National Association of Mortgage Brokers

Prepared Testimony of

Marc Savitt, CRMS
President

National Association of Mortgage Brokers

On

"Strengthening Oversight and Preventing Fraud in FHA and other HUD Programs"

Before the

Committee on Financial Services,
Subcommittee on Oversight and Investigations

United States House of Representatives

Thursday, June 18, 2009

Good morning Chairman Moore, Ranking Member Biggert, and Members of the Committee. I am Marc Savitt, President of the National Association of Mortgage Brokers ("NAMB"). Thank you for inviting me to testify today on "Strengthening Oversight and Preventing Fraud in FHA and other HUD Programs."

NAMB is the only national trade association that represents the mortgage broker industry. NAMB represents the interests of more than 70,000 mortgage broker professionals located in all 50 states and the District of Columbia. NAMB also works with 49 state affiliate associations nationwide. Additionally, NAMB represents the interests of homebuyers, and advocates for public policies that serve the mortgage consumer by promoting competition, facilitating homeownership, and ensuring quality service.

NAMB is committed to promoting the highest degree of professionalism and ethical standards for its members. NAMB requires that its members adhere to a professional code of ethics and best lending practices that fosters integrity, professionalism, and confidentiality when working with consumers. NAMB provides its members with access to professional education opportunities and offers rigorous certification programs to recognize members with the highest levels of professional knowledge and education. NAMB also serves the public directly by sponsoring consumer education programs for current and aspiring homebuyers seeking mortgage loans.

Although parties acting as mortgage brokers defy simple characterization, in today's market it can generally be said that a real estate financing professional or entity acts in a mortgage broker capacity when the professional or entity works with both borrowers and lenders, though representing neither, to obtain a mortgage loan.

Mortgage brokers work with consumers to help them through the complex mortgage origination process. Mortgage brokers add value to the process for both consumers and lenders by serving areas that are typically underserved by banks and other lending institutions. Mortgage brokers also add value by providing goods, facilities, and services with quantifiable value, including a customer base and goodwill.

I. Introduction

Numerous efforts have been undertaken recently to improve the quality and independence of real estate appraisals. For example, the Housing and Economic Recovery Act of 2008 makes it unlawful to improperly influence real estate appraisals, and Title VI of the Mortgage Reform and Anti-Predatory Lending Act (H.R. 1728) also addresses appraisal activities. Nevertheless, one other attempt to reform appraisal practices, known as the Home Valuation Code of Conduct ("HVCC"), threatens to undue all of the progress that has been made by these recent legislative efforts.

The HVCC is having a significant and negative impact on consumers and the residential mortgage market. The HVCC has created conflicts with other existing appraisal regulations, and has precipitated a tremendous decline in appraisal quality. For these reasons, we respectfully urge Congress to take whatever steps are necessary to eliminate these and other serious problems being created by the HVCC.

II. What is the HVCC

The HVCC is the result of a joint agreement made in March 2008 between Fannie Mae, Freddie Mac (together, the "GSEs"), the Federal Housing Finance Agency ("FHFA"), and New York Attorney General, Andrew Cuomo. The HVCC purports to enhance the independence and accuracy of the appraisal process. However, what the HVCC truly accomplishes is an increase in consumer costs, a decline in appraisal quality, the extension of closing deadlines, and the virtual extinction of local small business appraisers.

Despite being the product of an investigation into appraisal fraud at a lending institution and its affiliated Appraisal Management Company ("AMC"), the HVCC targets mortgage brokers and small independent appraisers, and forces consumers to rely exclusively on lenders and their AMCs for home valuations. This gives large national lenders and AMCs a virtual monopoly on the home appraisal process and removes the cost and quality checks and balances that a competitive marketplace provides.

