



# HVCC, AMCs & Recent Legislative Proposals

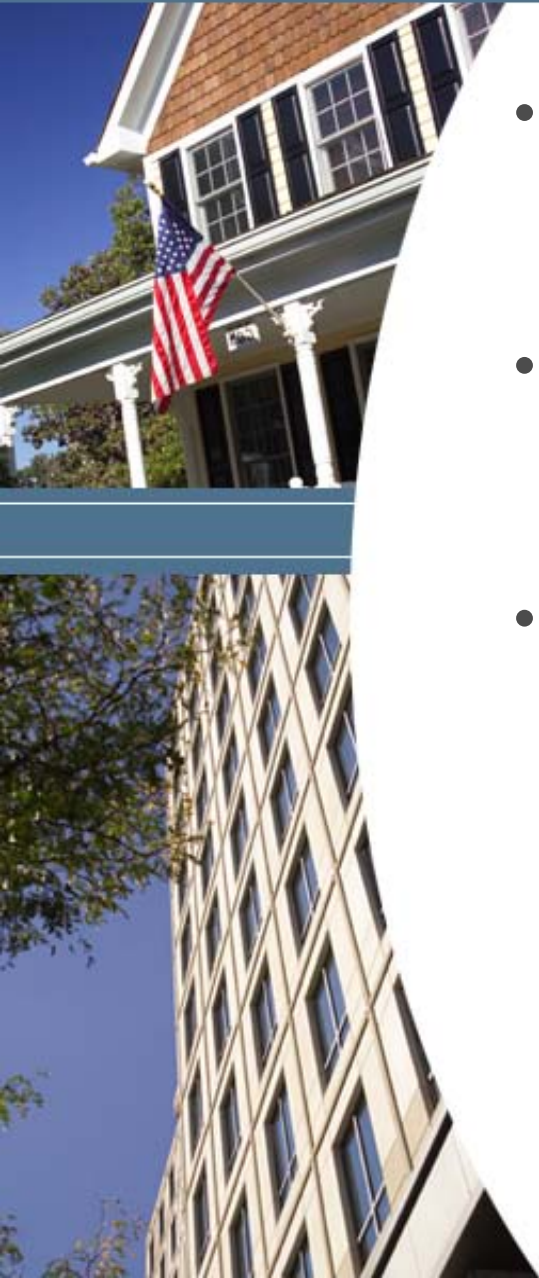
April, 2010

Donald Blanchard, Esq.

