Bill Merrill: Thank you for joining. Good afternoon everyone. Thank you for joining FHFA’s Listening Session on our Appraisal RFI that we recently issued. My name is Bill Merrill, and I'll be moderating today's discussion through several great speakers that we have today.

The first thing I would like to do is thank you. We know it is a very busy time in the industry. There is a lot going on. This is a long session, and we appreciate everybody's time to listen. But I especially appreciate all the speakers who took the time to prepare comments for today and even some presentations. Thank you so much. And we really look forward to your insightful comments.

I do want to make sure that everyone knows this session is being recorded. We do that for purposes of reference, if we want to go back and see comments from particular speakers. So we are recording this.

And now it is my pleasure to introduce FHFA Director. At this time, I'd like to introduce Dr. Mark Calabria.

Mark Calabria: Thank you, Bill. I know a lot of work not only goes in to today, but into putting together the RFI, and I know a lot of work going into reading the comments. So Bill, I really want to thank you and your team for the great work you're doing there.

I also, of course want to thank all the participants and everybody dialing in today. And I really do appreciate this. This is the Appraisal RFI, I see as one of our many avenues to try to be open and transparent about everything that the agency is doing as well as the entities that we regulate are doing. And we just think it's so critical to hear from as many perspectives as possible, particularly on these important issues.

And so the RFI will help us understand the appraisal process, related policies practices, considerably better as we move forward. And I really do want to emphasize our opportunity today is to hear from you as it is with the overall comment period.

I'll remind everyone that when COVID hit last year, we provided certain flexibilities in the appraisal process. Because we wanted to keep appraisers safe. We wanted to keep homeowners safe, buyers safe, everyone in the mortgage and real estate process safe.

I hope you've all noticed that yesterday, we extended those flexibilities until at least March 31. And certainly expect to probably continue them beyond that date.

We've already started to take a look back, do our analysis and do our data and try to figure out what we can learn from this experience and these flexibilities. While we are not rushing to make long term changes, many of these flexibilities may change. Many of them may stay. But we want to be very open and transparent, data driven about how we make those decisions.

And again, that gives us a particularly interesting set of data points around the appraisal process over the last year. But that data is not the whole story. We need to hear from you, including appraisers and other practitioners on the ground. And to get your general experience.

It's important to keep in mind that, you know, even the best evaluation methods, automated or otherwise, ultimately depends on the data that somebody in person is collecting. And historically, that's been appraisers. So of course making sure that that data goes into the models in the collection. It's just critical. That's such an important part of it.

I want to say we also recognize that in many communities, particularly rural communities, there are challenges not only in finding comparables, but also just simply finding appraisers. And so we certainly want to work with the industry to try to encourage more people to enter the appraisal industry to try to deal with some of those constraints.

And of course, we have repeatedly heard and seen stories and share the concerns about whether the appraisal process treats racial and ethnic communities fairly with any bias and how we can address those.

Of course, we've seen a tremendous amount of new technologies and market developments that have partly prompted discussions today. Again, you know, we're not an enemy of technological change, we want to be supportive of that. But we want to be able to do it in a thoughtful, transparent process.

We recognize there are a variety of viewpoints, particularly we're going to hear from a number of those today. And how do we make sure that we can be part of those debates, we can weigh the different concerns and try to help borrowers, the appraisal industry, the real estate industry.

And again, I really want to thank everybody. The feedback you give us today is incredibly important in helping us understand. And we recognize, of course, that underlying the safety of the mortgage finance system is the value of the collateral underlying those mortgages. And the appraisal process is such a critical process to getting that right.

So I don't think it would be an exaggeration to say that the entire safety of the mortgage finance system relies on getting collateral evaluation correct. And again, that's so much why we go into this RFI, go in this process, why we're hosting this, why we want to have this exchange of information.

So with that, let me just end by saying I encourage you to continue to give us candid open feedback on the RFI. And in the future, and of course, you know, we -- as we so many great things we do, we have to have a lawyer sign off. So I'm going to hand this over to Sara Todd from our Office of General Counsel to help you understand the ground rules surrounding today's commentary and the RFI. Sara.

Sara Todd: Thank you, Director Calabria. We've invited you to meet with us today in order to obtain your input or information on appraisal related policies, practices and processes. Anyone who participates in these discussions is also welcome to submit written feedback in response to the request for information that is posted on our website. All feedback offered in today's session should be directed to FHFA without reference to the remarks of any other participants.

At this time, we will not discuss the status or timing of any FHFA plans with respect to engaging in a rulemaking on these issues. Neither this meeting nor any written feedback submitted in response to the request for information is a substitute for your formally submitting a public comment letter to FHFA on any future rulemaking.

If FHA does decide to engage in a rulemaking on the matters discussed at this meeting, please be aware that you would need to submit your comments, if any, in accordance with the submission instructions in the rulemaking documents. If you do so, we will include your rulemaking comment letter in the public rulemaking comments dockets.

This listening session is not an advisory group. However, we may summarize the feedback gathered at today's meeting and any rulemaking document that is issued, if we determine that summarization is necessary to provide a complete statement of the basis of a rulemaking.

Anything said in this meeting should not be construed as binding on or a final decision by the FHFA Director or FHFA staff. Any questions we may have, are focused on understanding your views, and do not indicate a position of FHFA staff or the agency. And now Bill Merrill will proceed through the agenda.

Bill Merrill: Thank you, Sarah, for that, I really appreciate it. And thanks again for everyone's time. And thank you, Director for your great comments.