Moreover, the HVCC is a substantive rule that affects consumers and regulates mortgage and appraisal professionals in all 50 states. Yet, the HVCC was enacted by one state's Attorney General, endorsed by the FHFA, and implemented by the GSEs without regard to for the federal rulemaking processes required under the Administrative Procedures Act ("APA").

a. The Impetus Behind the HVCC

The HVCC is the product of an investigation launched in 2007 by the New York Attorney General against Washington Mutual – at that time the largest savings and loan in the United States and a key player in the subprime lending market – and its affiliated AMC, eAppraiseIT.

In conjunction with this investigation, the New York Attorney General subpoenaed the GSEs "to determine the extent of [the companies'] knowledge of, and actions regarding, [appraisal] problems as they relate to past mortgage purchases and securitizations." The New York Attorney General sought information regarding mortgage loans purchased by the GSEs from any bank, as well as the due diligence practices of the GSEs and their policies and procedures regarding valuations and appraisals by originating lenders and the GSEs themselves.

While the investigation into WaMu and eAppraiseIT continued, an agreement was reached in March 2008 between the GSEs, the FHFA, and the New York Attorney General whereby the investigation into the GSEs would be halted and no findings released, provided the GSEs adopt new appraisal policies – the HVCC – and pledge more than $20 million to oversee the implementation of these new policies.

b. Requirements of the HVCC

Among other things, the HVCC requires lenders, or third parties authorized by lenders, to be responsible for selecting, retaining, and providing for payment of all compensation to appraisers. The HVCC specifically identifies AMCs and correspondent lenders as third parties who may receive such authorization. At the same time, the HVCC expressly prohibits this authorization to be granted to mortgage or real estate brokers.

c. What is an Appraisal Management Company ("AMC")

An AMC is a business entity that administers a network of appraisers to fulfill real estate appraisal assignments on behalf of mortgage lending institutions. AMCs recruit and qualify a network of third-party appraisers, and negotiate fees and service level expectations. AMCs do not engage in the practice of appraisal, which is a key difference between the AMCs and the appraisers they employ.

AMCs merely provide an outsourcing solution for lenders, whereby the AMC is employed by the lender – for a fee – to act on the lender's behalf, engage real estate appraisers, and perform the administrative functions involved in the appraisal ordering, tracking, and delivery process. However, because AMCs do not engage in the practice of appraisal, they are not regulated by current appraisal guidelines, regulations or policies designed to protect consumers with regard to the cost and quality of appraisals.

AMCs are entirely unregulated under federal law, and there are currently only three states with laws providing for any type of AMC oversight. By requiring the vast majority of all appraisals to be run through AMCs, the HVCC renders virtually all of the protections included in Regulation Z of the Truth-in-Lending Act ("TILA"), the Financial Institutions Reform Recovery and Enforcement Act ("FIRREA"), H.R. 1728, and various state laws inoperable. This is simply because AMCs are not subject to the requirements set forth in these statutes and regulations.

III. What is Wrong with the HVCC

a. Increased Consumer Costs

We are deeply concerned about the adverse effects the HVCC is already having on consumers throughout the market. NAMB conservatively estimates that the HVCC will ultimately cost consumers, in total, over $2.8 BILLION each year in additional fees, as compared to years previous to the HVCC's implementation.[1]

Specifically, delays in closing caused by the implementation of the HVCC are forcing consumers to extend their rate lock periods. Such extensions cost consumers, on average, an additional $561.95. Additionally, appraisal fees have risen significantly. Based upon conservative estimates, appraisal fees have increased, on average, a minimum of $150 since the implementation of the HVCC. Taking just these two examples together, consumers are experiencing an average cost increase of $711.95 on every loan originated under the HVCC.

b. Decline in Appraisal Quality

There are two primary factors that are driving down the quality of appraisals under the HVCC. First, because AMCs contract to pay appraisers such low fees, those appraisers most often willing to work with the AMCs are inexperienced and therefore less likely to make an adequate home valuation than a more tested and experienced appraiser.

