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COMPLIANCE

Jumping Through New Hoops

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A New Code of Co

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Starting this month, those ordering appraisals on loans sold to Fannie and Freddie have to comply with a whole new set of rules called the Home Valuation Code of Conduct. Not surprisingly, it's controversial.

Is the new Home Valuation Code of Conduct (HVCC) good or bad for business? It depends on whom you ask.

Under the HVCC, as of May 1, loan production personnel—including mortgage brokers—can no longer order appraisals or influence the choice of appraiser.

For appraisal-management companies (AMCs), the HVCC is a boon, because using a management company is a simple solution to complying with the new code.

For small independent appraisers used to working with local lenders and brokers, the code either means a big change in the way the appraisers operate or a switch in careers. Because the HVCC effectively encourages lenders to use AMCs, many appraisers believe they will need to align themselves with one or more AMCs in order to stay in business.

For some appraisers, the resulting loss of independence and a potential reduction in fees make working for AMCs a less-than-appealing option. In fact, some appraisers are looking to leave home mortgage appraisals altogether and turn to other careers, according to Bill Garber, director of government and external relations for the Washington, D.C., office of the Chicago-based Appraisal Institute.

And for mortgage brokers, the HVCC could spell disaster—at least according to some. Brokers are accustomed to working with appraisers and ordering appraisals directly for their clients. Many brokers fear that banning those relationships will make it more difficult to shop multiple lenders to find the best deal for their borrowers, because brokers now need to order appraisals through a lender, according to sources interviewed for this article.

"It sort of forces the broker to pick one lender early on in the process, and will drastically reduce the broker's ability to provide efficient and cost-effective service to consumers," says Marc Savitt, president of the National Association of Mortgage Brokers (NAMB), McLean, Virginia.

What does the code mean for lenders? "Lenders will have to create procedures to both comply with the code and to also create this buffer zone between loan production and [the appraisal process]," says Phillip Schulman, an attorney with K&L Gates LLP, Washington, D.C. Loan production includes not only loan officers, but also processors and underwriters, in Schulman's opinion. "So that's going to be a big change," he says.

In December 2008, the Federal Housing Finance Agency (FHFA) released a revised final Home Valuation Code of Conduct for loans sold to Fannie Mae and Freddie Mac. The revised HVCC updated an agreement announced in March 2008 by New York Attorney General Andrew Cuomo with Fannie Mae, Freddie Mac and the former Office of Federal Housing Enterprise Oversight (OFHEO) to establish the Home Value Protection Program. FHFA is the successor agency to OFHEO.

"Fundamentally, we got a big curveball thrown into our whole origination process," says Jonathan Corr, chief strategic officer with Ellie Mae Inc., Pleasanton, California. "It's changing the way mortgage professionals—whether they're brokers, bankers, lenders or appraisers—do business together," he says.

Corr notes that while the HVCC applies only to loans that are sold to Fannie Mae or Freddie Mac, lenders may move to make all loans compliant with the new guidelines in order to have consistency in their appraisal-ordering processes.

"Lenders may have different processes for FHA [Federal Housing Administration] loans or jumbo loans, which today [are] a smaller fraction [of loan originations]. However, we may see lenders gravitate to a common practice driven by [the HVCC] because it will be easier for people to operate in a consistent fashion, rather than having different processes," he says.

For retail lenders, the HVCC means a disclosure change, says Bill Rayburn, chief executive officer with FNC Inc., Oxford, Mississippi. "The disclosures are going to be different under HVCC than they are under Regulation B, which implements the Equal Credit Opportunity Act. Under HVCC, the disclosure says you've got to give the borrower a copy of the appraisal no later than three days prior to closing. Regulation B says you have to get a copy 'on a routine basis,' and as a practical matter, lenders provide that at closing or they provide you a notice of a right to a copy and a time period in which to make a request," Rayburn says.