So I'm going to cover logistics real quick, just to make sure the speakers understand what we're doing. So as part of the zoom process, those that have speaking roles will have the ability to mute and unmute themselves. So when it's your time to speak, please feel free to unmute yourself. When you're not speaking just for purposes of background noise, if you don't mind keeping yourself on mute. That would be great.

Given the number of speakers that requested slots, we are limiting speakers to five minutes. So what I will do is if you don’t mind with about one minute to go, I may jump in and just give you the one minute warning. But I know you all have a lot of materials to cover. But if we can focus on that timeframe I would really appreciate it. That gives everybody the opportunity to speak today and make sure we get all -- everyone's input in and we can make sure we get that information over to us. So apologize for that. But I'll give you a heads up as we go through that process.

Also, we have several FHFA staff on the phone. So if we have a particular question about your comments or want to follow up with you further, or may ask you to clarify something, myself or others may jump in and try to ask you a question here as you wrap up from that sense.

The way I'm going to do it, since we have such a long list of folks is, I will queue up the first person and I will give the next person a heads up that they'll follow right behind from that. And my sincere apologies in advance if I get names wrong. I apologize for doing that. And I will try my best from there.

So with that, well we'll get started. And thank you again. We're really looking forward to some insightful comments from you all. So with that, I will turn it over to Mr. Paul Doman. And then next up will be Craig Morley.

Paul Doman: Thank you, Bill. I really appreciate it. Good afternoon. I'm Paul Dolman, President and CEO of the Accurate Group. You know, I've had the pleasure of working in and serving the appraisal industry for

26 years now, 14 with First American and CoreLogic and 12 years building the Accurate Group.

I'd like to first thank the FHFA for providing us the opportunity to share our thoughts and opinions. We greatly appreciate the opportunity to provide our voice. Recognizing the time constraints. I'm going to focus my comments solely on the topic appraisal modernization and hit that topic fairly quickly here.

If you want to please jump through the first slide. I wanted to actually just touch on who the Accurate Group is. Essentially the Accurate Group is a leader in real estate services. We deliver technology driven appraisal, title, title data, analytics and digital clothing solutions to the country's largest banks. We do business with 23 out of the top 25 banks, business with a lot of credit unions, nonbank servicers and also certainly the capital markets.

We operate three valuation businesses, a traditional appraisal management company. And that business is a leader in the industry covering nationwide very high volume appraisal management business.

Secondly, and probably most importantly for this discussion, we operate a business known as Value Net, which is a desktop appraisal business. It was the industry's first desktop or hybrid appraisal business. It clearly is the market leader in delivering hybrid appraisals to the real estate industry.

Our third appraisal business that we operate is Appraisal Works. And that is a SaaS collaborative appraisal management software platform that allows folks to want to manage their own appraisers, or appraisal management companies to do that efficiently and effectively.

One of the key items to convey is that since 1998, is when we entered the business of performing hybrid appraisals, our Value Net businesses has produced more hybrid appraisals than any other marketplace provider today. So we have extensive experience in the hybrid space.

We're an active participant in both the Fannie Mae and Freddie Mac modernization pilots currently. And we’ve built the technology to fully support uniform data capture for both of those entities as we go through those pilots.

If we move to the fourth slide in the presentation, I really want to share a key theme with the group that we firmly believe appraisal modernization helps all industry participants.

Certainly, number one, consumers and lenders are demanding more from the appraisal experience. They want that experience to become more digital, to be more cost effective, to be faster, to be certainly unbiased, and of course, most importantly to produce the most credible market values possible, recognizing those things.

So based on consumer and lender demand, we really believe there is a clear mandate to use digital technology to make what is a very limited supply of appraisers more efficient and also empowering, well trained and well qualified third party inspectors to gather the appraisal data needed to derive a value.

With that mandate, we think there's some clear benefits to appraisers in the hybrid appraisal process. The hybrid appraisal process will increase appraiser efficiency four times, and we have real data on that. We see the opportunity for appraisers also to increase their earnings and we have the opportunity to improve the process for all stakeholders, such as lenders and consumers, while keeping the risk out of the equation.

Hybrids today are being completed in a quarter of the time of a traditional 10-04 or 70 appraisal. So 25% of the time required to complete the process. The appraisal review using high --

Bill Merrill: You have one minute left.

Paul Doman: I'm sorry.

Bill Merrill: About one minute.

Paul Doman: Thank you. Results in 50% lower revision rates, and the process is faster. We can turn those appraisals around greater than three days faster than a traditional appraisal process.

In addition, bifurcating the hybrid appraisal process allows us to serve rural markets and underserved markets better. It also reduces the potential to see discriminatory bias in the appraisal process.

We have data that we've aggregated that shows hybrid appraisals produce a value that is highly correlated to the values produced by 10-04's and 70 appraisals.

So we have some quick two part recommendation for the FHFA to consider. Number one, really move forward and authorize the adoption of the modernization cascade that we recommend. Essentially we see a cascade that can be driven by smart rules, starting with waivers that are being used today, going to a waiver and inspection with a third party, which is commonly known as data and done. Going then to a hybrid appraisal. And lastly, it's the traditional 10-04, 70 appraisal.

So a smart based risk based cascade is what we recommend. And lastly, we want to ensure that modernizing the appraisal process brings in some of the most latest technology innovations that we think are important, allowing data to be captured by consumers with supervision of technology, allowing 3D scanning of properties in automated floorplan sketching, using an automated data review tools to improve the accuracy of the products.

And lastly, be sure we create that uniform data set to allow us shared data amongst all the stakeholders in the process freely without any proprietary systems.