Second, AMCs are assigning appraisers from different municipalities, counties, or even states to appraise target properties. These appraisers, in addition to likely being inexperienced, are also unfamiliar with the neighborhood and the community and are consequently unable to produce an accurate appraisal. Moreover, the assignment by AMCs of out-of-town or out-of-state appraisers is forcing those appraisers to violate the Uniform Standards of Professional Appraisal Practice ("USPAP"), which requires jurisdictional competence.

A specific example of this was recently brought to our attention by a NAMB member in Louisiana. This member was working with a consumer on a property located in downtown New Orleans, Louisiana. After the lender in the transaction chose an AMC, that AMC selected an appraiser from Gulfport, Mississippi to travel to downtown New Orleans and appraise the property. What's worse, the AMC imposed an additional "trip charge" on that consumer because of the travel involved by the out-of-state appraiser that was selected for this property.

c. Extended Closing Deadlines

Since the HVCC took effect on May 1, 2009, it is estimated that closing deadlines have had to be extended, on average, a minimum of 15 days. Our members are seeing appraisals take up to 30 days or more to be completed, and even then, the appraisals are often of inferior quality.

In another example shared with NAMB, a mortgage broker in California had to wait three weeks for a property appraisal to be conducted. The broker went through the lender's website to order an appraisal, but the consumer did not hear from the lender's appraisal company for six days. After that appraisal was canceled, the lender suggested another appraisal company. The borrower was then charged a fee by both of these appraisal companies. The broker was unable to receive any response from the first appraisal company whose appraisal had been canceled for over a week and this broker was forced to personally reimburse the borrower for the duplicative expense. The appraiser who finally arrived at the property was then asked by the lender to go back and do another comp, which extended the process by another week. Because the mortgage broker is prohibited from communicating with any appraiser under the HVCC, this

[1] 3,870,552 (2007 HMDA report of residential mortgage loans originated) x [$150.00 (avg. minimum increase in appraisal cost) + $561.95 (average loan amount of $224,778 x .25% for extended rate lock period)] = $2.8 billion.

broker was unable to expedite the appraisal process for the consumer. Ultimately, the consumer was left at the mercy of the lender and its timeframe.

d. No Appraisal Portability

The HVCC expressly encourages the portability of appraisals. Appraisal portability is important because it allows consumers to change lenders if a better deal becomes available without incurring the duplicative additional cost of ordering a separate appraisal for the new lender. However, in practice, there is no portability of appraisals under the HVCC. In fact, in a recent poll conducted by NAMB, 75.8% of respondents indicated that 0% of their appraisals have been portable since the enactment of the HVCC.

Consumers are essentially trapped into working with the first lender to whom they submit an application, or they are forced to incur the additional expense of a second appraisal if they later choose to obtain a loan with a better rate or terms from another lender. We are seeing that the vast majority of lenders are not allowing borrowers to transfer appraisals, regardless of the reason. Borrowers are thus forced to pay for another appraisal, wait for a new appraiser to be assigned by the AMC, and wait for the appraiser to complete the home valuation. This increases both the total cost and transaction time involved for consumers, and may force borrowers to miss contract deadlines and face penalties from the lender, the seller, or both.

e. Unregulated AMCs Dominating the Appraisal Process

As was mentioned above, AMCs are entirely unregulated at the federal level, and they are vastly unregulated in virtually every state. Moreover, AMCs have been the subject of numerous investigations and lawsuits centering on appraisal misconduct, and were a centerpiece of the original New York Attorney General's Office investigation that led to the creation of the HVCC.

