



[Home](#) > [Newsroom](#) > [NAHB Welcomes New Appraisal Guidance from Federal Reserve](#)

NAHB Welcomes New Appraisal Guidance from Federal Reserve

[Normal View](#)

October 22, 2010 - The Federal Reserve's new interim rule on appraisals is a welcome step in clarifying the home valuation process, according to the National Association of Home Builders (NAHB). NAHB has sought appraisal guidance that provides transparency in the appraisal process with sufficient flexibility to address the unique aspects of valuing new homes. NAHB will work with the Federal Reserve and other appraisal stakeholders to ensure the final rule fully achieves that outcome.

"The interim rule makes it clear that home builders and others can ask an appraiser to consider additional information about a property, including information about additional comparable properties," said Joe Robson, NAHB's Immediate Past Chairman and a home builder from Tulsa, Okla. "That's critical to our members because in far too many cases we're seeing appraisals based on inappropriate comparables." Robson has been leading NAHB's push for sound appraisal practices.

The Federal Reserve unveiled the interim rule on Oct. 18 and the rule will take effect 60 days after it is published in the Federal Register, with the Fed accepting comments on the interim rule during this period. Compliance is voluntary until April 1, 2011. The Fed's action was required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed into law on July 21, 2010.

"Many appraisers do not understand the impact of new code requirements, new green building practices and other aspects of new construction that add value to a home," Robson said. "It is particularly important that home builders be allowed to provide appraisers with information to assist in appraising new construction.

"Accurate appraisals are critical to the residential construction industry because flawed appraisals can jeopardize sound projects," Robson said. "In the current economic climate it is already difficult to find financing for acquisition, development and construction, or AD&C. One appraisal that doesn't represent the true value of a property can start a chain of events that can put a builder out of business."

The Federal Reserve's interim rule also includes conflict-of-interest guidance, which prohibits loan officers and mortgage brokers from selecting appraisers. It also mandates the reporting of negligent appraisals and appraiser misconduct to the appropriate state appraiser licensing authorities and requires those seeking an appraisal to pay appraisers at a rate that is reasonable and customary in the geographic market where the property is located and that reflects the difficulty of the assignment.

"We think it's very important that the compensation standards attract the expertise needed for complex appraisal assignments, such as those involving new construction," Robson said.

"Builders, developers, lenders, appraisers and other stakeholders need a better understanding of what they can and cannot do" Robson said. "This interim rule offers much needed clarity, and NAHB will be offering comments in an effort to make sure the final rule provides guidance that recognizes all of the issues involved in appraisals of new homes and restores confidence in the appraisal process."