While *the industry sorts out how to comply with the HVCC, there seems to be a general consensus that mortgage brokers will be profoundly affected by the new code.*

But most of the impact of HVCC will be felt in lenders' wholesale channels, Rayburn adds. "The broker that originates for the lending institution now has to go through the institution's designee or the vendor-management company. That's very different for brokers. Brokers are accustomed to ordering the appraisal, having a relationship with the appraiser and then assimilating that appraisal as part of the package they're sending out to the lender," he notes.

"The code makes clear that the people who are involved in loan production are not permitted to select, communicate with or pay the appraisers," says Schulman. "That means that lenders have to create this buffer between loan production and the appraisal staff."

Creating such a buffer could be a problem for some smaller origination companies, he notes. "If you don't have a lot of staff, it could be tough. If you have a quality-control department and they, by definition, are not part of production, they would be the obvious ones to be appointed to be involved in the [appraiser] selection process," Schulman says.

"A small company that doesn't have a quality-control division, and perhaps even contracts out quality control, is going to have to appoint somebody at the highest levels or the lowest levels of the company to be in charge of selecting the appraisers," he says.

The more palatable adopted version

The final version of the HVCC is more palatable to most in the industry than was the initially proposed code, Schulman notes. "Under the initial code, just about everyone was prohibited from doing appraisals except for stand-alone appraisal companies. It really knocked just about everybody out of the box. I think that the FHFA and the attorney general realized that probably the smaller appraisal companies wouldn't have enough manpower to fill the orders," he says.

Under the new and final code, as long as lenders and AMCs set up proper procedures to comply with HVCC, "then anybody can play," Schulman says.

The HVCC provides for the creation of the Independent Valuation Protection Institute "to maintain the integrity of HVCC by monitoring and studying federal and state laws and regulations as well as market practices and standards," according to the HVCC.

The FHFA established a Web site for the Independent Valuation Protection Institute, at www.independent-valuation-protection-institute.org. According to the Web site, the institute will be headed by a board of directors consisting of experts in the fields of real estate finance, loan origination, law enforcement, compliance review, and real estate valuation and appraisal. The institute is to be funded primarily by Fannie Mae and Freddie Mac "for a period of not less than five years," the HVCC says.

Appraisers will be able to contact the institute "if they feel pressured, threatened or bribed into situations that compromise their independent valuation(s) and compliance with HVCC," according to the Web site.

Eventually a hotline number and e-mail address will be established by the institute and provided for consumers to contact if they believe the appraisal process has been tainted or if they have been affected by appraisal fraud, the HVCC states.

Profound effect on brokers

While the industry sorts out how to comply with the HVCC, there seems to be a general consensus that mortgage brokers will be profoundly affected by the new code.

"Because brokers are not permitted to select appraisers, their feeling is that they will have to go to separate lenders to order an appraisal. Typically a customer comes to them and the broker may deal with five, six, seven or eight lenders. The broker tries to place the consumer with the lender who has the best rates or the best programs for that client. [With the HVCC], they will have to go to a particular lender and pay for an appraisal. If the client goes elsewhere, they may have to pay [for] a second or third appraisal," Schulman says.

The revised and final code addressed that issue by including a portability provision, he adds. The HVCC allows appraisals to be transferred to another lender as long as the lender obtains written assurances that the other lender followed the code and the appraisal conforms to the second lender's guidelines, Schulman explains. Doing so may be easier said than done, however, he adds.

"Obtaining an appraisal from another lender may not be easy," agrees Steve Haslam, chief executive officer of

StreetLinks National Appraisal Services, Indianapolis.

"Lender A probably isn't going to be all that motivated to send the appraisal over to another lender, because they're losing the loan. The loan is going to somebody else, and they have to set up processes to get the appraisal physically transferred by mail or sent overnight. Lenders will need people to do that and, obviously, there are some minor costs associated with [transferring an appraisal]," Haslam says.

Many brokers have worked hard to develop long-term, professional relationships with appraisers, notes FNC's Rayburn. "This may have had nothing to do with the appraiser hitting the number. It may have had to do with great service. The broker orders a full appraisal. Because the broker gives [the appraiser] a lot of business and pays promptly, the appraiser gives the broker great service," he says.