Nevertheless, AMCs have been granted a virtual monopoly over the entire home valuation process by the HVCC. As a result, local small business appraisers and the mortgage and real estate brokers with whom they have worked for years are being driven out of business by these AMCs. In this absence of any real competition, the AMCs are seizing upon the opportunity to assume total control of the appraisal process and increase consumer costs indiscriminately. The AMCs are seeking to totally control both appraisers and the appraisal process, including reserving the right to "slice and dice" data from appraisals, and dictate to independent appraisers that they must follow the AMCs' instructions or they will not receive any more work.

f. RESPA Violations

NAMB is also greatly concerned about the possibility of serious Real Estate Settlement Procedures Act ("RESPA") violations resulting from the implementation of the HVCC. The mechanism for appraisal fee collection and distribution under the HVCC at best encourages, and arguably forces lenders into violations of Section 8b of RESPA for fee splitting and the collection of unearned fee.

One specific example of this comes from California. There, a local appraiser was contacted by a bank's AMC and notified that upon implementation of the HVCC borrowers would begin to be charged $500 for an appraisal, yet subcontracted appraisers would only be compensated up to $200 for conducting the appraisal. This type of fee splitting seems is occurring throughout the country and is a clear violation of RESPA.

g. Elimination of Local Small Business Appraisers

The most profound and immediate impact that the HVCC is having on the industry is the extent to which the AMCs are chasing highly qualified independent local appraisers out of business. Like many mortgage brokers, small business appraisers typically live in the communities in which they serve and they are the experts in their corner of the world. In fact, some small independent appraisers have been making home valuations in the same area for decades. These appraisers are now being driven to the point of extinction by the large national AMCs. The AMCs are employing inexperienced appraisers who are willing to travel from out-of-state and work for virtually no money, and there is simply no way for these small business owners to compete under the provisions of the HVCC.

In one example that was recently shared with NAMB, a small business owner whose family has been in the appraisal business for years was previously conducting over 60 appraisals each month. However, just one month following the implementation of the HVCC, this appraiser anticipates possibly conducting as few as 10 appraisals in the month of June.

IV. NAMB v. James B. Lockhart III, Director of the FHFA

Although NAMB strongly supports policy initiatives that seek to ban coercion of appraisers and improve the overall quality of the appraisal process, on February 23, 2009 we felt it was necessary to initiate legal proceedings against FHFA Director James B. Lockhart III to prevent the HVCC from taking effect. We filed this lawsuit because of a strongly held belief that the HVCC would impact mortgage brokers, independent appraisers, and consumers in a profoundly negative way.

We were concerned that the HVCC would place small-business mortgage professionals and appraisers at a significant and permanent competitive disadvantage, thereby impeding competition in the marketplace and inevitably resulting in higher costs and other negative consequences for consumers. Moreover, we felt that the FHFA was required to utilize notice and comment rulemaking proceedings under the Administrative Procedures Act ("APA") when promulgating the HVCC, but the agency failed to do so.

In April 2009, we elected to withdraw our complaint against the FHFA, without prejudice, in order to assess and evaluate a means of challenging a defense raised by the FHFA. The FHFA defended its actions in implementing the HVCC by claiming that that no court could review any decision made by the agency, with regard to the GSEs, while the GSEs are in conservatorship.

We feel strongly that the FHFA's contention that no court has jurisdiction over the agency's unilateral use of conservatorship power is unprecedented and, as our testimony above illustrates, it has become clear that this arbitrary exercise of authority is occurring at the expense of consumers. The elimination of competition in the marketplace for appraisals has increased consumer costs significantly and has adversely affected the timing and quality of home appraisals.

a. <u>Comprehensive Regulation of Appraisal Practices</u>

There already exists pervasive federal regulation of the mortgage lending industry's acquisition of real estate appraisals. In 1989, following the savings and loan crisis, Congress passed the Financial Institutions Reform, Recovery and Enforcement Act ("FIRREA"), which established a multi-faceted real estate appraisal regulatory system involving the federal government, the states, and The Appraisal Foundation. Since 1989, the federal agencies responsible for regulating financial institutions have promulgated regulations under FIRREA that set forth "generally acceptable appraisal standards," and have issued guidance relating to real estate appraisals, which, among other things, set forth standards for selecting qualified appraisers. These regulations and appraisal guidelines both prohibit improper influence on appraisers and work to ensure appraisal independence.

