

National Association of Home Builders

Appraisals Matter

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Today's Agenda



- Background on NAHB and CRN Partnership
- New Home Construction Database Update
- High-Performance Home Valuations
- Value Appeals Process
- Housing Finance Reform

NAHB History with Appraisals



- In 2009, NAHB held the first of five Appraisal Summits.
- These have drawn housing, financial and appraisal industry stakeholders.
- In 2012 NAHB created the Appraisal Working Group.
- The working group includes home builders as well as representatives of the appraisal sector and the financial services industry.

A Comprehensive Blueprint for Appraisal Reform



- Streamlines regulatory framework.
- Creates real estate data highway.
- Reaffirms appraisal principles.
- Establishes standards, rules and guidelines.
- Considers cost, income and sales comparison.
- Finds best appraiser for the assignment.
- Establishes a Value Appeals Process.

NAHB Follow-up to Working Group Feedback



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RESIDENTIAL
NEW CONSTRUCTION**

Approved for 7hrs
Continuing Education

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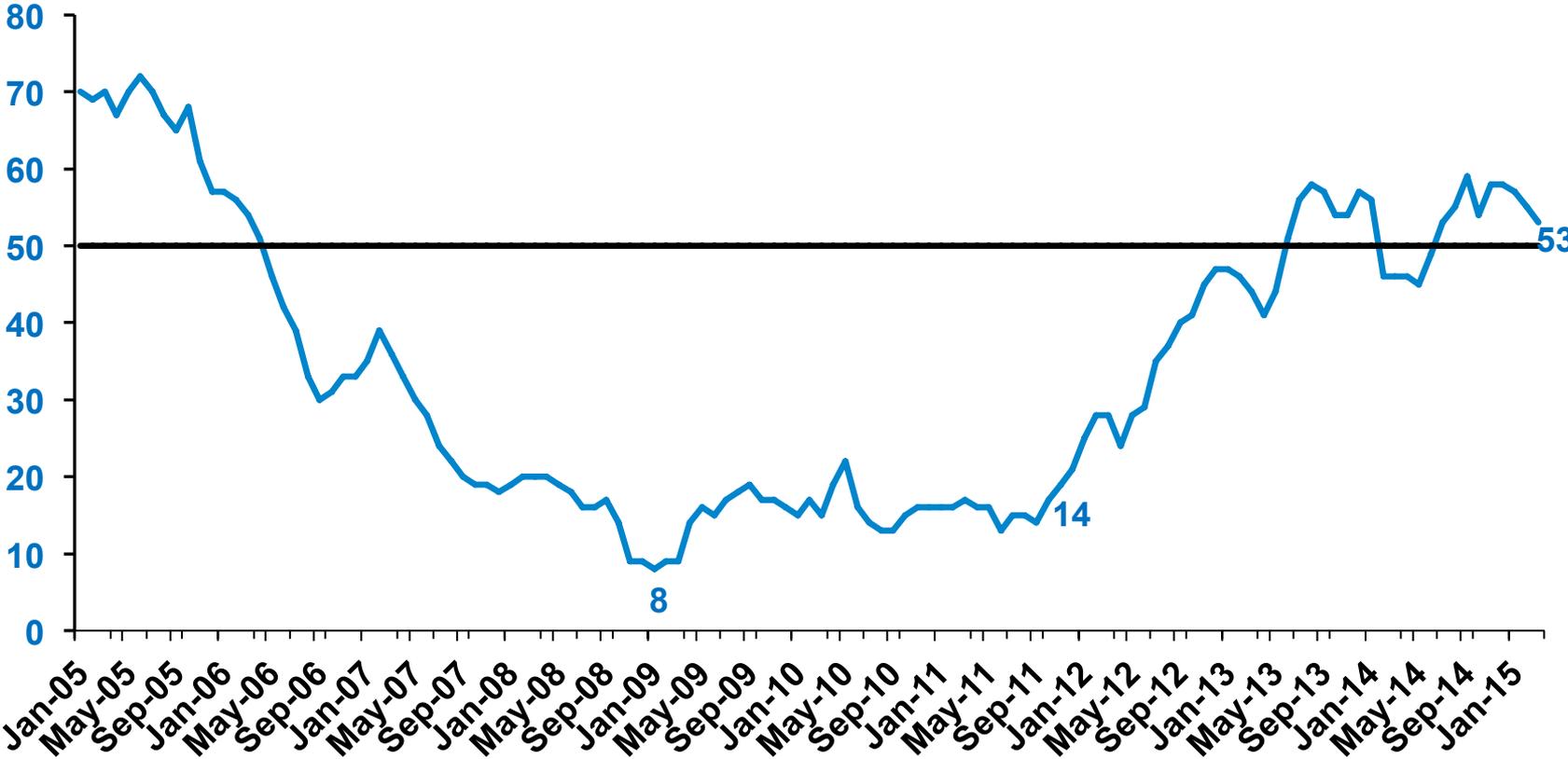
- NAHB worked with the Allterra Group to develop a course for appraisers on valuing new construction.
- We published an Appraisal Primer for builders.
- NAHB continually stresses that builders provide new construction data to appraisers.
- And we are hoping to create a New Home Construction Database.