Chief Compliance Officer & SVP

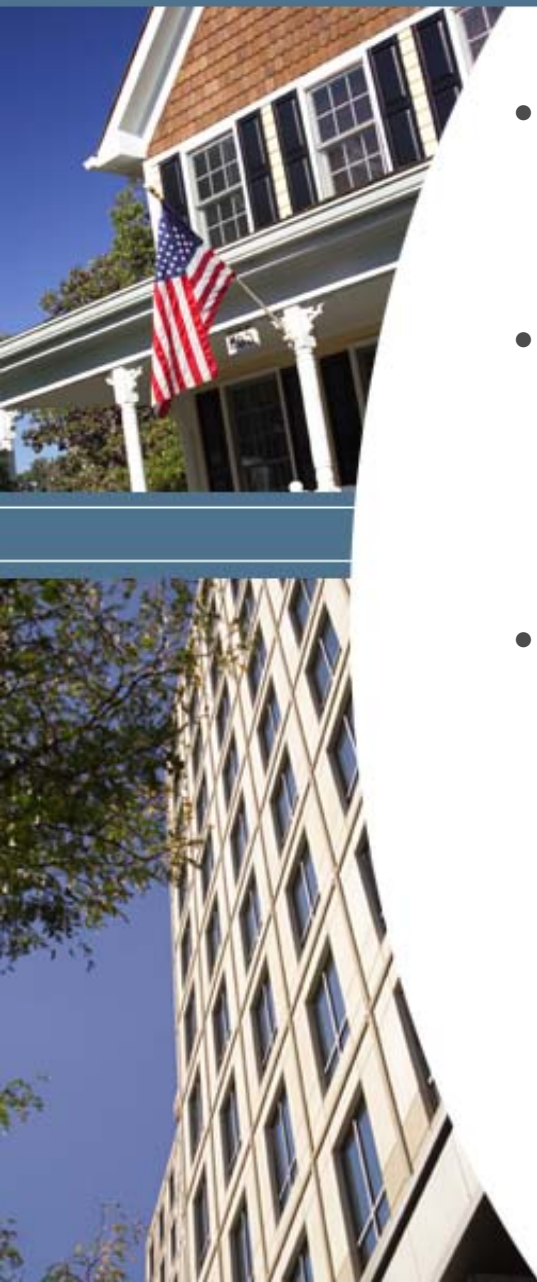
Lender Processing Services, Inc

## Background – LPS & LSI



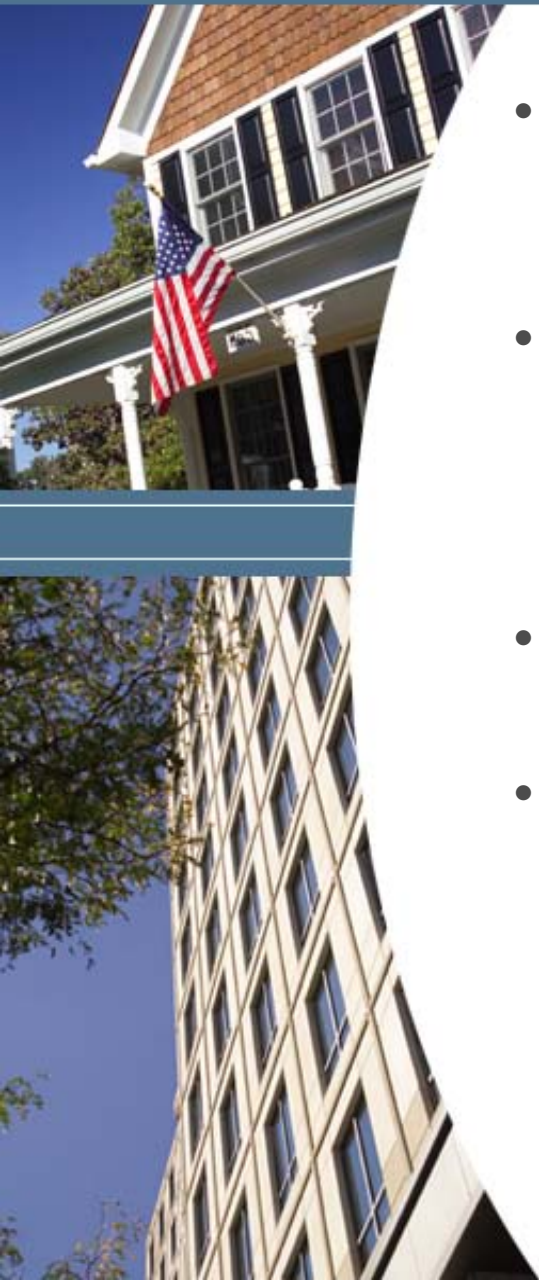
- Lender Processing Services (LPS) is a leading provider of end-to-end technology, services, data and analytics to the mortgage industry.
- The Appraisal Management business unit, LSI, has a 25+ year history as a leading Appraisal Management Company (AMC).
- LSI is fully compliant with all government regulations and industry guidelines including the Home Value Code of Conduct (HVCC), the Uniform Standards of Professional Appraisal Practice (USPAP), and the Financial Institution Reform, Recovery and Enforcement Act (FIRREA).