Bill Merrill: Thanks. Thanks Paul.

Paul Doman: Those are our recommendations. And thanks for the opportunity to talk.

Bill Merrill: Oh no, thanks Paul. I appreciate it. And thank you for preparing the deck. We appreciate it very much. Hopefully, we got the slides in the correct order there. So thank you for sharing. We greatly appreciate it.

Paul Doman: Thank you very much.

Bill Merrill: Of course. Thanks. So I'm going to go to the next speaker, which is Mr. Craig Morley. And then I will be moving to Edward Pinto. So Craig, I think if you're on we'd love for you to go ahead and start.

Craig Morley: Thank you so much. It's a pleasure to be part of the process and grateful for the opportunity to provide a little bit of insights from the perspective of an appraiser who's out day to day doing both residential and commercial appraisal work. I'm licensed in three states, Utah, Nevada and Arizona. And I've been appraising real property since 1984.

And from my perspective, I think there's a real need for appraisal modernization. For what little we know about the proposed modular report that is being proposed by the GSEs look promising.

The one piece of advice I would give the FHFA is to make sure that the Appraisal Foundation and the Appraisal Standards Board have a chance to weigh in before any final reporting is deployed, just to make sure that we have consistent certifications and scope of work requirements that are not in conflict with current appraisal standards.

The current appraisal forms that are now being used have some significant limitations that require additions and alterations in order to have these reports meet some of the reporting requirements under the appraisal standards.

Perhaps one of the biggest challenges that I think we face is that the UAE decoding has some problems that need to be resolved, if we want to develop the most reliable appraisal results possible. I believe the bifurcated appraisal is a viable method and option as has been presented just previous.

But we believe there needs to be a uniform set of standards for that data collection process. And frankly, we think that in order to maintain a viable pool of appraisers coming through the system that ought to be done, or at least we ought to be able to have a method, where the trainee appraiser is part of that process.

So in looking at the standards for data collection on the bifurcated appraisals, we think that competency in both the ability to collect the data and make appropriate assessments is critical. We're aware of situations on some of the bifurcated products where the listing agent, or the selling agent, has been involved in the data collection.

We think that having some kind of unbiased objective data collection is essential if we want to maintain the integrity of the data. And that there needs to be some kind of check to make sure the people that are involved in that data collection have background checks, and are competence and the people who are reliable that don't pose a risk to the homeowners where that requires interior inspection.

Some of the concerns we have about appraisal modernization is dealing really with some of the rating systems that have, I think, proven to be less than reliable than what was originally expected.

Some of the challenges that I know I face and others that I interact with, is that oftentimes properties don't fit the defined standards. For example, a home that is somewhere between average and good, but I'm required to pick a rating that I must live with for the rest of the time that I use that as a comparable sale.

And what we're finding is that the system has really been dumbed down because oftentimes we see appraisers just uniformly selecting a rating without being able to refine. And so we're hoping that as we look to the future, that FHFA can encourage the stakeholders, the GSEs, to come up with a more robust system in rating these properties so that you get more reliable appraisal results.

And then finally, I'm a proponent of big data, I think the big data has a place. But my experience with some of the tools that are currently being used, such as a collateral underwriter, is less than reliable if the kinds of comparable sale selections that are coming back to appraisers are any indication. We oftentimes find that the things that are being offered as comparable sales for appraisers to consider are anything but,

So as we look to the modernization in the future, we hope we can find --

Bill Merrill: Thirty seconds.

Craig Morley: Thank you. We can find consistency in the scope of work requirements, and we can find ways to better eliminate confusion. So the person doing the appraisal has a clear understanding of what their clients want. Thank you so much for the opportunity to say a few things. And I look forward to others' comments. Thank you.

Bill Merrill: Thank you, Mr. Morley. Actually, can I ask you a quick question? I just want to understand, make sure I understood one of your points.

Craig Morley: Sure.

Bill Merrill: And again, apologies for, to you and Mr. Doman, I don't mean to cut you off, and future speakers. But do have to limit the time. When you were talking about property rating systems with the GSEs, are you recommending the GSEs come up with a standard on how to rate the property condition? Or are you asking that they work with the industry or the Appraisal Foundation to come up with a new set? I want to make sure I'm clear on your thoughts.

Craig Morley: I think it needs to be more granular. If there's --

Bill Merrill: Okay.

Craig Morley: There's not enough, that there's not enough in the current system to accurately provide the data necessary, or the analysis necessary.

Bill Merrill: Okay, so more in depth rating system.

Craig Morley: Exactly.

Bill Merrill: Okay. Gotcha. Thank you for that. I appreciate it. So I'm going to go to Ed Pinto, and then we'll be going to John Russell. Can Ed join us?

Edward Pinto: Yes.

Bill Merrill: Please, Ed.

Edward Pinto: Thank you. And thank you for the opportunity to make a presentation on this important topic. Will you bring up the slides, please? Thank you. So, if you go to the next slide, the I'm going to talk on two topics.

One is our in depth study into allegations of racial bias by appraisers on mortgage loans. And so next slide, please. There have been recent reports alleging racial bias by appraisers on mortgage loans on a number of newspapers and other media channels. The implications of these stories has been that intentional and perhaps unintentional appraisal bias is both commonplace and that the valuation gaps are quite large.

A literature search found no statistical analysis had been done on these types of claims. Using big data we conducted the first analysis into whether these allegations of intentional racial bias along with possibly unintentional bias are either common or uncommon. Next slide, please.