Moreover, in July 2008, the Federal Reserve Board ("Board") issued a final rule prohibiting all mortgage brokers, mortgage lenders and their affiliates "from coercing, influencing, or otherwise encouraging appraisers to misstate or misrepresent the value of a consumer's principal dwelling." In issuing this final rule, the Board concluded that "[no] particular procedure for ordering an appraisal necessarily promotes" fraudulent appraisals. Rather, the Board determined that the "coercion of appraisers," whether by lenders or mortgage brokers, "is an unfair practice" and the final rule should apply to lenders and mortgage brokers alike. NAMB fully supported the Board's final rule because, unlike the HVCC which arbitrarily singles out certain industry participants, the Board's rule targeted problematic practices.

Unlike the HVCC, these appraisal standards have gone through the legislative process or prescribed rulemaking procedures under the APA, were subject to open and public debate, and were ultimately approved by Congress or a federal agency.

Additionally, legislation recently passed by the House of Representatives is aimed at further strengthening certain property appraisal requirements designed to improve appraisal quality and promote appraiser independence. NAMB fully supported the appraisal provisions in H.R. 1728, and we commend Representatives Kanjorski and Biggert for their tireless work towards reforming and strengthening the oversight of our home appraisal system.

b. APA Requirements for Federal Rulemaking

The consideration of these existing regulations, as well as other less burdensome alternatives, is required under the APA whenever a federal agency is promulgating a new rule. The FHFA is an agency and the HVCC falls within the definition of a rule under the APA. As such, the FHFA should have been required to utilize notice and comment rulemaking proceedings under the APA. The agency failed to do so.

Because the HVCC is a substantive rule that regulates the entire mortgage industry and the FHFA failed to follow proper rulemaking procedures, we believe that the HVCC must be withdrawn, or declared void, invalid, and unenforceable.

V. Congressional Hearings

We are deeply troubled by the immediate and adverse effects the HVCC has had on consumers, and we are equally troubled by the fact that these new appraisal policies were instituted nationally without being properly vetted through either the legislative or administrative process. Taking into consideration the FHFA's contention that the agency's actions are beyond the scope of judicial review, we turn to this Committee and respectfully request that a comprehensive hearing be held as soon as possible in order to finally engage in public discourse regarding the origins of the HVCC and its impact on consumers and the market.

VI. The FHA Program

FHA mortgage insurance was created to help provide lenders with protection against losses as the result of homeowners defaulting on their mortgage loans. The lenders bear less risk because FHA will pay a claim to the lender in the event of a homeowner's default. The insurance pool is paid for by premiums that homeowners pay when they utilize the program.

Although there is now some concern regarding the subprime industry entering the FHA market, existing rules and policies to some extent prevent this from happening. There are some significant differences between subprime and FHA originated loans. Borrowers that utilize the FHA program have to adhere to higher standards than they would in the subprime market, have down payments and are expected to meet strict loan-to-value ratios. Subprime and other high risk loans often had prepayment penalties and/or negative amortization. FHA loans do not permit these actions. Also, FHA loans are required to be made on owner-occupied primary residences, cannot be made on second homes or be non-owner occupied, and cannot be no-income or stated-income loans. Additionally, a large number of subprime loans that were made were on investment properties, second homes, or were no-income or stated-income loans

Although the controls in place in the FHA program will help to prevent losses similar to those seen in the subprime market, one must realize that FHA was created to absorb risk to lenders. If HUD is able to identify problematic individuals, properly monitor its mortgagees and is empowered to disbar them in a reasonable time frame, losses from that source should be minimal. However, even conservative mortgage lending is expected to have some losses. For decades, FHA has been able to absorb its losses from premiums collected. FHA was designed to promote homeownership in good markets and difficult markets. In times of economic instability, FHA premiums may need to be adjusted to cover added risk. In order to provide stronger protection to the FHA insurance pool, NAMB believes Congress should allow risk-based pricing for FHA premiums or implement a complete government subsidy of FHA loans. Even if Congress decides a subsidy is required, it would be considerably less expensive than many other stimulus programs already being implemented.