# Mortgage Industry Changes

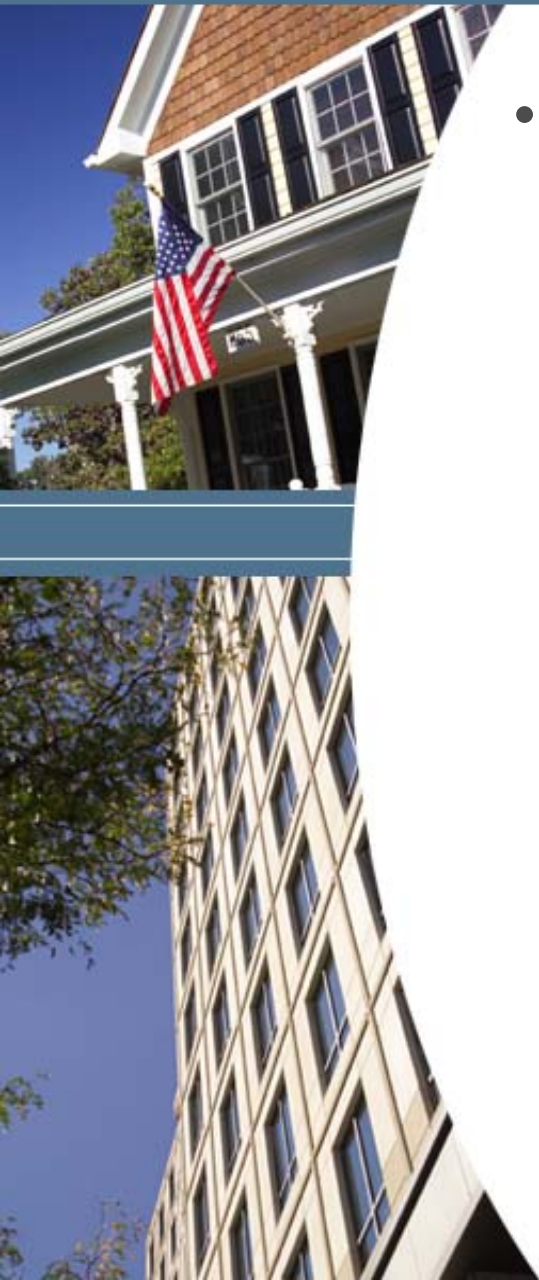


- A national trend of bank consolidation as been underway for 20 years. Now the top 5 lenders originate @ 60% of all mortgages.
- Bank consolidation was accompanied by an increased use of outsourcing for non-core functions. The AMC model was efficient and became a preferred outsourced solution for appraisals.
- AMCs provide a solution to traditional fixed costs and include various services that large lenders require: 1) qualifying & signing-up appraisers, 2) managing the appraiser panel, 3) assigning appraisals for completion, 4) preventing improper pressure, 5) performing quality control reviews of appraisals, and 6) offering lenders a warranty to cover quality and claims issues.

