



April 13, 2023

The Honorable Sandra L. Thompson
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Director Thompson:

This is to follow up on a meeting Appraisal Institute representatives held in Washington, D.C. with members of the Federal Housing Finance Agency Divisions of Housing Mission and Goals and Fair Lending March 8 to discuss the new Value Acceptance program released by Fannie Mae. We appreciate the time your team took to discuss the new initiative and appraisal waiver programs in general and to hear concerns expressed by Appraisal Institute Professionals.

Since that meeting, we were fortunate to have the participation of a Fannie Mae official in an AI sponsored conference call held March 28 to understand the full scope and impacts on the residential appraisal profession. We learned a great deal more about the program from that discussion, including problem limitations and oversight parameters. However, our members remain concerned about the trajectory of appraisal waiver and property data collection programs today.

Cross-Purposes With Recruitment Efforts

Of particular concern is the encouraged development of an alternative workforce of property data collectors that may negatively impact aspiring appraisers' ability to enter the appraisal profession. Appraisal observations and inspections are eligible for experience credit by appraiser trainees. However, when this work is completed outside of the supervisory appraiser-trainee relationship, it is not currently allowed because it is not able to be logged or tracked by state regulatory officials. As we discussed with your team last month, there is a desire on the part of the government-sponsored enterprises, FHFA, and others for property data collection activity to qualify for appraisal experience credit. However, all this requires today is for the property data collector to register as an appraiser trainee under a supervisory appraiser. This model of supervision was affirmed and enacted by Congress under the Dodd-Frank Act and is in place to protect the public with active oversight of the appraisal process, including avoidance or encouragement of "appraisal mills."

Experience earned outside of the supervisory appraiser process would require a change to the Real Property Appraiser Qualifications Criteria and an overhaul of the logging of experience and oversight process. In the meantime, we believe the current policies around property data collectors are at cross-purposes relative to bringing new and diverse appraisers into the profession. Value Acceptance + property data collection is expected to exceed current waiver rates today based on information from our conference call. Historically, this is work that could be completed by appraiser trainees. This would be compounded should hybrid appraisals be allowed, which would potentially cut out appraiser trainees for property data collectors altogether.

Mixed Messaging

Further, there remains a great deal of skepticism and confusion around the scope and parameters for allowance of the new Value Acceptance or appraisal waiver program. While we understand the use of appraisal waivers is not slated to dramatically increase with this announcement itself, many appraisers are puzzled or concerned by the statement made within the release that the appraisal is no longer the "default requirement." We are unsure what this statement means, given that appraisal waivers in some form have been in place for two decades. However, when one considers the possibility of increased use

Value Acceptance
April 13, 2023

of appraisal waivers in concert with allowance for “hybrid” appraisals or desktop appraisal assignments, reasonable people can conclude that attempts may be made to minimize the scope of services of appraisers. This has profound potential impacts on safety and soundness of the mortgage market, particularly considering the significant market and economic headwinds of the day.

It also has profound impacts on consumers who may also be at risk of purchasing or extending loans beyond the market value of the property. Appraisers are the only independent and objective party in real estate transactions, which is widely recognized as a consumer benefit. Recent research indicates that more than 8 percent of appraisals on loans sold to Freddie Mac fell below the contract price, which presents opportunities for borrowers to renegotiate with sellers. Appraisers are oftentimes the only party that consumers meet with during a transaction, including refinance transactions. As we have learned, it does not serve the consumer good to be upside down on a loan. Consumer benefits, whether intended or not, should not be minimized or abated without compelling reason.

We call on FHFA to engage with the appraisal profession in review of hybrid appraisal methods and supporting research prior to any action to accept this change in the Selling Guide. We also urge that a small business and regulatory impact analysis be conducted on potential increased use of hybrid appraisals on the ability of trainee appraisers to earn experience credit.

Technology and Market Barriers

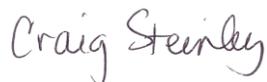
The announcement of Value Acceptance includes information on six firms who have been accepted to complete property data collection reports. From the recent conference call, we understand that this process is thought to be evolving and open to additional firms. However, the process for integrating technology and applying for acceptance has not been made available to the public. In speaking with appraisal firms who have evaluated entry into the property data collection space, there appears to be a significant technological hurdle that raises concerns about market access and impacts on small business. For these opportunities to be so narrowly available to only large organizations, while at the same time, undercutting the market for trainee appraisers, feels like a left- and right-hand punch to appraisal professionals.

Looking Ahead

We raise these concerns as an enthusiastic supporter of efforts to modernize the appraisal process through projects such as the Uniform Appraisal Dataset and Forms Redesign and the Appraiser Diversity Initiative – both of which have been developed and conducted in close collaboration with the appraisal profession. We cannot say the same for the work thus far on appraisal waivers, hybrid appraisals and property data collection. As a result, we bring these concerns to your attention in hopes of maintaining strict oversight and encouraging greater collaboration and communication with the appraisal profession.

We hope that you will remain open to meeting with us to discuss the oversight of appraisal waiver programs, as well as ongoing efforts to improve diversity in the appraisal profession. Please contact Bill Garber, director of government and external relations at bgarber@appraisalinstitute.org, if you have any questions or wish to schedule a follow-up meeting to further discuss these concerns.

Sincerely,



Craig Steinley, MAI, SRA, AI-GRS, AI-RRS
2023 Appraisal Institute President

Cc: Julie Giesbrecht, Federal Housing Finance Agency
James Wylie, Federal Housing Finance Agency