



MEMORANDUM

TO: Board of Trustees
Appraisal Standards Board
Appraiser Qualifications Board
Sponsoring Organizations
The Appraisal Foundation Advisory Council
The Industry Advisory Council
The Education Council of Appraisal Foundation Sponsors

FROM: David Bunton

RE: Legislative Update

DATE: May 7, 2009

Today the U.S. House of Representatives passed **H.R. 1728, the Mortgage Reform and Anti-Predatory Lending Act** by a vote of 300-144. The legislation was supported by 240 of the 243 Democrats and 60 of the 111 of the Republicans that voted.

The bill, which now goes to the Senate, contains a number of valuation related provisions which are outlined below. If enacted into law, the following changes would occur:

The Appraisal Foundation

- The Appraiser Qualifications Board (AQB) would set minimum qualification criteria for appraisal management companies (AMCs), which are to be registered by the states (see below).
- AQB Qualification Criteria for Licensed Residential Real Property Appraiser, which is currently voluntary for the states, would become mandatory for states having such a classification.
- AQB Qualification Criteria for Trainee Real Property Appraiser, which is currently voluntary for the states, would become mandatory for states having such a classification.
- Any qualification criteria issued by the AQB regarding Supervising Appraisers would become mandatory for the states.

- Quality control standards for automated valuation models (AVMs) would be established by the federal financial institution regulatory agencies, in consultation with the Appraisal Standards Board (ASB).

The Appraisal Subcommittee

- The Federal Housing Finance Agency (FHFA), the regulators of Fannie Mae and Freddie Mac, would become the seventh member of the Appraisal Subcommittee.
- The Appraisal Subcommittee would gain additional regulatory authority to impose interim actions and suspensions against a state appraiser regulatory agency as an alternative to, or in advance of, the decertification of a state.
- The Appraisal Subcommittee would have the authority to make grants to state appraiser regulatory agencies.
- To provide for this additional grant making authority, the National Registry fees, currently set at \$25 with a \$50 cap, would be able to go to \$40 with an \$80 cap.
- The Appraisal Subcommittee would develop regulations for the state registration of appraisal management companies.
- If the appraiser complaint hotline that was referenced in the Cuomo-GSE agreement (administered through the Independent Valuation Protection Institute (IVPI)) is not operational within a year after enactment of the legislation, the ASC would be required to operate the hotline.

General Valuation Related Provisions

- State appraiser regulatory agencies would regulate appraisal management companies (AMCs), except those that are subsidiaries of and controlled by federally regulated financial institutions. In this case, these would be regulated by the federal financial institution regulatory agencies.
- A federal appraiser independence standard would be established, which includes fines of up to \$20,000 for those who violate it.
- The federal banking agencies would be required to revisit the de minimis issue (currently at \$250,000) based on consumer protection criteria and hold public hearings in this regard.

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- Broker Price Opinions (BPOs) could not be used as the primary basis to determine the value of real property for the purpose of a loan origination of a consumer's primary dwelling.
- No subprime loan could be made without an appraisal performed by a state licensed or state certified appraiser that includes a physical inspection of the interior of the property.
- Real estate settlement forms would have to clearly state (a) the fee paid directly to the appraiser by an appraisal management company (AMC), and (b) the administration fee charged by the AMC.

Future Prospects

This legislation will now go to the Senate for consideration. It is difficult to predict the actions of Congress. However, mortgage reform and anti-predatory lending are relatively hot topics and the Obama administration views consumer protection initiatives very favorably. I will keep you apprised of future events as they unfold.

In any event, it is at least gratifying to know that the House of Representatives understands the importance of valuations performed by professionals.