A broker with a good relationship with an appraiser is confident in receiving a complete appraisal that meets Fannie Mae and Freddie Mac requirements within a day or two, Rayburn adds. "Whereas if the broker uses a third-party AMC, it may be five days or even weeks before the broker gets an appraisal, and it may be from someone that they don't know and don't have any confidence in. That's the broker's concern," Rayburn says.

The impact of the HVCC on brokers will be enormous, according to Haslam. "The whole broker world—which by latest estimates originates 50 percent of all loans—is now restricted from doing what they've done all along: working directly with appraisers," he says.

As of May 1, brokers are "not supposed to speak to an appraiser, select an appraiser, recommend an appraiser or pay an appraiser," he says.

"Now brokers need to decide which lender they're going to use on a loan early on, and have the lender order the appraisal either from the appraiser or through the AMC. Lenders, who have the ultimate responsibility to Fannie Mae and Freddie Mac, have to establish an HVCC-compliant process for all of their broker relationships. The big lenders are either building their own in-house processes or looking to quality AMCs to do this for them," Haslam says.

NAMB files, then withdraws, lawsuit

In February of this year, the National Association of Mortgage Brokers filed a lawsuit against FHFA Director James B. Lockhart over the HVCC included in the appraisal agreements between the FHFA, Fannie Mae and Freddie Mac, and New York Attorney General Andrew Cuomo.

"The HVCC does nothing but drive up costs for consumers and push small businesses out of the market," argues NAMB President Savitt. "The HVCC will drastically reduce the ability of mortgage brokers to provide consumers with an efficient and cost-effective means of obtaining a mortgage."

On April 2, NAMB withdrew its lawsuit following a motion by FHFA to dismiss the case without prejudice, Savitt says. "In their motion, the FHFA said because the GSEs [government-sponsored enterprises] are in conservatorship, no court has a right to review FHFA's decision," Savitt says. "If FHFA's motion to dismiss the case without prejudice were granted, it means the case could never be heard again or refiled with another court. We withdrew our suit to prevent that from happening."

What recourse does NAMB now have? "We have [options] we're considering, but we can't discuss them openly now. This is far from over," Savitt says.

NAMB believes it is critical for mortgage and real estate professionals to maintain an appropriate level of contact with appraisers to ensure appraisal quality and independence, the trade group maintained in its suit. NAMB argues the HVCC is a *de facto* regulation and holds the FHFA in violation of the Administrative Procedures Act of 1992.

Several of the large national banks currently have joint ventures with AMCs, Savitt notes. "AMCs are a profitable venture for the banks. If the goal here is appraiser independence and you have a large national bank [that] has control over the AMC, where's the appraiser independence?," he asks.

Good for AMCs/bad for independent fee appraisers?

Indeed, one of the chief criticisms of the HVCC is that the business of small independent fee appraisers will be hurt or that they will be forced to join appraisal-management companies.

AMCs offer a simple solution for mortgage companies to comply with the HVCC, because it allows the AMC to basically select, communicate and take care of the whole appraisal process, Schulman says. "A lot of the appraisers feel this will give an unfair advantage to the AMCs, because the easiest solution is to just push a button on a computer and notify the AMC that you need an appraisal," he says.

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Appraisers used to marketing directly to loan originators or loan brokers will need to change their approach, Haslam says. "It's not going to be a comfortable change for them, because they're used to dealing with local brokers. At the same time, it's the appraisers who often complained about originator influence. You can't complain about originator influence on one hand and then complain that arms'-length transactions are being created. I sympathize, but it has to be one or the other," he says.

StreetLinks is encouraging appraisers to align themselves with AMCs or to go directly to lenders who set up their own in-house processes, Haslam says. "Appraisers just need to change who they market to and how they market. Instead of marketing to the originator, they need to market to whoever is ordering the appraisal," Haslam says.

FNC's Rayburn says he's not convinced that small independent appraisers will be hurt by the HVCC. "I think the small independent appraisers are going to be around for a long time," says Rayburn. "There will always be a need for appraisers that know the local markets," he says.

"Some of the mom-and-pops will be forced to change their business model, but I don't necessarily think it will put them out of business. Quite the contrary—with all this turmoil going on, lenders absolutely want to know accurate asset value. The local appraiser is in the best position to tell them that," Rayburn says.