On October 1, 2008, the U.S. Department of Housing and Urban Development ("HUD") implemented a one-year moratorium on the FHA Risk-Based Premium structure pursuant to the Housing and Economic Recovery Act of 2008. NAMB supports lifting the moratorium so that the risk to the FHA fund is balanced by the premiums paid by borrowers.

The ability to match borrower characteristics with an appropriate mortgage insurance premium has been recognized as essential by every private mortgage insurer ("PMI"). PMI companies have established levels of credit quality, loan-to-value, and protection coverage to aid in this matching process. These companies also offer various programs that allow for upfront mortgage insurance premiums, monthly premiums, or combinations of both. This flexibility has enabled lenders to make conventional loans that are either not allowable under FHA or present a risk level that is currently unacceptable to FHA.

FHA is essentially a government mortgage insurance provider. Where FHA mortgage insurance is not available, PMI companies are free to increase premiums without fear of losing market share to a more competitively priced FHA loan product. FHA should be permitted to balance risk with premiums charged in order to increase competition and ultimately drive down costs for consumers. Since FHA is not required to make a suitable profit or demonstrate market growth to shareholders, it is likely that FHA can afford to assume greater risk levels than PMI companies can currently absorb. This increased capacity to assume and manage risk will allow FHA to not only serve borrowers who presently do not have PMI available as a choice, but also those borrowers whose premiums will be reduced because of the increased competition in the market.

VII. Mortgage Brokers & FHA Loans

A mortgage broker is a real estate financing professional or entity that works with both borrowers and lenders, while representing neither, to obtain a mortgage loan. A mortgage broker works with consumers throughout the complex mortgage origination process. Accordingly, a mortgage broker's role may include taking an application; performing a financial and credit evaluation; producing documents; satisfying underwriting conditions; working with realtors; ordering title searches, appraisals, and pay off letters; assisting in remedying faulty credit reports or title problems; and facilitating loan closings.

There are eligibility requirements, including HUD policy and regulatory criteria, a mortgage broker must adhere to in order to become an approved FHA loan originator regarding operations, employees, credit checks and other issues.

FHA classifies approved mortgage originators based on the functions they will perform and type of organization.

A mortgagee may become FHA approved upon meeting HUD's requirements, and submitting an acceptable HUD form 11701, Application for Approval, the appropriate non-refundable application fee, and other materials which are described in HUD's Mortgagee Approval Handbook.

There are three basic types of FHA approved originating mortgagees including supervised mortgagees who are members of the Federal Reserve and whose accounts are insured by either the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration (NCUA); non-supervised mortgagees (i.e., mortgage lenders) who are not depositories; and finally, non-supervised loan correspondents who are often mortgage brokers that have as their principal activity the origination of FHA-insured mortgages for sale or transfer to one or more sponsors who underwrite the mortgages. A loan correspondent must be sponsored by a fully approved supervised or non-supervised direct endorsement mortgagee, who agrees to underwrite and fund the FHA loan. The loan correspondent can either close the loan in his/her own name or in the name of the underwriting sponsor. Traditionally, mortgage brokers close in the name of the underwriting sponsor. Mortgage brokers NEVER underwrite the FHA loan. An additional level of approval is called direct endorsement, or "DE" which is available to supervised and non-supervised mortgagees. The DE status enables mortgagees to underwrite and close an FHA loan before submitting the loan to HUD for insurance endorsement.