# HVCC and Impact on Real Estate Industry

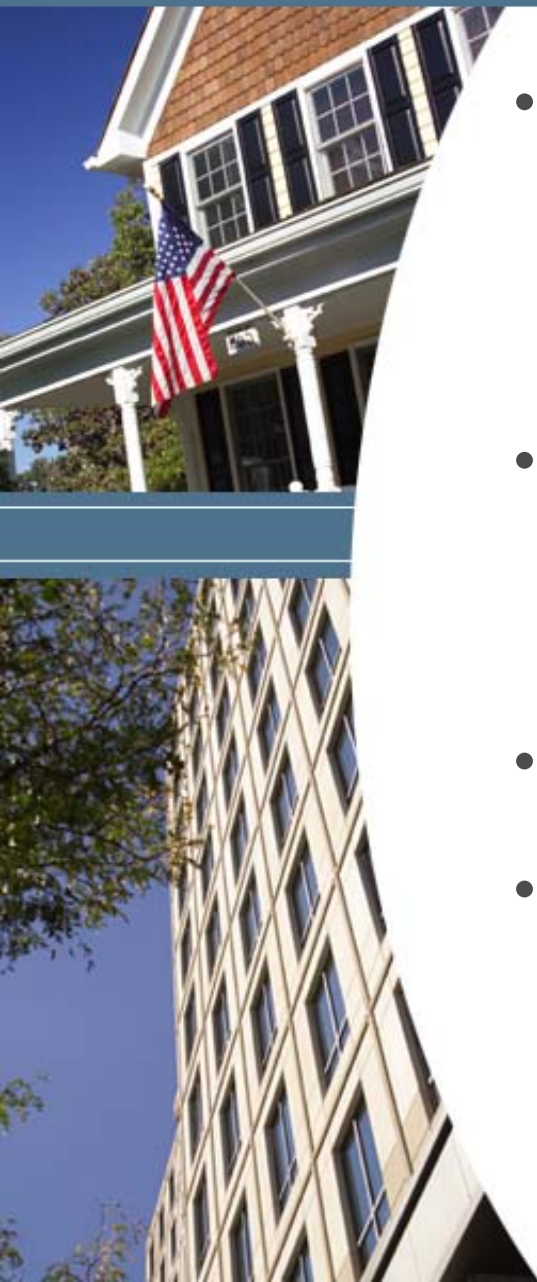


- The HVCC was adopted as an agreement between the NYAG and Fannie Mae and Freddie Mac ('GSEs') in December, 2008.
- The HVCC created new prohibitions against improper pressure of appraisers; specifically prevented mortgage brokers and realtors from ordering appraisals; also prohibited loan production staff from selecting appraisers.
- AMCs were seen as an easy solution to the HVCC requirements by some lenders.
- NAR and NAMB have opposed the HVCC as a threat to their business model; have attacked AMCs as providing poor appraisals.

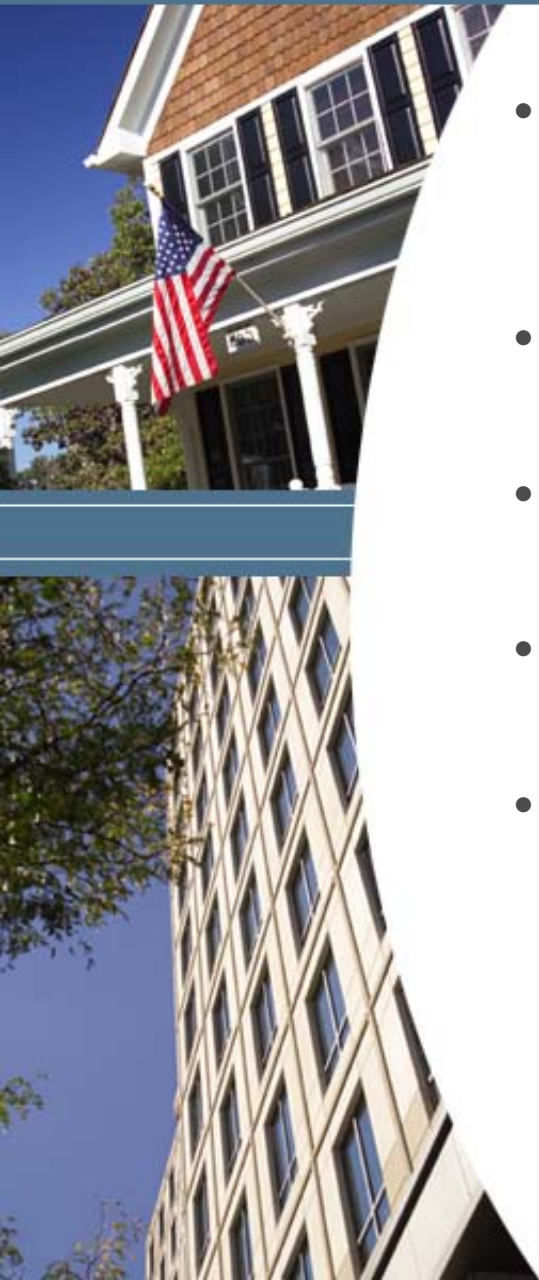


- HVCC (continued)
  - » National Association of Realtors, National Association of Mortgage Brokers continue to attack the HVCC and AMCs
  - » They seek federal legislation that would reverse HVCC (HR 3044; included in HR 4173)
  - » Also seek to impose new restrictions on AMCs' ability to manage the appraisal process.
  - » Proposed changes would allow mortgage brokers and realtors to order appraisals from their preferred appraisers (back to the *status quo*)
  - » Proposed changes would regulate AMCs at both the state and federal levels.