So our approach is to use automated valuation models to standardize our comparisons. And also to use the fact that purchase loans tend to be, and appraisal tend to anchor to the purchase price. And there's much less opportunity for any bias, either racial or otherwise, on purchase loans.

So we go through a series of approaches that are listed here. And we found that there was very, very little gap between loan appraisals to Blacks or Whites for refinance loans or for purchase loans, they were both about the same. And as I said, there's very little opportunity on purchase loans to have a difference.

When we limit it to refinance loans with an appraisal waiver, we also find similarly very small gaps. And of course, the appraisal waivers transaction does not involve a human. And of course, there's no involvement of what the race of the borrow is. And so we think this all indicates that, and in our research goes into much more detail, that there is little evidence of racial discrimination on appraisals being commonplace and systematic. Next slide, please.

So that's our conclusion. And while we can't rule out individual cases of bias, there are certainly we believe probably some bad apples that are out there. And we have suggested some ways that that might be approached statistically to find those bad actors. But our conclusions are that this appraisal bias, racial bias by appraisers on refinance loans is not common and not systematic. And that also there's no evidence of unintentional bias that is either systematic or commonplace. Next slide, please.

I'm now going to turn to general findings relative to the use of appraisal waivers, which have been in use for a number of years. But the data to analyze this has only become available in the last recently in the last six or eight months. Next slide, please.

I point out that it's very important if there are additional appraisal and waiver flexibilities or hybrids that are made available that the data made available by the GSEs actively tell what type of exception or methodology is being used. As you'll see from my presentation, we go through a lot of analysis in order to see what's actually going on. Appraisal waivers have grown in use, but they were prevalent prior to the pandemic. Next slide, please.

And they've exploded generally and for each different type of loan be it purchase, refinance, rate and term or cash out. Next slide, please.

We find that there's tremendous amount of anchoring to LTV points, and that applies, especially on waivers. But it also applies on human appraisals. But you see the anchoring here and those points that anchor are basically price points. Next slide, please.

This leads because of the process of what we call three bites at the apple, you can look for an appraisal waiver from Fannie, you can look for an appraisal waiver from Freddie, you can actually resubmit a couple times. And then if you get turned down on an appraisal waiver on all of those, you can get a human appraisal. Next slide please.

We looked at the prevalence of waivers by CLT and credit score ban and we basically found that it was mostly obviously LTV, but there was some correlation to FIFO score. Next slide, please.

Bill Merrill: About 30 seconds Ed.

Ed Pinto: Thank you. Next slide, please. We then looked at cumulative price inflationary aspects of a waiver and appraisal process. And we found that appraisals performed by humans tend to have an average premium over waivers done by algorithm. And that ends up being one and a half to two points.

We seem to we found that appraisal waivers have had a somewhat salutary effect on price, tamping down price inflation. And we're now investigating opportunities for gaming the waiver process that was reporting in our comment letter that will expand on this research. Thank you very much.

Bill Merrill: Oh very helpful Ed. If you have a second, I'd love to ask you a couple of clarifying questions. Is that okay?

Edward Pinto: Sure.

Bill Merrill: So let me -- I heard you say that you would like to see the GSEs be more transparent on their appraisal waiver, results in information, especially if they make any changes. Did I hear you say that?

Edward Pinto: Yes, generally. But in specific, I heard earlier some commentary on hybrid appraisals. If a hybrid appraisal is being used it's important that that be noted in the data, the loan level data that's being provided. Right now the loan level data says it's a waiver or it's a human appraisal. If there were, say a third option, a hybrid appraisal, it should say, you know, an appraisal 10-03 or whatever the number is, a hybrid whatever, if there's a number to that and a waiver.

As you see from our presentation, we're able to analyze the accuracy and the difference in the results from all those different types, if we know what different types are being used. In this case, there are the two.

Fortunately, the GSEs put out information down to is it a rate and term refi? Is a cash out? Is it a purchase? That's very important in our analysis. We need all of those levels of information in order to do this analysis, because we think as I ended my presentation with, there's plenty of opportunities for gaming here. This is the last piece we're still looking at. And in order to see that and really analyze this properly, you need full information of these different types.

Bill Merrill: That sounds good. I want to make sure -- that's very helpful. A comment and a question. I would highly encourage you to provide the gaming information in your RFI response, if available, is an area of concern because we've written that up in the RFI context. Especially lenders, to your point, you know, shopping GSE for a waiver. It's something we're very well aware of. So if you have the information on that or data, I'd highly encourage you to include it if you're comfortable with that.

Also, let me ask a quick question on when you say premium. So back to your last slide, you were saying that you tend to see more of a premium on appraisals versus appraisal waiver. What you're saying by that is that you tend to see more overvaluation on appraisals than you do appraisal waivers. Is that what you're saying?

Edward Pinto: So it's a little, slightly more complicated than that, and I didn't have time to get into it.

Bill Merrill: No problem.

Edward Pinto: So on a purchase action, we tend to see the waiver come in a bit below, the sales price, than the projected sales price based on a comparison with our ABM that we're using as our instrument. When we look at the human appraisal, we see that it's anchored to the sales price. So said another way, the appraisal waiver situation is a little below the expected sales price. But the appraisal is pretty much at the sales price.

In our talks with various parties involved, we would expect that because we think the waiver process not only because of how the data is being used, but the other factors around the loan that may pertain to those underwriting items that I mentioned some other things, are leading them to be a little conservative in using the waiver.