Development of the Database

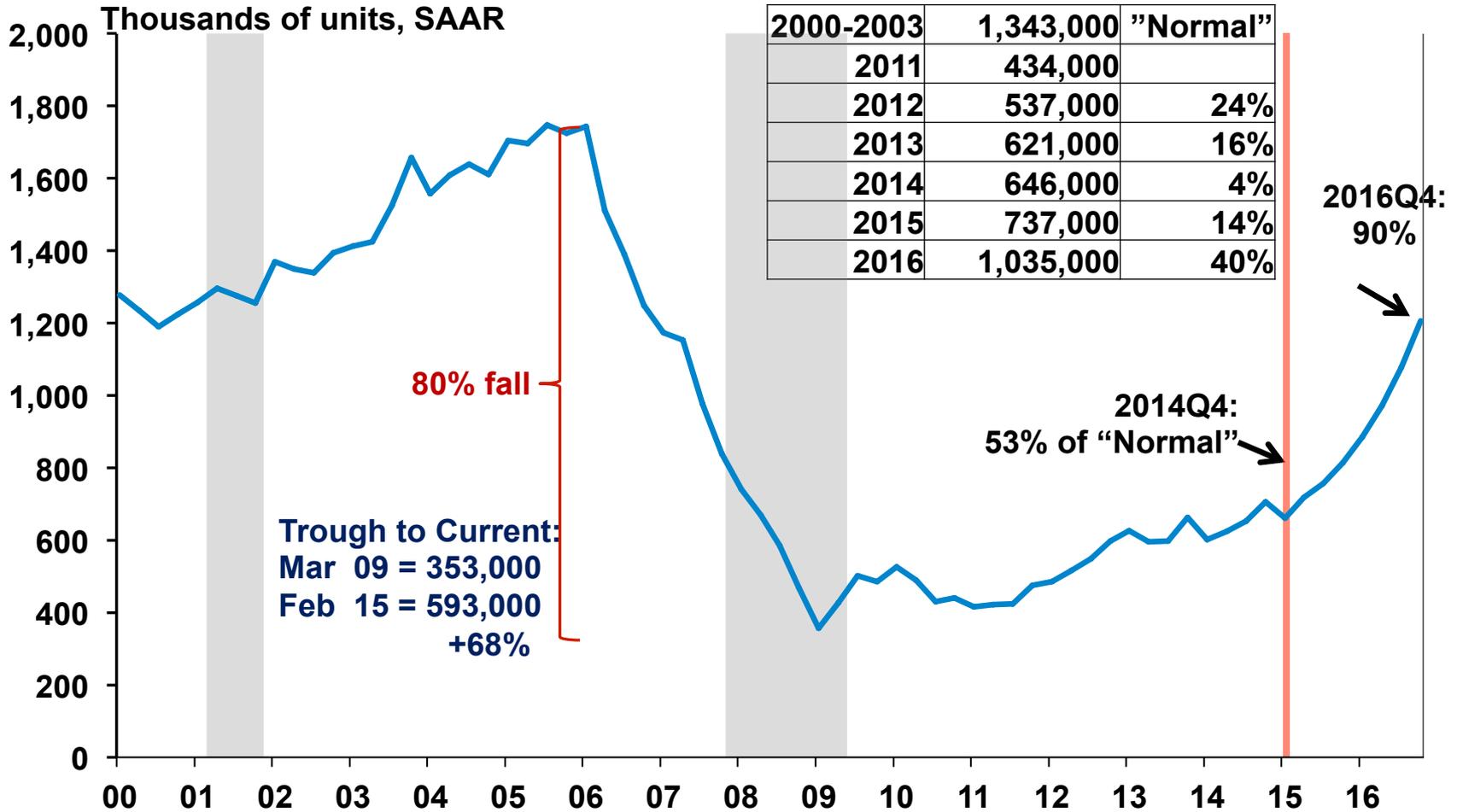


- New homes sales data often not recorded in MLS.
- NAHB hopes to create a database to fill this gap.
- We sent out an RFP to companies interested in implementing the database.
- NAHB and HouseCanary are discussing possible actions.

