

## FACT SHEET

Use this sheet to get important information about HVCC, and learn how **APPRAISAL FIREWALL** has substantial benefits over AMCs. Click the links provided to review supporting documentation.

### FACT #1

#### AMCs are not required to comply with HVCC.

- ◆ “Contrary to some suggestion, the Code does not favor the use of AMCs over independent or in-house appraisers.” – [from July 22<sup>nd</sup>, 2009 FHFA Bulletin](#)
- ◆ “**Q35.** Is a lender required to use an AMC for ordering appraisals?”  
“**A35.** No. a lender may order appraisals directly from an individual appraiser.”  
– [from Fannie Mae HVCC FAQ #35](#)
- ◆ HVCC states that, as long as lenders have a staff member independent of loan production managing their appraisals, the lender can communicate with appraisers like they always have. [See HVCC section 3b.](#)
- ◆ “**Q37.** Some lenders have proprietary automated origination systems that include a process for ordering appraisals. How does the Code impact those systems?”  
“**A37.** The lender must review its systems to ensure that the selection of appraiser process is in compliance with the provisions of the Code.”  
– [from Fannie Mae HVCC FAQ #37](#)

**Summary:** AMCs have a place in the industry serving national lenders. They have never been a compliance solution, nor a solid solution for local and regional lenders.

### FACT #2

#### Lenders are responsible for the AMC's actions.

- ◆ “Federal bank regulatory agencies have cautioned against reliance on third-party relationships [for compliance] by reaffirming that such relationships may significantly *increase* a bank's risk profile...” – *per information in the [Appraisal Institute's HVCC Myths and Realities document](#), page 3, “**Myth: outsourcing appraisal management to a third party reduces lender risk.**”*
- ◆ Some AMCs have been deemed “unscrupulous” for past actions, [as quoted in this BusinessWeek Article](#). Key points include:  
“Take NovaStar Financial ([NFI](#)) in Kansas City, Mo. A large subprime lender during the housing boom, NovaStar was disciplined by three states—Massachusetts, Nevada, and Washington—for such infractions as employing unlicensed brokers and charging unlawful fees. Without admitting wrongdoing, the company paid \$5.1 million in 2007 to settle similar allegations in a class action brought on behalf of borrowers. After its mortgage business collapsed, NovaStar morphed into an AMC last year by acquiring another company and renaming it StreetLinks National Appraisal Services. Steve Haslam, NovaStar's former chief of retail lending, is now CEO of StreetLinks.”  
– AND –  
“E-mail and other correspondence between appraisers and AMCs reviewed by BusinessWeek show that at least some AMCs do press appraisers to reconsider their valuations at the behest of lenders.”
- ◆ “Larry Holzer surrendered his Florida appraisal license in April 2007 after regulators found he had made numerous misstatements in an appraisal report for a \$250,000 home. In a letter to Florida regulators, Holzer agreed there were some “data discrepancies in the body of the report.” He said

he was distracted at the time by personal issues. Now Holzer is back in business, running an AMC in Clearwater called Global Appraisal Solutions.” – [BusinessWeek Article, page 2](#)

- ◆ “Joni Herndon, chairwoman of the Florida Real Estate Appraisal Board, which handled the Holzer investigation, says a revolving door is allowing dubious characters into the AMC market. Speaking generally, she says: “It is not serving the public to revoke their license for dishonest conduct and then allow them to have an appraisal management company.” – [BusinessWeek Article](#)

**Summary:** Make sure you do your research when choosing an AMC for HVCC compliance. You will be responsible for any actions deemed non-HVCC compliant. Note that not all AMCs are unscrupulous or behave in the manner described in this article.

### FACT #3

#### Lenders and AMCs do not have common interests.

- ◆ A Lender’s primary interest is in complying with HVCC. This is evident in the fact that HVCC is a code of conduct for lenders and third parties acting on behalf of lenders.
- ◆ Working RE Magazine states in an appraiser survey that many AMCs select appraisers based solely on obtaining the lowest fee. Over 50% of appraisers surveyed say “that AMCs select appraisers based solely on obtaining the lowest fee.” [Read Full Survey.](#)
- ◆ If many AMC orders are placed based on obtaining the lowest fee, the HVCC requirement of “...knowledge and experience in appraising this type of property in this market area” may not be satisfied. – [See Fannie Mae HVCC FAQ #33.](#)

**Summary:** Under HVCC, a Lender’s main interest is compliance. Some AMCs’ interests can be elsewhere.

### FACT #4

#### If an AMC does not perform to HVCC requirements, the lender buys back the loan.

- ◆ “Lockhart [James B. Lockhart, Director, Federal Housing Finance Agency] says Fannie and Freddie can force lenders to buy back loans tainted by inflated appraisals.” – [BusinessWeek article](#)
- ◆ September, 2009, Mortgage Banking Magazine includes an HVCC article for lenders that states: “You can’t outsource responsibility, and if you’re stuck with a buy-back, those costs are unlikely to be covered by the AMC.” – [from Separating Fact from Fiction: Myths Abound About the Home Valuation Code of Conduct by Vladimir Bien-Aime.](#)
- ◆ “...the Enterprise will enforce all applicable rights and remedies, including suspension or termination of the lender’s eligibility to sell loans to the Enterprise, if the lender fails to remediate.” – [See HVCC Section VIII, Representations and Warranties.](#)

**Summary:** The best way to stay HVCC compliant is to be responsible for your own actions regarding HVCC, and not farm your compliance out to a third party that is not regulated and not liable for their actions regarding your HVCC compliance.