There's no question that appraisers receive a lower fee with AMCs than when working independently, Schulman says. "On the other hand, AMCs can guarantee a certain number of appraisals. That's a choice appraisers have to make," he says.

Independent appraisers are concerned that the quality of appraisals may suffer under what has been the traditional business model of many appraisal-management companies, maintains the Appraisal Institute's Garber. "Appraisers are facing a cram down in their fees now as many lenders move toward these management companies," he says.

AMCs can take as much as 50 percent of the market rate for an appraisal, according to Garber. "As a result, we're finding that a lot of highly qualified appraisers are leaving the mortgage appraisal field and pursuing other areas of the appraisal business," he says.

"Management companies seek out appraisers who are willing to accept reductions in their market fees in exchange for volume guarantees and appraisal assignments," Garber says. "There's a concern that there's too much emphasis being paid to the price of the appraisal, and not nearly enough on the competency of that appraiser and the appraisal itself. A lot of

Appraisal Institute Weighs In

The Appraisal Institute, Chicago, supports the underlying intent of the Home Valuation Code of Conduct (HVCC), but takes issue with its likely encouragement of the use of appraisal management companies, says Bill Garber, director of government and external relations for the Washington, D.C. office of the Appraisal Institute. "The underlying intent of enhancing appraiser independence is a noble one, and one that we support," Garber says.

"The central theme [of the HVCC} is trying to break down structural conflicts of interest by providing firewalls of separation between those in loan production and those handling and administering risk-management activities, particularly appraisal activities," Garber says.

Garber points out that federal banking regulations have called for a clear separation between loan production and risk management for years. "Unfortunately, there was a good period of time [when] those rules were ignored," he says.

"In fact, the appraisal departments in some institutions were reporting to loan production [departments]. That was a violation of the appraisal regulations," he says.

The HVCC is "sort of an affirmation of [existing banking guidelines], but applies to loans sold to Fannie Mae and Freddie Mac. If you're selling loans to Fannie and Freddie, you have to make sure there's a firewall between loan production and risk management. It's pretty clear that if there's not, Fannie Mae or Freddie Mac could force a buyback. That's a pretty severe penalty. We hope enforcement is vigorous and it's taken seriously," Garber says.

But the Appraisal Institute sees some problems with the code, Garber adds. "While it's not required, the code does put in the spotlight the use of appraisal-management companies [AMCs]," he says.

Garber emphasizes that the HVCC in no way requires lenders to use AMCs. "There's been a lot of misinformation out there; lenders do not have to use AMCs. Lenders can still continue to order appraisals. They just need to make sure they have risk-management practices in place," Garber notes. Lenders can comply with the HVCC by "establishing that the appraisal function report to [a department] like credit, credit risk management or general counsel—people who are not in loan production," he says.

That means lenders with existing appraisal departments can continue using them for appraisals, Garber notes.

But the new code will undoubtedly promote the use of AMCs, Garber adds.

Many lenders will find AMCs an attractive solution for ensuring compliance with the HVCC, Garber says. "Our point to them would be to make sure you're getting quality assignments, that you're considering quality and competency as part of the appraisal assignment. We need to be elevating appraisal quality, not diminishing it," he says.

One of the Appraisal Institute's chief complaints about AMCs is that they are unregulated, Garber adds. "They're sort of hybrids—a cross between an appraisal company and an appraisal department within an institution. Nobody oversees those entities today," he says.

Garber believes the mortgage industry should focus more on risk management and less on loan production.

"We've been complaining for years that there was no oversight of mortgage brokers, and that was a big source of the problem with appraiser pressure and coercion. Now brokers are finally regulated at the state level. And the function [of applying pressure on appraisers] is sort of being transferred from brokers to these management companies, in some instances," Garber contends.

"Our members are reporting that the management companies are capable of pressuring appraisers just as easily as brokers were. We do have a concern that the problem is just being transferred from one entity to another," Garber says.

