



Dallas Fort Worth Association of Mortgage Brokers

### *The Brokers' Choice*

*Affiliated with: National Federation of Mortgage Professionals, Washington, D.C.*

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#### **REGULATORY IMPACT ON CONSUMERS and BUSINESSES REGARDING ORDERING and OBTAINING FAIR VALUE of RESIDENTIAL APPRAISALS**

As President of Dallas/Ft. Worth Association of Mortgage Brokers I represent in excess of one thousand mortgage professionals ordering residential appraisals for consumers purchasing or refinancing homes. This equate in excess of forty thousand (40,000) appraisals ordered for consumers each year in a six county area including Dallas, Texas. Currently refinances are sixty (60%) percent of the transactions, the remaining forty (40%) are home purchases.

Because of the restrictions placed on the ordering of appraisals and the random selection process of appraisers, fair market values have been challenging to obtain. The decline of market value due to the economic downturn has added to these challenging conditions. The restriction placed on the ordering of appraisals can be cured with Congress acting. The downturn is improving with historic low rates.

There is one major and significant glaring inequity that is fixable in the ordering of residential appraisals to determine fair market value. Since the implementation of HVCC (Home Value Code of Conduct) in May 2010, ordering an appraisal for a purchase requires a copy of the sales contract which includes the property sales price. This influences the appraiser in determining the value. If the value is lower than the sales price, either the borrower will have to pay more or the seller will have to reduce his price. This then creates a challenge for all parties concerned because they have agreed upon a price. **Why put the pressure on the appraiser to make the fair market value equal to or greater than the sales price?** Let the appraiser determine fair market and the buyer and seller can work out any differences?

This is exactly what is done when the consumer does a refinance of his existing home loan. There is no seller and no realtor involved. Usually only a mortgage broker or bank loan officer orders the appraisal for the consumer. The loan originator is not allowed to influence the appraiser with any information regarding value of the house. He must strictly give the address of the house and request the date he wishes the appraisal to be finished. No desired values, no comparables, no improvements or any other information may be furnished. The appraisal associations have lobbied Congress to eliminate this influence.

**RESULTS:** many refinances do not make value and the borrower has paid for a useless appraisal. A dialogue needs to exist between the loan originator, the prospective appraiser and the home owner **BEFORE** an appraisal is ordered.

There are three fixes:

1. Allow the loan originator to order the appraisal and have a dialogue with all parties.
2. Prohibit furnishing the sales purchase price and the sales listing price on all purchases.
3. The HVCC created a middle man between the ordering of the appraisal by the loan originator and the selecting of the appraiser by the AMC (Appraisal Mortgage Co). Previously appraisals cost approximately \$375. Currently appraisals cost approximately \$450 with the AMC keeping \$250 and the appraisers receiving approximately \$200, approximately one half of their former income. Just like mortgage brokers, appraisers are small businessmen who are suffering because of the inequalities of Dodd-Frank legislation and agreements such as HVCC.

This is a blatant inequity which penalizes many consumers from taking advantage of these historic low rates and stimulating the economy with the surplus savings on their mortgages. Small businesses are suffering. The information outlined above would go a long way in restoring confidence and equality in lending.

*Dallas/Fort Worth Association of Mortgage Brokers is a non-profit professional organization dedicated to advancing the mortgage broker profession through the promotion of education, ethical practices, consumer fairness and political activism. Member mortgage brokers and loan officers are not only licensed by the State of Texas and registered with the National Mortgage Licensing System but are required to take continuing education courses and subscribe to a strict code of ethics.*

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