# AMC Industry Position Re. HVCC

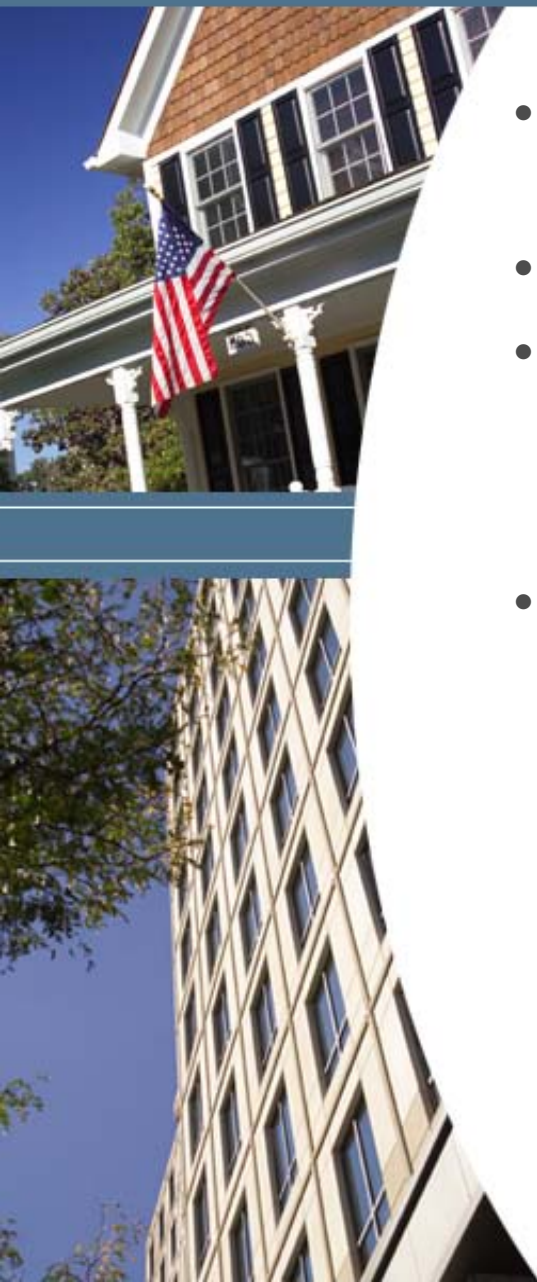


- Most AMCs (via TAVMA, their trade association) believe the HVCC was a well-intentioned effort to help assure appraisal independence and to prevent improper pressure. However, TAVMA originally opposed the HVCC as a ‘rule’ that was improperly adopted without due process rulemaking.
- TAVMA supports the Code’s goals and most AMCs comply with the Code, but are neutral regarding the current and future status of the HVCC. Most AMCs already provide the controls needed to limit improper pressure and comply with the HVCC.
- AMCs have experienced very little change as a result of the HVCC.
- TAVMA continues to support appraiser independence and has adopted an industry ‘best practices’ and operating standards for AMCs.



- LSI works with nearly 20,000 licensed, professional appraisers across the country on its appraisal 'panel'. The average tenure of appraisers on the LSI panel is 13 years.
- AMCs disagree with the negative assertions made recently in the media about them as service providers.
- Generally, AMC fees to both appraisers and paid by lender clients have been stable for 5+ year.
- AMC appraisers are knowledgeable about the markets where they conduct appraisals, per USPAP requirements.
- AMCs are not "killing deals" : lower home values are suppressing values. And lenders have tighter lending requirements now.

