

THE FORSYTHE APPRAISALS FLASH

Appraisal Insights for Real Estate Professionals

New Appraisal Agreement Designed to Help Restore Consumer Confidence

—John Forsythe, SRA, president, Forsythe Appraisals

One of the foundations of a residential real estate transaction is an accurate, objective assessment of a home's value. Regardless of market trends, buyers and mortgage lenders rely on independent professional appraisers to provide an impartial valuation of the property.

New York Attorney General, Andrew Cuomo, has recently reached an agreement with Fannie Mae and Freddie Mac which specifies that as of 2009, Fannie Mae and Freddie Mac will only buy loans from banks that meet the requirements of the "New Home Value Protection Code."

With Fannie Mae and Freddie Mac currently purchasing more than 60% of all home loans in the country, the agreement could have a monumental impact on the appraisal industry.

Some Implications of the New Home Value Protection Code include:

- Mortgage brokers will be prohibited from selecting appraisers.
- Lenders will be prohibited from using "in-house" staff appraisers to conduct initial appraisals.
- Lenders will be prohibited from using appraisal management companies that they own or control by more than 20%.
- Lenders will be prohibited from using appraisers employed by an affiliate of the lender; an entity that is owned in whole or in part by the lender; or an entity that is owned in whole or in part by settlement services provider.

There is little doubt that ensuring the independence of professional appraisers is the most viable and expeditious solution to restoring consumer confidence in local residential markets.

As long-time advocates of appraiser independence initiatives, Forsythe Appraisals strongly supports the spirit of the Cuomo/Fannie/Freddie agreement. However, the agreement casts a very broad net with potentially significant ramifications for many of our industry partners.

While the final outcome of the agreement is still unclear, there will likely be some kind of restructuring of the industry to support the new standards.

The agreement is subject to revision, and Cuomo's office will be accepting comments from industry sources and other interested parties through April 30, 2008. In the meantime, we will continue to attend relevant industry meetings and events which will enable us to keep our clients better informed on pending issues. We look forward to sharing future updates with you as additional details are disclosed.

For more information about the New Home Protection Code visit our website at:

<http://www.forsytheappraisals.com/press/default.aspx>

*Do you have any suggestions for future articles you'd like to see?
Please e-mail Deb deLambert at debd@forsytheappraisals.com.*



April 11, 2008
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