So it's not surprising that it goes a little bit to the low side. What we're able to find is that on the human appraiser, on the purchase, they're coming in right on the purchase price. But then when we look at refinances, we find that the waiver comes in at our expected number basically, but which is, before they were coming in a little lower, but on the human appraisal on the particularly cash out, on the cash out is coming in about two points above.

And so we think there's a premium on the cash out on the human appraisal. And the waiver on a cash out is coming in at the expected number.

Bill Merrill: Gotcha. Very helpful. I'm going to move on, but I will ask you one last thing. Is as the Director mentioned in his comments, the concern around racial bias and appraisals is a very big concern of ours. And it is something that as we mentioned in the RFI write up, we are looking at. So our fair lending team and lawyers may be reaching out to you as you continue to look at that data. So heads up, they may be calling back to you --

Edward Pinto: Great.

Bill Merrill: In the background.

Edward Pinto: Happy to do that. Look forward to it.

Bill Merrill: Thank you very much, I appreciate it.

Edward Pinto: Thank you.

Bill Merrill: So let me move on quickly to Mr. John Russell, and then we'll be going to Jefferson Sherman.

John Russell: Great. Thank you so much, Bill. Thanks to Director Calabria, FHFA staff, fellow speakers today and attendees. My name is John Russell and I am the Strategic Partnership Officer for the American Society of Appraisers. Happy to be with you this afternoon.

We look forward to providing further written responses to the RFI, but I want to spend my time today focusing on the premise of this conversation. As defined by the FHFA, in the RFI, appraisal modernization means exploring the respective risks and benefits for the entire range of property valuation alternatives.

As I see it put simply, it seems FHFA sees the future of appraisals being anything other than appraisals. This is not a conversation about appraisal modernization, but evaluation commoditization. Treating any means of expressing value as equivalent.

I expressly reject the premise on which this conversation is based. Since the premise for this conversation is faulty, it makes little sense to discuss the relative merits of the alternatives covered in the RFI.

For example, it makes no sense to explain what hybrid appraisals, desktops by another name, are not monitored. I think I read 1998 and how reliance on unregulated non-appraiser third parties for data collection presents a host of problems.

It is not worth exploring how using data from those same third party to decide whether to proceed without an appraisal can be manipulated by those seeking to mask deficiencies in the subject property.

Or how AMS are simply the codification of the assumptions, experiences and biases of a handful of developers apply broadly, subject to no standards or transparency.

And lastly, there is no need for me to say out loud that appraisal waivers are literally the opposite of appraisals. None of these so called alternative is meaningfully equivalent to a traditional appraisal. And to treat them as such dilutes the value that an appraisal offers to everyone involved in a housing finance transaction.

Now to be clear, I am not saying there's not a use case for each of the alternatives I've mentioned as part of the overall lifecycle of a mortgage loan. But this conversation, as positioned by the FHFA definition of appraisal modernization, looks to push for greater use of lesser alternatives to appraisals.

So again, I reject this notion. Especially at a time when there is historic uncertainty around the housing Finance market and when there are 400% more mortgages over 90 days past due than a year ago.

Now, none of what I've talked about to this point has anything to actually do with modernizing appraisals. If we want to have that conversation, I have two suggestions. And I'm sure there are others as well.

First, appraisers have spent over a decade providing information to the GSEs through the UCDP, without any meaningful access to the very data they have provided. I believe that data democratization in some form is overdue, and can help provide a powerful tool for appraisers to use when performing is done.

Secondly, we need to look seriously at how the question of value is asked and answered. I would be surprised if anyone here believes that a point out their value as a specific date is the highest and best use of the time and talents of appraisers. Appraisers know more than they are being asked, and have multiple ways to express what they know.

A range of values for example, better reflect the dynamic nature of housing markets, yet this information is not requested. Appraisers also are not being asked what their local economic conditions may affect the housing market over a definable term.

For example, if the plant in town closes or adds a shift that would directly affect the demand for housing. Appraisers know what is happening in the communities they serve. But again, they are not being asked to tell us everything they know. They can only provide -- they tend to provide beneficial forward looking information but only if it's being asked for consistently.

These are but two ideas that speak to actual appraisal modernization, and not to the valuation to monetization FHFA wishes to engage in under their definition.

Finally, I do want to address the most critical topic raised in the RFI, whether and to what extent minority communities are disproportionately negatively impacted by appraisals. I know this is a charged topic and one many people have a hard time with. But we as the appraisal profession, and the broader housing finance industry have a responsibility to lead on this conversation.

That means exploring if a problem exists, and if so coming up with solutions. I know some, such as SA affiliate Gene at API, have looked at empirical data and found no significant value impact in minority communities.

But at the same time, there are too many stories of minority homeowners encountering problems that may have affected the valuable conclusion for us not to have a conversation on this topic. If we do not lead on this issue, others will, be it Congress or agencies such as FHFA. We owe it to those who rely on the housing finance industry, and frankly ourselves, to tackle this head on. And if problems exist, find solutions together.

Again, I want to thank FHFA for holding this listening session. I look forward to hearing any questions and from the other speakers this afternoon.

Bill Merrill: Oh thank you, Mr. Russell, very helpful. May I ask you a quick question?

John Russell: Absolutely.

Bill Merrill: Yeah, I just want to make sure I understand your suggestion. So on the UCDP, which we're very familiar with, is it your desire that that information sort of be shared publicly, be available to us, to a smaller set of the industry? Tell me a little bit more about what you're thinking about that data set out there that the GSEs and FHA have?

