

August 3, 2009

Wisconsin Attorney General J.B. Van Hollen
P.O. Box 7857
Madison, WI 53707-7857

Dear Attorney General:

I am writing to request you urge the National Association of Attorneys General (NAAG) to support an 18-month moratorium on the Home Valuation Code of Conduct (HVCC). While the Code is well-intentioned to address appraisal fraud, we have concerns with the implementation that could be addressed during the proposed moratorium. Legislation has been recently introduced in Congress (HR 3044) and we are seeking broad bipartisan sponsorship.

The HVCC has been in effect for more than two months and it is causing delays in closings and canceled sales, which result in artificially low existing home sales. This may be causing a delay in the economic recovery. The end result will be a cycle of further declines in home prices, which will hamper the economic recovery and lead to a greater number of foreclosures. Problems arising from the implementation of HVCC may reverse positive momentum at a time when the real estate industry is just starting to show signs of a rebound in many markets.

Appraisal management companies (AMCs) now have an increased role in the real estate appraisal process. Some AMCs are giving appraisers assignments in areas where they lack geographic competency. Many state legislatures are in the process of enacting laws to regulate AMCs. In other states, the regulatory agencies are in the process of promulgating rules and procedures. Since AMCs will have a larger role in the real estate transaction, a moratorium will allow states time to finalize their actions.

To date, the Independent Valuation Protection Institute (IVPI) has not been implemented and there has been no indication of when the IVPI will be available. The IVPI was announced as a part of the HVCC. The purpose of the IVPI is to receive complaints from appraisers and users of appraisal services on the improper influence or attempted improper influence of appraisers. A moratorium would give the GSEs more time to implement this critical element of the HVCC.

Mr. Attorney General, given your real estate background and that of your family, I am sure you can appreciate the need to find the right balance between protecting against appraisal fraud while protecting home buyers and sellers. We believe with your help and the help of your fellow Attorneys General and the Congress, we can address the problems in the current Code during a moratorium. Thank you for your consideration of this important contact.

Sincerely,

A handwritten signature in black ink, appearing to read "William E. Malkasian", with a long horizontal flourish extending to the right.

William E. Malkasian, CAE
President