NAHB/Wells Fargo Housing Market Index



Single-Family Starts

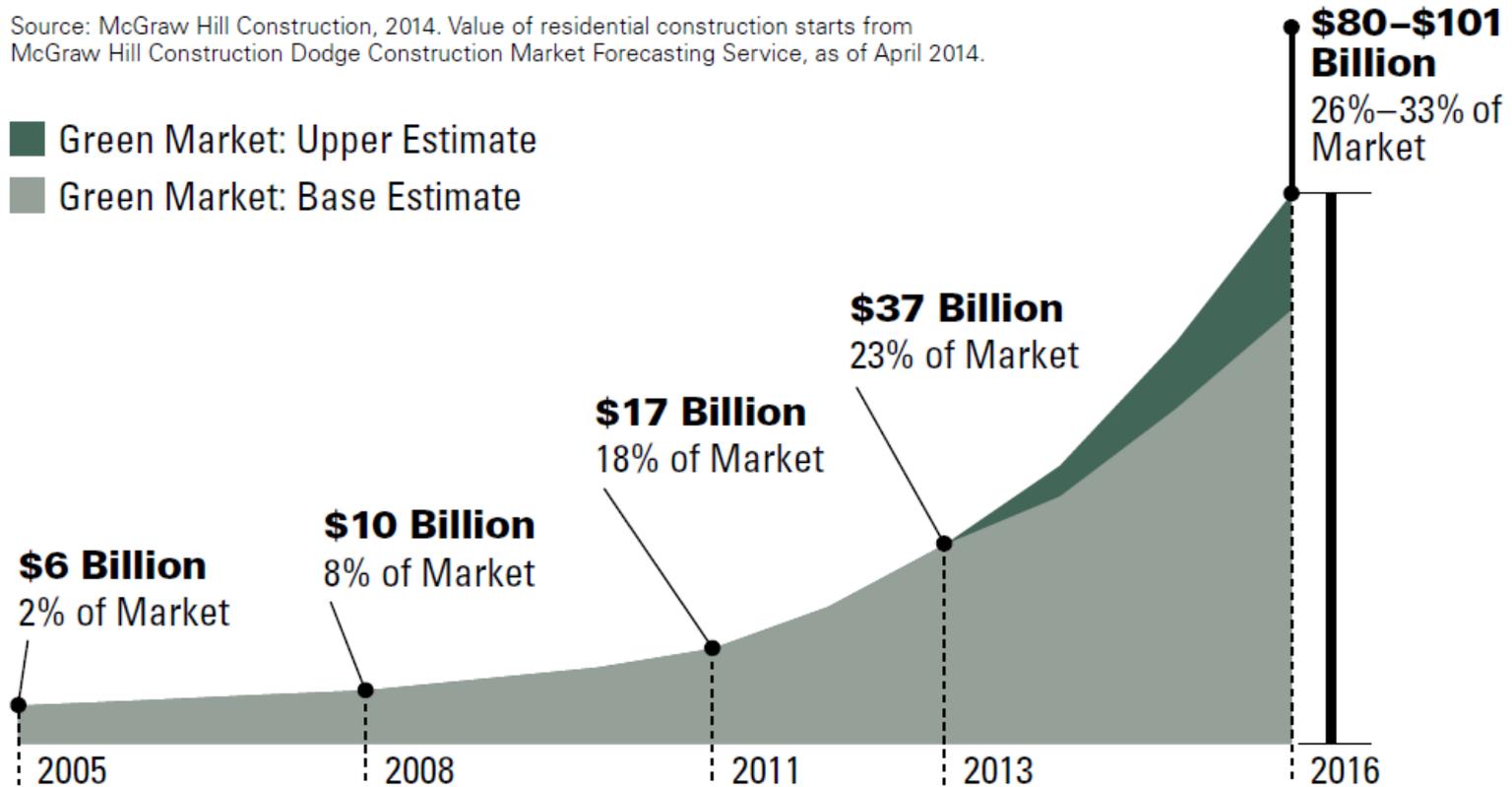


Green Building and Appraisals

U.S. Single Family Housing Green Residential* Market (Billions of Dollars)

Source: McGraw Hill Construction, 2014. Value of residential construction starts from McGraw Hill Construction Dodge Construction Market Forecasting Service, as of April 2014.

- Green Market: Upper Estimate
- Green Market: Base Estimate



*MHC defines a green home as one that is either built to a recognized green building standard or an energy- and water-efficient home that also addresses indoor air quality and/or resource efficiency.

National Green Building Standard



- NGBS certification identifies “high-performance” properties.
- The Appraisal Institute enables appraisers to note such certifications.
- However, few appraisers are qualified to evaluate higher-performing homes.

Contract Clause for Green Building Appraisals

“This Home is being built/renovated/updated to nationally recognized standards above prevailing code. It is designed and constructed with unique features and materials and with high efficient equipment and in accordance with high efficiency standards.”

“The Lender shall choose an Appraiser educated and knowledgeable in this type of valuation of these specialized Homes, preferably an appraiser who holds a professional appraisal designation...”

A Value Appeals Process



- Differences of opinion often exist over market value.
- A Value Appeals Process would provide a forum to discuss these differences.
- NAHB recommends creating an industry standard Value Appeals Process as well as an advisory group.

Appraisals Matter



Housing Finance Reform

- Status quo not acceptable.
- Housing Finance reform must include appraisal reform.
- In 2014, NAHB was successful in introducing appraisal stakeholder language into the Johnson Crapo Bill.
- Piecemeal regulatory changes will replace comprehensive reform.

**Let's Continue Working
Together!**



**National Association
of Home Builders**





Thank You.