
Fannie Mae, Freddie Mac New Appraisal Regulations

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Washington , D.C. --Fannie Mae and Freddie Mac said Monday that they would only purchase mortgages from lenders that employ independent appraisers, according to The New York Times.

As part of an agreement with New York Attorney General Andrew M. Cuomo, who has been investigating the mortgage industry for a year, a regulator will monitor the appraisal industry. Lenders who hope to sell loans to Fannie Mae and Freddie Mac will not be permitted to use internal appraisers or appraisals by a subsidiary or an affiliated company on initial home evaluations.

Mortgage brokers and real estate agents also won't be allowed to select appraisers. The regulatory changes will go into effect in 2009, the Times said.

Washington, D.C.-based Fannie Mae and McLean, Va.-headquartered Freddie Mac will spend \$24 million to create the Independent Valuation Protection Institute, which will log consumer and appraiser complaints and monitor implementation and enforcement of the new rules. The institute will report to Cuomo's office and to Fannie Mae and Freddie Mac's regulator, the Office of Federal Housing Enterprise Oversight.

Currently, Fannie Mae and Freddie Mac are purchasing many of the home loans being issued, so their policies involving banks and mortgage companies often quickly become the industry norm. The agreement is expected to push Countrywide Financial and other large lenders to sell or separate their appraisal businesses.

The changes are the result of years of industry unease about the appraisal process; but not all industry members were pleased with the announcement. The National Association of Mortgage Brokers expressed concern about the plan, saying that it would put brokers at "a severe disadvantage"; and would "prevent them from engaging competitively in the mortgage marketplace

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