In order to address the issue of non-regulation, the Appraisal Institute has a state model bill to register AMCs with state governments, he says. "There are probably 20 to 25 states that are actively looking at [the model bill] right now," he says.

Garber believes the mortgage industry should focus more on risk management and less on loan production—especially in the current environment. "We need to go back to some of the basics in mortgage lending, or the three Cs: capacity to repay, credit and collateral. The collateral piece really does matter, and we need to improve the collateral-evaluation practices in mortgage lending. Some of these trends appear to be counter to that effort," he says.

management companies populate with appraisers based primarily on whether they can accept a reduction in their fee, and not nearly enough on whether they're producing quality work," Garber contends.

The Appraisal Institute is concerned that if that trend continues, there will be a general decline in the quality of appraisals, he adds. "A lot of the experienced and well-trained individual appraisers are fleeing the mortgage appraisal business and [the positions are] being back-filled by the least-experienced folks," he says.

The compression of appraiser fees by some of the very large national AMCs "is a legitimate gripe on the part of the appraisers," says Haslam. "I think that's a fair argument they've made. You've got class-action lawsuits right now with [large national lenders] and their captive AMCs where it's been perceived that they've forced their customers to use their companies for appraisals. If the appraiser wanted any piece of that business, they have to accept whatever those AMCs would pay," Haslam notes.

"If an AMC is collecting $400 for an appraisal from the customer and is only paying the appraiser $175 or $200, the appraiser has a legitimate complaint. That's not enough money to get a quality appraisal. You can't do a full appraisal on a 3,000-square-foot home [and] put five, six, seven hours into it between driving and writing up the report. Why would you take that assignment?," Haslam says.

The HVCC *will undoubtedly increase the use of AMCs in lenders' wholesale channels, Rayburn says.*

"Any knowledgeable person on our side of the business realizes that you are not going to get a quality appraisal paying that kind of money. You're going to get a lower level of appraiser, [and] you'll get it outsourced to a trainee or apprentice. This is where the quality issues come into play," Haslam argues.

StreetLinks pays its appraisers well, he says. "The fees vary typically by state and the retail cost of an appraisal. The retail cost of an appraisal is going to be higher in Alaska than in Indiana, where you have a more dense population, where you have more concentration of appraisers," he says.

StreetLinks doesn't dictate fees to its appraisers, Haslam adds. "When our appraisers sign up with us, they tell us what fees they want in order to participate in our network," he says.

His company currently has 14,000 appraisers in its network and another 3,000 applying to get in, Haslam says. "With HVCC, appraisers are going to the better AMCs and starting to market themselves," he says.

The HVCC will undoubtedly increase the use of AMCs in lenders' wholesale channels, Rayburn says. "Today in the wholesale channel, the use of AMCs is almost non-existent. The broker goes directly to the appraiser. AMCs today are almost exclusively used in retail," he says.

"The real question is, how relevant will that be? I'm not sure it will be. Will the large institutions that do most of the volume have a direct model [for ordering appraisals] or an indirect model where they're going through a third party to manage all this? It's unclear to me. We see customers doing both. We see customers that are connecting to five AMCs and we see customers that go direct to appraisers," Rayburn says.

Portability issues and solutions

The final version of the HVCC makes a provision for portability, or for appraisals to be transferred from one lender to another, Schulman says. The HVCC now allows a lender to accept an appraisal from another lender, "provided that the second lender gets some assurance that the first lender complied with the code," Schulman explains.

"The issue is, once a lender has paid for one appraisal and started the process, they'll have an advantage. I think the mortgage brokers would argue that their ability to shop the market will be hindered," he says.

Vendor-management companies, AMCs and software providers have been scrambling to provide solutions to make it easier for appraisals to be transferred among lenders.

StreetLinks National Appraisal Services, for example, saw an enormous opportunity to address portability concerns, according to Haslam. In January, it introduced ValueVault™ technology, "an online, secured storage mechanism where anyone involved in the loan transaction can have secured electronic access to the original appraisal," according to Haslam.

StreetLinks also provides a "certificate of non-influence" with each appraisal to provide additional assurance "so that the lender, the consumer or the investor never have to worry about their appraisal being corrupted, manipulated or forged," Haslam says.

