



08/29/2011

Kenneth T. Cuccinelli, II

Office of the Attorney General  
900 East Main Street  
Richmond, VA 23219

Re: September 1<sup>st</sup> Implementation by GSEs

Dear Sir:

In a letter dated July 19<sup>th</sup>, 2011, the Virginia Coalition of Appraiser Professionals (VaCAP) brought to your attention the serious concerns that we have about the impending implementation of new appraisal reporting requirements by the Government Sponsored Enterprises (GSEs), which are The Federal National Mortgage Association (FNMA) and The Federal Home Loan Mortgage Corporation (FHLMC). Since Fannie Mae and Freddie Mac control a very large percentage of the mortgage market, this requirement will impact the majority of residential appraisal reports starting September 1<sup>st</sup>. In our July 19<sup>th</sup> letter, we provided specific information on how this proprietary code, which is called the Uniform Appraisal Dataset (UAD) and is specific to Fannie Mae and Freddie Mac, will result in incomplete and/or misleading information in appraisal reports.

VaCAP has presented this information to the Virginia Real Estate Appraisal Board (VREAB) in an effort to explain how the UAD will result in widespread violation of USPAP, which is the law for appraisals in The Commonwealth of Virginia. The VREAB has reviewed the information provided by state licensed and certified appraisers, the Association of Appraiser Regulatory Officials (AARO), and the Appraisal Standards Board (ASB). The VREAB agrees that the UAD is likely to cause significant harm to its licensees as well as to the homeowners who will rely on the misleading information that UAD requires. The VREAB has issued a letter to this effect to the Federal Housing Finance Agency, along with copies to Senator Mark Warner, Senator Jim Webb, and yourself. This letter from the VREAB affirms VaCAP's strong belief that implementation of the UAD should be delayed until the potential harm can be more carefully studied and the unintended consequences corrected.

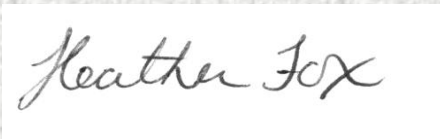
It should be noted that the UAD is NOT federal law, and does not take precedence over Virginia law. Rather, it is a reporting format that standardizes appraisal report fields. The published reason for this is to create more consistent data that can be easily filtered and interpreted, but the reality is exactly the opposite. The standardized fields for important items like quality of construction, condition, location, sales type, etc are given short codes or abbreviations (C1, Q4, ArmLth, etc) that are confusing to even the developers themselves, let alone the intended users or readers of the appraisal reports. Additionally, appraisers are not permitted to fill in certain lines of the appraisal report with anything except pre-programmed choices from drop-down boxes or numeric characters. If there are no correct options in the preset lists, the appraiser is forced to provide incorrect information because the appraisal cannot be uploaded until it meets the UAD requirements. This leaves the appraiser in the precarious position of either violating USPAP or going out of business for lack of work. If the Federal Housing Finance Agency fails to delay the implementation of the UAD as requested, the Attorney General may be put in an equally uncomfortable position of enforcing Virginia state law (USPAP) against its own regulates.

The effects of the UAD, however, will have much more far-reaching consequences than just killing the small businesses of appraisers. Since the vast majority of residential appraisals are done for either home purchases or refinances, the borrower will receive a copy of the appraisal report that they will not be able to understand and that may be very misleading. Forcing data to fit into very narrowly defined fields and then adjusting values based on these false categorizations will also result in incorrect value estimates. Homeowners and home buyers will be making one of the most important financial decisions of their lifetime based on

information that is unreliable and misleading, and on estimated values that may be too high or too low. This will cause further decline in the already devastated housing market, undermine consumer confidence, and cause needless financial burden to the citizens of Virginia. Virginians have already suffered greatly from the ever-increasing government regulation that is crippling our economy. Fannie Mae and Freddie Mac have already taken hundreds of billions of dollars from taxpayers to cover the losses that their faulty policies have generated. There is considerable talk at the federal level of disbanding them altogether. Yet they are still pushing through another disastrous plan for which the public will have to pay the price.

VaCAP understands that there are numerous important issues with which the Attorney General is tasked. However, because time is so short before September 1<sup>st</sup> and because this matter will greatly impact such a large percentage of the public, we beg you to give it immediate priority. There are other state Attorneys General and Appraisal Boards who share these concerns, but many hesitate for want of a leader to take the first step. Virginia has a long and proud history of strength and leadership that has contributed to this great nation's success, and all Americans need her to be that leader now. We urge you to prohibit the implementation of the UAD until its harmful consequences can be corrected and the format conforms to USPAP and state law. It is the sole responsibility and duty of each individual State, including The Commonwealth, to enforce the laws written to protect the citizens. There is no Federal Agency which has that jurisdiction or distinction. Send the message that we are a nation and a state of laws, and they cannot be trampled for the private interests of two companies that have become "too big to fail" on the backs of struggling taxpayers.

Sincerely,

A handwritten signature in black ink that reads "Heather Fox". The signature is written in a cursive, flowing style.

Heather Fox

President-Elect

Virginia Coalition of Appraiser Professionals