# New State Laws to Register AMCs



- State Laws to register AMCs recently adopted in 10 states: AR, CA, IN, LA, NV, NM, MN, OR, UT and WA.
- There are pending proposals in 22 other states
- All require: registration with the state Appraisal Board:
  - 1) prohibit improper pressure and
  - 2) allow rulemaking for more details/specifics
- CA bill is the best and should be the standard
  - defines AMCs (includes large appraisal shops)
  - requires registration with Office of RE Appraisers
  - Background checks required for owner/operators
    - cannot have felony or revoked license(s)

## New State Laws (continued)

Also requires of AMCs that:

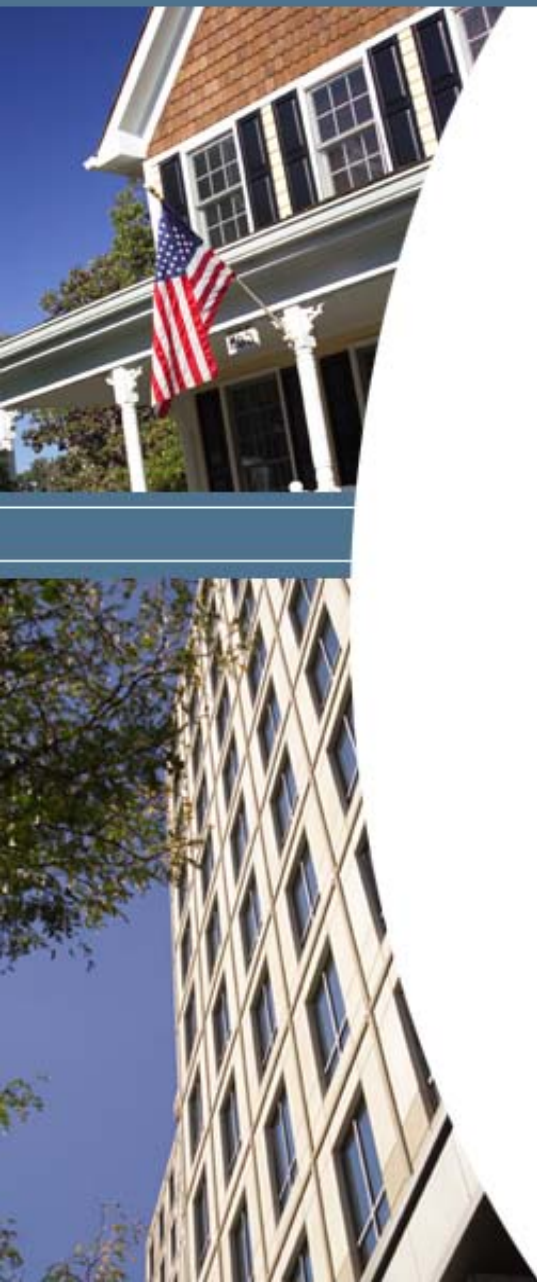
- all appraisers must be licensed/certified
- all appraisal work must comply with USPAP
- AMCs to maintain records of all orders (order date; client name; appraiser name; delivery date; app product)
- prohibits improper pressure (same as HVCC)
- Registration fee
- Sunset – 60 days after a federal law controlling AMCs becomes effective (if/when)

# Federal AMC Proposal

Contained in HR 1728 ( Federal Predatory Lending bill)  
at Article VI:

- AMC registration required with the state Appraisal Boards
- Oversight/regulatory guidance from Appraisal Subcommittee ('ASC') of FFIEC
- Improper pressure prohibited (same language as HVCC)
- Registration fees at federal level
- Passed the House; needs Senate approval in final Reg Reform legislation

# Conclusion



- AMCs have been an effective, outsourced appraisal solution for decades
- AMCs are still the best way to prevent improper pressure on appraisers
- State AMC laws should follow the CA bill as a model; seems likely that 30+ state laws will be adopted by YE 2010.
- Some type of federal bill seems likely; a federal solution for AMCs would be better than 50 states with different rules
- FIRREA (1989) > Federal agency guidance > 41 state laws prohibit pressure > HVCC > State AMC laws > HR 1728 > New Federal Law ... when will we get it right ?