate industry is just starting to show signs of a rebound in many markets.

NAR supports the independence of appraisers and the integrity of the appraisal process. We applaud Attorney General Cuomo and both GSEs for their efforts to address appraisal fraud in the mortgage industry. While the Code addresses appraisal fraud, we have concerns with the implementation that could be addressed during the proposed moratorium. We previously raised some of our concerns with Fannie Mae and Freddie Mac.

Lender-Owned AMCs Cause Conflicts of Interest

The proposed HVCC would have barred lenders and affiliates of lenders from relying on an appraisal report obtained by, or through, an appraisal management company (AMC) that is more than 20 percent owned by the lender or affiliate of the lender. The final Code does not limit lender ownership of AMCs. NAR believes that lenders should be prohibited from using an appraisal report from any AMC where the lender or the lender's affiliate maintains an ownership stake. Allowing lenders to obtain appraisal reports from AMCs where the lender has a stake in ownership does not meet the goal of the HVCC to assure the independence of the appraisal process.

AMC Regulation Improving at State Level

Because the HVCC requires mortgage brokers to arrange for appraisals through third party organizations, AMCs now have an increased role in the real estate appraisal process. Our members are reporting that AMCs are giving appraisers assignments in areas where they lack geographic competency. For a variety of reasons, appraisers may feel compelled to take these assignments. While this could have occurred prior to the implementation of the HVCC, the issue is exacerbated by the increasing prominence of AMCs since May 1, 2009. Many state legislatures are in the process of enacting laws to regulate AMCs, and NAR believes there is a critical need for this state regulation. In other states, the regulatory agencies are in the process of promulgating rules and procedures. Since AMCs will have a larger role in the real estate transaction, a moratorium will allow states time to finalize their actions.

IVPI has Not Been Established

The Independent Valuation Protection Institute (IVPI) was announced as an integral part of the HVCC. The purpose of the IVPI is to receive complaints from appraisers and users of appraisal services on the improper influence or attempted improper influence of appraisers. To date, the IVPI has not been implemented and there has been no indication of when the IVPI will be available. The GSEs informed the NAR Appraisal Committee at our Midyear Meetings in May that an interim process for complaints is being developed and that the IVPI will come at a later time. No interim process has been announced by the GSEs or FHFA. A moratorium would give you and the GSEs more time to implement this critical element of the HVCC.

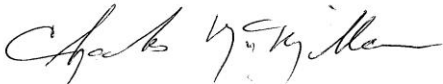
HVCC May be Increasing Costs to Consumers

The HVCC agreement reached between the Attorney General Cuomo and the GSEs, and approved by Director Lockhart, does not address the costs of the real estate transaction.

Appraisers now must consider their obligations under the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Foundation and the additional burden of complying with the HVCC. Higher costs may also be an issue for lenders. The creation of a new set of standards to follow and a new oversight organization may lead to increasing the cost of the real estate transaction. A moratorium will allow more time to assess the impact of the HVCC on consumers and establish an appropriate balance.

Thank you for your time and consideration of this matter. A moratorium for the HVCC will ensure adequate time to address these issues. If you have any questions or concerns, or if I may be of service to you, please do not hesitate to contact me or our Senior Regulatory Policy Representative, Jerry Nagy, at 202.383.1233 or jnagy@realtors.org.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles McMillan".

Charles McMillan, CIPS, GRI
2009 President, National Association of REALTORS®