"The final version of HVCC says Lender A can use an appraisal from Lender B, as long as Lender A makes sure the appraisal is HVCC-compliant," Haslam says.

The ValueVault eliminates the need for a physical transfer between lenders, he says. "Lender A can now just go online into our appraisal vault and bring up the appraisal there," Haslam notes. StreetLinks' certificate of non-influence and HVCC compliance satisfy the code's written assurance requirement, he adds.

There is no charge to the second lender to obtain the appraisal, Haslam says. "If the consumer and broker agree they want to go to another lender, it moves much faster," he says.

FNC also rolled out new tools to help its clients comply with the HVCC's portability and appraiser-independence requirements, Rayburn says. "We have modules for each of our clients to enable them to fully comply with the HVCC in terms of appraiser independence. There's a Web site for the broker to order through the institution or through the institution's designated third parties. We're offering a module to then check the appraisal on the back end to make sure it complies with the requirements of Fannie and Freddie," Rayburn says.

In addition, FNC is rolling out an audit/quality-control module, as well as a disclosure module, which will enable the lender to "easily disclose the appraisal and related documents to the borrower in a timely fashion," he says.

FNC offers its clients Generally Accepted Appraisal Rules GAAR® Compliance Series and GAAR Risk Rule Series to provide review and analysis of appraisals, Rayburn says. "Basically the lender submits the appraisals, we run it through the GAAR compliance rules and the GAAR risk rules, which validate comparables by looking in the national collateral database, and by looking at the data on the subject property. If there are problems, we flag those problems and present them to the lender to follow up on," he says.

Ellie Mae has also developed solutions to help its clients address compliance and portability issues, Corr says. For the last year, Ellie Mae has been "very active in talking with Fannie and Freddie's policy folks on the HVCC," he notes. "We've been looking at different versions of the HVCC and looking at it on behalf of the borrower. If you don't have some level of valuation happening quickly in the process and some level of portability, the borrower loses their flexibility to go to different lenders and ultimately ends up eating the cost of multiple appraisals. It's not in the best interest of the borrower and the industry. That was our biggest concern," Corr says.

Ellie Mae rolled out a new program in March designed to help its broker and lender clients comply with the HVCC. Ellie Mae's HVCC-Compliant Appraisal Services will leverage technology enhancements, partnerships with AMCs and direct connection via the company's ePASS® Network to facilitate HVCC-compliant ordering and delivery of appraisals for Ellie Mae's clients, according to company literature.

Ellie Mae has come out with a "black-box" solution for it clients, Corr adds. "The black-box solution still allows brokers to initiate the request for their lender to order the appraisal. Ellie Mae becomes an independent technology agent of our lender and wholesale partners," he says.

Ellie Mae's black-box appraisal center will enable "blind" HVCC-compliant appraisal ordering for wholesale lenders and their mortgage brokers, "enhancing appraisal portability and simplifying lender recertifications," according to marketing literature on Ellie Mae's HVCC-Compliant Appraisal Services.

"The actual HVCC allows for portability. We're coming up with a way so that if it doesn't work out with a primary [lender], there can be a request for a transfer," Corr says.

"The way we've implemented some of the enhancements in the Encompass® [Mortgage Management Solution] system, along with the partners we've brought in, allows for each of the originator types to adhere to the HVCC in the way they need to. If they want to continue to operate differently for non-GSE loans, they can set up that kind of process and business rules right inside Encompass so it's easy for their origination fulfillment team to operate within compliance," Corr says.

Ellie Mae already has a number of AMCs on its systems and has added several more recently, he notes. "It's a good mix, from folks that cater to larger entities to folks that cater to more midsized lenders," he says.

"We're trying to make it easy for our clients to adhere to the HVCC but still work effectively in getting their clients' loans closed," Corr says.

Most agree *that any move to ensure appraiser independence can only be positive.*

Fannie, Freddie, industry gearing up

As lenders, appraisers and AMCs gear up to prepare for the new HVCC, there remain some questions, sources interviewed for this article say.

