

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. See our [Lender Datasheet](#) for complete information on the Appraisal Firewall technology.

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 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](#)
- ◆ 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.](#)

Summary: AMCs have a place in the industry serving national lenders. They have never been a compliance solution.

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...” – [from 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 (NEI) 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.”
- ◆ “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: Be careful in outsourcing your compliance to a third party that is not regulated and may not be liable for their actions regarding your HVCC compliance.

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.](#)

Summary: The best way to stay HVCC compliant is to be responsible for your own actions regarding HVCC.

[Learn more about Appraisal Firewall](#)
and how it keeps lenders HVCC compliant.

Steven Naimoli
954-561-1400
steven@credit1400.com