COMPLIANCE. QUALITY.

# Appraisal Firewall

YOUR ESTABLISHED RELATIONSHIPS MADE COMPLIANT

APPRAISAL FIREWALL is an online appraisal routing and compliance technology tool for lenders. With APPRAISAL FIREWALL, lenders can easily comply with all of the appraisal requirements of FHA and HVCC, and keep working with their favorite local appraisers. APPRAISAL FIREWALL is not an AMC. Visit [www.AppraisalFirewall.com](http://www.AppraisalFirewall.com)

## **FHA, HVCC COMPLIANCE MADE EASY**

Instituting new appraisal compliance processes for HVCC and FHA requirements can be costly and time-consuming for lenders. But Appraisal Firewall makes FHA and HVCC compliance easy and pain-free. Only lenders can provide their compliance, and Appraisal Firewall offers a full compliance feature-set that is customized for your business. These features lessen the impact of FHA and HVCC compliance on all lenders. See page 2 for detail on compliance features.

## **QUALITY APPRAISALS EVERY TIME**

With Appraisal Firewall, you are assured that you get only the highest quality appraisals. This is because your known and trusted appraisers are delivering your appraisals. When an AMC filters your appraiser relationships and delivers appraisals based on the cheapest appraiser in the area, appraisal quality suffers. Plus, with Appraisal Firewall, your costs stay the same, and your turn-times are exactly as they were prior to FHA and HVCC appraisal regulations.

## **THE FREEDOM TO SETUP YOUR OWN APPRAISER PANELS**

Appraisal Firewall lets you create panels of your appraisers that you know, like and trust. You can invite all of your appraisers to be a part of your panel – you only need to know their email address and Appraisal Firewall does the rest. Your appraisers can then sign themselves up and be added to your preferred panel in minutes. Appraisal orders are placed in a blind manner to the individuals in your panel.

### ***Facts About Appraisal Firewall...***

- **Fact:** Appraisal Firewall is not an AMC.
- **Fact:** AMCs do not provide FHA or HVCC compliance.
- **Fact:** Only lenders can provide their own FHA and HVCC compliance.
- **Fact:** Appraisal Firewall makes it easy for lenders to comply with FHA/HVCC.
- **Fact:** Appraisal quality is best maintained when lenders use their own appraisers.

### ***Quotes from Regulatory Institutions***

*“Contrary to some suggestion, the Code does not favor the use of AMCs over independent or in-house appraisers.”*

– from July 22nd, 2009 FHFA Bulletin

*“Q35. Is a lender required to use an AMC for ordering appraisals?”*

*“A35. No. a lender may order appraisals directly from an individual appraiser.”*

– from Fannie Mae HVCC FAQ #35

**YOUR ESTABLISHED RELATIONSHIPS MADE COMPLIANT**

### *A Focused Approach to Lender Compliance*

FHA and HVCC require lenders to institute a number of additional compliance processes into their already-complex lending practices. Appraisal Firewall offers all of the FHA and HVCC compliance features that a lender needs to fit precisely into their appraisal processes – designed specifically to save lenders time and minimize the impact of FHA and HVCC on lender business.

**Feature:**

Communications Log for every order.

**Purpose:**

HVCC, FHA Compliance. Tracks all activity and messaging on an appraisal order. Log is printable for hardcopy in case of audit to show that no appraiser influence occurred.

**Feature:**

Ability to email appraisal to borrower on completion.

**Purpose:**

HVCC, FHA Compliance. Allows lender to email copy of completed appraisal. This fits with the HVCC requirement to provide the borrower with a copy of the appraisal at least 3 days prior to closing. Tracks when the appraisal is emailed, and tracks when the borrower clicked the link to view the appraisal.

**Feature:**

Organized setup for Rotation Managers and Managed Users (LO's, LP's)

**Purpose:**

HVCC, FHA Compliance. For use with organizations that want LO's or LP's to initiate the appraisal process. The Rotation Manager (who is not compensated through closings) creates an approved user base who can then initiate appraisals through the lender-approved process.

**Feature:**

Anonymous order placement and anonymous messaging.

**Purpose:**

HVCC, FHA Compliance. The lender does not know to whom the order was placed, or to whom messages are sent. Appraisers can view the lender/client info to prepare the appraisal. Exceptions are for Rotation Managers (who are not compensated through closings), and on FHA orders where a case number is required.

**Feature:**

Appraiser reimbursement.

**Purpose:**

HVCC, FHA Compliance. Allows the Rotation Manager (who is not compensated through closings) to manage all billing transactions. Rotation Manager decides how appraiser payment will be satisfied and communicates with appraisers.

*Appraisal Firewall is enhanced all the time with new compliance and appraisal processing features.  
Contact a representative for more information on the most current features.*