John Russell: I think it's a fundamental question of fairness that we provide as robust a tool back out to the same population that has helped to support the development of tools internally for the GSEs. Now I understand there are concerns around the oversharing of that data and the potential basically for a feedback group. So whatever design you come up with has to be carefully constructed to avoid that. I know, again, as I just mentioned, occasionally there's anchoring tendencies and we want to find ways that to solve for that as best we can.

But ultimately, I've always found it curious that on the one hand we ask appraisers to deliver enormous amounts of data as precisely defined by the GSEs in word, and they expect to give nothing back. I think that for the sake of fairness, there ought to be more sharing of that data back out to the appraisal profession.

And I think that there are ways to position the use of that data to improve the overall quality of the product as well. I am not the smartest person in this room, I never want to be the smartest person in the room, there's somebody here with a better answer to that question than me, in terms of how you model it. I just think it's well past time that we start figuring out how exactly to go down that road.

Bill Merrill: Okay, thank you very much. We're going to move on, but I will say one comment. You mentioned, and I'd love to see this in your RFI response of course, if you want to provide it. And that is, you mentioned that appraisers may know more than they're being allowed to provide. So I'd love for you to sort of tease out in your response around what, you know, how forms, data, other things could change. I know, I mean I know you mentioned range, but how that flexibility could be built in where appraisers can have more input and set templates that they have. Is that -- I'm just going to suggest that to you.

John Russell: Okay, happy to do it. Okay.

Bill Merrill: Thank you very much. So let's go on to, thank you again, Jefferson Sherman, and we'll be going through Jillian White.

Jefferson Sherman: My name is Jeff Sherman and I'm the immediate past president of the Appraisal Institute. On behalf of our nearly 17,000 members, I'd like to thank the FHFA and Director Calabria for inviting comment from us today.

Let me begin with the general appraisal policy and process improvement suggestions. FHFA should be judicious with these proposals and plans we should adapt to change. Some of the change envisioned here could be helpful, some of it could be harmful, by further disconnecting users of appraisal services and appraisers.

Current certification and limiting condition statements found in many hybrid assignments are forced upon appraisers as take it or leave it propositions. The hybrid arrangement truly represents the worst situation for appraisers, who then are mandated to be responsible for the subject property condition. We do not believe this process benefits safety and soundness.

Next, many lenders continue to reject trainee inspections. Trainee inspections would help to partially solve the supply side of turn times for appraisals. This is endemic of larger concerns between lenders and appraisal management companies.

Some of the current methods of appraisal procurement oftentimes places locational competency and property type competency behind turn times and fees. This practice is directly at odds with quality loan production goals. We need a better and more holistic partnership that identify solutions and solve problems between the GSEs, loan sellers and appraisal service providers.

Sometimes the differences between GSE guidelines creates confusion amongst lenders and underwriters causing second guessing of appraisers. For example, we notice substantial difference in accounting for the value impact attributable to solar components and appraisals.

One of the GSEs permits the use of cost in income methods in addition to sales data analysis. Another one, on the other hand, only permits the use of paired sales data. This requirement may be in conflict with you staff, and it restricts the appraiser from using all the tools in our toolkit.

And now let me move to risk management data availability and etc. We support the reasonable sharing of GSE data with appraisers. For instance, the collateral underwriting system used in the secondary market provides potential comparables and ratings to lenders and reviewers. A best practice would be for the lender or reviewer to share this data with the appraiser at the time of awarding the assignment, rather than blindsiding him or her in the review process. This has been discussed for years, but we now urge this idea to be advanced in concept and testing phases.

Regarding appraisal waivers, not every situation requires interior exterior inspection appraisals. Risk based approaches are acceptable, but they require oversight and engagement by FHFA. We remain deeply concerned about an ongoing or potential race to the bottom in risk management. We also believe the full force of appraisal expertise is currently underutilized.

We encourage the GSEs and FHFA to innovate in direct collaboration with professional appraisers. We are firm in our commitment to evolve the valuation process. And we look to work in partnership with the GSEs and FHFA to do so.

And now I'd like to finish with operational and appraisal process improvement comments. You know, when we see even one story of a consumer who feels they were treated differently because of their race it's gut wrenching, because that goes against everything we stand for.

I believe it's fair to say on behalf of all appraisers that bias in whatever form it takes is the enemy of the valuation profession. Appraisers take a lot of pride in being an objective source of real estate value information. We look at the numbers and facts and mirror what the market tells us. We know bias is human and exists in various forums whether conscious or unconscious, and no profession is immune from that. We believe it's important to continue educating ourselves about the situations and circumstances that can potentially lead to negative bias.

There are three pillars of bias, explicit, implicit and structural. The Appraisal Institute and others are addressing explicit and implicit bias. Structural issues requires a holistic approach with all relevant stakeholders. We look forward to thinking boldly and creatively with the GSEs and FHFA to promote community and economic development throughout the country. Thanks again for seeking comment from the Appraisal Institute on these matters. Thank you very much.

Bill Merrill: Thank you, Mr. Sherman, I appreciate your comments. One thing that stood out to me that, you know, and again I hope you respond to the RFI, you mentioned your CEU by name, and you certainly fair housing tool as well. But sharing data ahead of the assignments. We heard that before when we had the, we hosted appraisal -- appraisers a couple years ago. I think, you know, if you're going to include that in your RFI response, which I would encourage you to do, I think there was several appraisers in the room that liked the idea. And there was appraisers in the room that didn't like the idea, you know, felt it could be steering, that they want to do their own exploration.

So maybe if you could do us a favor, if you decide to respond in this, tell us both -- a little bit about both those sides, you know, the pros and cons of providing data from the GSEs ahead. Is that something to think about?