"This is a code, not a regulation, and it's very thin on definitions," Schulman says. "It's thin on instructions and guidelines, so it leaves a lot of unanswered questions. I think everybody's trying in good faith to comply, but they need more direction—so they're going to look to Fannie and Freddie naturally to provide that," he says.

Indeed, Fannie Mae and Freddie Mac have been fielding numerous questions about the new code, according to spokespeople for each of the agencies. Both Fannie Mae and Freddie Mac have posted an HVCC frequently asked questions" (FAQs) section on their Web sites to help answer some of those questions.

Enforcement of the HVCC is also a widely discussed topic. "I can't imagine that Fannie and Freddie are going to go out and audit every seller/servicer. They're going to require some kind of certification to have people verify that they're in compliance," Schulman says. "I think lenders will make a good-faith effort to do it. The question is whether they are in fact complying [with the code], because the thing is so broadly written and the terms aren't defined," he notes.

Freddie Mac will ensure compliance with the HVCC through its quality-control process, as well as through on-site visits, says Brad German, senior director of public relations for Freddie Mac. "Seller/servicers have to rep and warrant as part of our usual [quality-control] process. In addition, we're going to do on-site visits," he says.

A Fannie Mae spokeswoman declined to comment on how Fannie Mae will ensure compliance with the HVCC.

Despite the criticism of certain aspects of the new code governing appraisals on loans sold to Fannie Mae and Freddie Mac, most agree that any move to ensure appraiser independence can only be positive.

"Anytime you promote appraiser independence, it's good for the industry—and that's what HVCC does. It separates the folks who provide the value estimate from the people engaged in the loan decision, and that is a very good thing," Rayburn says.

"These are interesting times," notes Schulman. "It's all part of the pendulum swinging the other way—there was this sort of *laissez-faire,* carefree attitude about all of this stuff, which is one of the reasons we got into trouble. Now this is an attempt to address one aspect of the mortgage business: undue pressure that is being placed on appraisers." **MB**

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FNC Inc. ®

Mortgage technology company, FNC Inc., delivers deep expertise in appraisal compliance, workflow best practices, and process efficiency to its lender and industry clients. Most recently, the nation's mortgage lenders turned to FNC platforms for help with compliance with the Home Valuation Code of Conduct.

Compliance and Workflow Platforms
FNC's flagship products, the Collateral Management System® (CMS®) and Collateral Headquarters™ (CHQ), are compliance and appraisal workflow platforms that automate vendor management, valuation ordering, tracking, documentation, and review for lender compliance with not only HVCC guidelines, but also OCC, OTS, Federal Reserve, FDIC, and other regulations. By processing more than 350,000 appraisals per month—representing 1.2 to 1.6 million property records—CMS and CHQ have allowed the industry's top mortgage lenders to realize compliance security, reduced costs, and more efficient risk management.

Combined with FNC's collateral-focused data and analytics, FNC technology offers transparency into the property backing a loan from Origination and Servicing to Capital Markets—a solution unmatched in the industry.

Compliance, Risk, and Quality Control Solutions
FNC's revolutionary Collateral DNA™ suite of analytic products puts easily accessible, comprehensive information at your fingertips, providing the crucial insight you need to identify current market trends and make educated decisions about property values. Make informed next-step decisions on origination and delinquent loans or foreclosed properties while mitigating risk and identifying fraud on full portfolios.

Offering higher quality data
As you know, confidence in the loan-to-value ratio on every loan is critical. Whether you're buying, selling, or re-tranching a pool of distressed mortgages, Collateral DNA gives you the security you need, supporting your numbers with a national database of up-to-the-minute market-driven statistics.

Delivering collateral transparency
With thousands of U.S. origination appraisals passing through clients' systems and being shared with the National Collateral Database, our finger is firmly on the pulse of mortgage market conditions, foreclosure rates, and specific property information.

About FNC, Inc.
FNC pioneered real estate collateral information technology, providing value to lend on. For more information, visit FNC online at www.fncinc.com or www.collateraldna.com.

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Data and Analytics for the Real Estate Industry