It is important to point out the specific role a mortgage broker plays in originating an FHA loan. The mortgage broker is responsible for taking the consumer loan application, obtaining merged credit reports and importing loan application data. The mortgage broker then enters his/her FHA correspondent ID and the sponsoring wholesaler FHA lender ID. The second step involves sending the borrower's information through Freddie Mac's Loan Prospector or Fannie Mae's Desktop Underwriter system which is programmed with the FHA Total Scorecard underwriting parameters. At this point, the mortgage broker receives a full "FHA Total Scorecard Feedback Certificate." The third step involves the mortgage broker processing the information he/she has collected from the consumer and then sending the full file to the sponsoring lender. Finally, the sponsoring lender reviews the "FHA Total Scorecard Feedback Certificate" and underwrites the loan per FHA requirements and makes the final lending decision.

VIII. FHA Resources

In order to increase efficiency and productivity and help to detect fraud, funding for HUD and the FHA program must increase. The FHA has too few employees reviewing new applicants. With the increase in volume of FHA loans, there is a clear need to increase funding for all areas relating to FHA, particularly including computerization, lender assessment, approval, fraud detection and enforcement. In addition, there is a need for better coordination between HUD and law enforcement, as well as increased enforcement of the Truth in Lending Act and the Real Estate Settlement Procedures Act.

IX. Legislative Efforts to Enhance the Strength and Security of the FHA

NAMB has long supported efforts to uniformly increase standards for loan originators, and we have fought hard to rid our industry of bad actors and unscrupulous tactics that harm consumers, jeopardize institutions, and soil the reputation of the entire industry.

This committee made some positive changes to enhance the strength and security of the FHA home mortgage insurance program through legislation approved by the House of Representatives this year. Such legislation was included in a broader housing package, the "Helping Families Save their Homes Act of 2009" which was signed into law. We commend Chairman Frank, Representatives Maxine Waters, Jackie Speier and Steve Driehaus for their work and leadership on this legislation.

NAMB specifically supports the provisions in the "Helping Families Save their Homes Act of 2009," which would increase HUD's scrutiny of applicants for participation in FHA loan origination and expand HUD's authority to penalize loan originators who attempt to circumvent the application process. NAMB also supports requiring HUD to expand its review of loans originated by recently approved applicants to ensure compliance with all applicable laws, regulations, and policies and to provide for uniformity with the recently enacted S.A.F.E. Mortgage Licensing Act.

With the credit crisis that remains squarely upon us, the safe, sound, and affordable loan programs offered through FHA can be a lifeline to borrowers and a key component of our nation's economic recovery. However, as borrowers and lenders rely more heavily on the FHA loan program, it becomes increasingly important to ensure that the program is protected from predators and other bad actors who pose a threat to consumers and to the insurance fund.

X. Conclusion

We appreciate Congress's ongoing bipartisan efforts to revitalize the FHA loan program and eliminate any fraud in the program. NAMB will remain supportive of further efforts to strengthen, secure, and expand access to the program to qualified borrowers and originators nationwide. We also support and appreciate any efforts to permanently increase the FHA loan limits as they have had a significantly positive impact on high cost areas such as California. Additionally, we appreciate the opportunity to discuss the many flaws associated with the implementation of the HVCC.

The HVCC took effect May 1, 2009, and almost immediately the costs to consumers of closing a mortgage loan increased by over $700. That number is only likely to grow as competition for home appraisals shrinks even further due to the AMCs pushing even more small independent appraisers out of business.

Appraisal independence is essential to protecting consumers from fraud and from unscrupulous actors. NAMB remains supportive of efforts to provide for appraisal independence standards like the ones included in H.R. 1728 and the Federal Reserve Board's 2008 Regulation Z Amendments.

Thank you for allowing us to share our serious concerns regarding the HVCC with you today. We hear from consumers, appraisers, and NAMB members every day who are being negatively affected by the HVCC. Therefore, we reiterate our earlier request that this Committee hold a hearing regarding the HVCC and its effect on consumers and small businesses. We look forward to continuing to work with this Committee on this and other issues critical to the success of FHA, other HUD programs, and the mortgage and real estate markets in general.