Jefferson Sherman: Yeah, absolutely. I don't think the steering is really an issue. I think we just, we want the data, and then we'll select the data that's the best. And I think this also, if we get it ahead of time it can smooth the process so that turn time -- the effective closing times are quicker, because we don't go into reviews that are extended, additional information time for the appraiser upfront. It really creates a lot of efficiency in the process.

Bill Merrill: Gotcha. Thank you so much. I’m going to have to press forward. So let me turn it over to Jillian White, and then we'll be going to Earnest Durbin. Jillian?

Jillian White: Great. Hi, thank you, and I'm so happy to go after you, Jeff, because I think my presentation is going to dovetail nicely into what you just said. So my name is Jillian White. I am an appraiser. I am an SRA. And I'm also the head of Collateral at Better.com. And the topic that I'm going to be speaking on today is around discrimination in valuation practices.

So if we just take a look back historically, next slide, please, in the not too distant past, Black families had limited access, or in some cases no access, to mortgage financing. And then to make matters worse, there were limitations and restrictions on where Black families were even allowed to live.

And so in certain areas, what that created is a shortage of housing that was suitable for Black families to live in, which then in turn increased the amount of demand because there's limited supply, and drove up housing prices for some Black families.

So while White families were purchasing homes and getting mortgages, oftentimes with very favorable terms, Black families in many cases were forced to rent and sometimes forced to rent out spaces within their home in order to bridge the gap financially for these higher rental prices. And a lot of times there wasn't much excess funds for things like even basic maintenance.

And so what happened is, over time neighborhoods that had occupants who look like me, became associated with neighborhoods that had a lack of maintenance, overcrowding and generally this idea of limited appeal.

And so, Black neighborhoods eventually became synonymous with limited appeal. And it was such a given that a point in time in our history and in appraisal practice, the racial composition of a neighborhood was actually an acceptable appraisal factor. Now, that is not the case today, but the remnants of it still exists. So next slide, please.

So I know for myself every time I look at a UR AR and I see right above the neighborhood section, this note, or reminder that interracial composition are not a factor in appraisal, because this wasn't always the case. However, the damage has been done. And so next slide, please.

We are able to see it in housing prices today. So a home that's in a predominantly White neighborhood, on average is going to be more than two times worth a home in a predominantly Black neighborhood. And that is after adjusting for things such as the size of the home, the style of the home, the condition of the home, the school district, income, socio economic status, and educational level of the occupants there.

And so what this means is if you are living in let's say a three bedroom, two and a half bath ranch, the improvements that you make to your home will probably have less impact on the valuation of that property than the color of your neighbor's will.

And so when you move in the sales comparison approach, which we know is a predominant approach to value especially in mortgage lending, and there is a great emphasis on selecting comparable sales that are very, very proximate, what then does a homeowner do who has recent sales and proximate sales, but all the inhabitants of those properties look like me? So in those cases, those homeowners really need to brace themselves for an undervaluation of their homes. Next slide, please.

You asked the question, is there discrimination and valuation practices? And the answer is, yes. The sales comparison approach in and of itself is discriminatory. In Black neighborhoods, it simply perpetuates the damage that has been done by redlining. And so there is no opportunity for Black neighborhoods to have the same level of appreciation as White neighborhoods, because the approach simply won't allow for it.

And so we have three approaches to value because they each come with their own set of strengths, but they also come with their own set of weaknesses. And when the three approaches are allowed to work together in conjunction with one another, they are able to offset the limitations of any one approach to value.

And so therefore, my recommendation is that we begin to move away from this extreme focus on the sales comparison approach in mortgage lending and return back to a more holistic approach as it pertains to valuing property. Because that's the only opportunity that our Black homeowners are ever going to have to realize sustainable level appreciation as their White counterparts.

Bill Merrill: You have about 30 seconds there Julie.

Jillian White: I am done, thank you.

Bill Merrill: Oh, thank you. Appreciate it, I didn’t mean to cut you off, you got --

Jillian White: No, it’s okay. It was good timing.

Bill Merrill: I just wanted to make sure you got everything in there. So thank you very much. I really appreciate. I think in your response, it would really be helpful for us, just based on your comments, you mentioned moving away from sales comparison. So there may be some more thoughts from you on what else would be other options, whether, you know, what are other ways to approach that? Is there ways that can be considered as we look forward to help reduce bias especially through that sales comparison concern.

You also, it would it be really helpful, as I mentioned to previous speakers, if you have additional data, especially on the nation scale, but if you have local great too, that would also be helpful for us. And then I'll caveat that our fair lending team, which is looking at this issue, may reach out to you as well, similar to previous speakers for more information. Is that okay?

Jillian White: That is more than okay.

Bill Merrill: Right. So thank you very much for your time. I appreciate it. Let me move to Ernest Durbin, and then we'll be going to Scot Rose.

Ernest Durbin: Thank you. This is Ernie Durbin, some of you know me by Ernie. By the way, if you have not had a chance to listen to Jillian White's presentation to the CRM, Collateral Risk Network, on the same topic, I highly encourage you to go to that website and see if you can find that video. It's a 30 minute or so presentation, it's outstanding. So please encourage you to do that.

Listen, I've always said to appraisers, I've been in this business 40 years, or since 1982, so I guess it's pretty damn close to 40 years. I've always said to appraisers the unique selling position for appraisers, what makes us different than a BPO or other evaluation other things, the fact that we reconcile our value opinions. We draw the conclusions together and try to resolve that. I've got a definition of reconciliation on the screen just so that whenever I walk through this today, we can focus on that a little bit.

