General Mortgage Capital Corporation
Your loan, My solution!

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Home Valuation Code of Conduct – what is it and what does it mean to you?

Now that the new Home Valuation Code of Conduct (HVCC) has been in effect for a month, we have gotten firsthand experience on how big an impact the new rule has on the loan process.

Starting May 1, 2009, the new code, which intends to prevent improper influences on appraisers, requires appraisals to be ordered through appraisal management companies. Mortgage brokers are not allowed to contact appraisers directly. Instead, the appraisal management companies will collect the appraisal fee, coordinate the appointment between the appraiser and the borrowers, and deliver the appraisal.

Higher cost

Expect to pay more for an appraisal. Appraisal management companies require prepayment by credit card before they will assign the order to an appraiser of their choice and schedule for an appraisal appointment. The tricky part is we are only given a price range for the appraisal, but we won't know how much the appraisal cost until the applicant is being contacted for the appointment. Understandably some applicants are not comfortable handing out their credit card information without knowing how much the appraisal would be.

Don't be surprised if an appraisal that used to cost $350 becomes $440, due to additional adjustment and add-on fees based on the property value, etc. Appraisal management companies claim the added costs cover administrative functions such as managing and reviewing thousands of appraisers and coordinating appointments. At the same time, appraisers are actually paid less per appraisal after the cut with appraisal management companies. In addition to that, an appraisal that is ordered through the appraisal management companies for a specific lender means that if for whatever reasons you need to apply for a loan through a different lender, you will need to order a new appraisal under the new lender as the appraisal is not transferrable like before.

Longer turn time

The standard turn time for an appraisal under the new HVCC code is about a week, more than doubled the 3-day or less turn time before. It also plays a part in potentially delaying the loan process as any request for corrections or changes need to be done through the

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appraisal management companies. It can be a challenge and might take days before an out of the area appraisal management company in a different time zone reaches a local appraiser.

Advocates insist the new rules will reduce the opportunity for fraud and undue influences; on the flip side, it means higher cost for consumers, less pay for appraisers, and longer turn time for mortgage brokers. It might be too early to recognize the effectiveness and the long term effect of the new HVCC in curbing frauds and protecting consumers; however, consumers, appraisers, and mortgage brokers alike are all feeling the pinch.

Sincerely,

Catherine Sun