So my response to FHFA is going to be on five of the questions. And I'll just denote them quickly. First is A-1-1 which is there a need to provide new valuation solutions. I think we have to reconcile with some facts here. The facts are that three comps and a cloud of dust is no longer acceptable in today's modern environment whenever we have so many large data stores that are available to us.

I think back to when I started in this business and those of you who have heard me speak before know that I use the space shuttle example. The space shuttle came out about the same time as the UR AR form, and we've retired the space shuttle because technology no longer keeps up with that. So we need to reconcile with the fact that we have much better data and we need to be using that today.

We need to reconcile with the fact that traditional appraisal reports are taking longer and longer to complete as a result of either fears of buybacks or state board's actions against appraisers and appraisers fears there. Or let's be honest, I work with an AMC or for an AMC, but AMCs in the process also extend that and make it take longer and longer.

I think we need to reconcile with the fact that the appraiser population is older and many are exiting the profession and will be soon. We're not replacing the aged appraiser workforce with new entrants. The reason by the way is economic. I know there's been a lot of discussion about education level and experience level and all these other things, you know, adjustments we want to make. But the truth of the matter is if it's not economically viable to be an appraiser, you're not going to draw young people into this business or new people I should say.

The solution is not paying more though for traditional appraisal reports. It's upping the hourly rate of the rank and file appraisers we have through technology and new product offerings.

Question A-1-2 says are there opportunities to -- for process improvements to allow nontraditional valuation services right now? I think absolutely. I think we've seen that the GSE flexibilities during the COVID crisis and some content from the, I would say incomplete pilot programs, that there needs to be a continuum of value, collateral risk value assessment.

It doesn't need to be binary, which is kind of the way it is right now. We either go from a waiver, which is essentially no appraisal product, to a full appraisal. And I'm very thankful for the waivers, by the way, because they've been a real pressure release valve during this particular period of time.

But the reality is, there's a continuum of collateral risk there. And there needs to be services that match that continuum. And these services should involve professional appraisers, although with a different scope of work. Appraisers need to reconcile to themselves and to others that they can provide new and different types of services inside the valuation continuum.

The next question that I wanted to address is A-1-4, would utilizing alternative inspection forces such as insurance adjusters, real estate agents, and listen to this, appraisal trainees assist with addressing appraiser capacity concerns? Well yes it would, by allowing our professional appraisers to focus on what they do best. Valuation analysis and reconciliation.

Ideally, appraisers should not be performing any work that doesn't require their licensure and expertise. Leveraging alternative inspection forces will allow appraisers to form more opinions of value and increase their hourly rate.

The interesting thing about this question is it references appraisal trainees. Somehow we've got to get the message out there to lenders that the enterprises are open to appraisal trainees. Many lenders will not allow a trainee to inspect on their own. Why would they allow an alternative workforce to do the same thing? To me that's a disconnect.

So, alternative inspection workforces, when we utilize them should be licensed or certified in some manner by their state authority, preferably under the real estate section of that state.

Bill Merrill: Give you about 30 seconds there, Ernie.

Ernest Durbin: In which case, I am going to jump to my last piece, which is C-1-4, is there discrimination in the collateral valuation practices. I think we as appraisers need to reconcile with the reality that some discrimination exists in valuation practices. That being said, there's no place for that discrimination, in this disparity. There's a disparity that's been noted by the Brookings Institute and other reports out there.

We have to, as professional appraisers, realize that many of these things may be a result of systemic issues in our culture, and not necessarily about our practice. But we don't live outside of our culture. And we have to be diligent to maintain neutrality in every respect, guarding the public trust, by complying with our call to provide independent opinions of value. Education, new terms, and focusing on equality is what's most important. And thank you for listening.

Bill Merrill: Thank you Ernie, I appreciate it. You brought up a topic that I hadn't heard yet. So if you decide to respond to the RFI, I'd be interested in getting some more information around appraiser compensation. So you mentioned raising rates, etc. So you know, I encourage you to, if you decide to apply, to kind of probe on that, since we haven't heard that issue yet. You know, there's the side of the house that says hybrid appraisals allow you to get more volume, right, as an appraiser. And you're introducing the concept of in addition to that, you know, what's the appraiser compensation as it relates to that middle ground type of valuation between waiver and appraisal.

Ernest Durbin: Thank you, Bill. I will be replying to the RFI under three different roles. And so you can count on me addressing that in one of those. By the way, all my comments today are my own.

Bill Merrill: Yeah, of course. Absolutely. But the compensation will be good because I haven't heard that yet. So let me thank you, Ernie. Let me go on to Scot Rose and then we'll go to Kenon Chen.

Scot Rose: Thank you, Bill. I always have to say it's such a humbling and daunting experience to get the opportunity to stand up here amongst all the very influential and respectful people on the panel and attendees. So thank you for this time and opportunity.

My name is Scot Rose, I'm the Chief Innovation Officer at Class Valuation. I am a certified residential appraiser, I have approximately 25 years' experience in the industry. I'm very committed to the health and the longevity of the appraisal industry. And so again, I just really appreciate the opportunity to participate and talk with everyone about the future of our profession. Next slide, please.

As proof, by the comments already proposed today, you know, we're going to hear from both users and providers of appraisal services. Some folks are going to talk about, you know, their frustration and the desperate need for change in our profession. And others are going to share their concerns, some based purely off of the fear of change and some very valid concerns that need to be considered as we look to potentially change the way that we go about valuing real estate.

I'm here today to talk about how technology can solve for many of those concerns. And I believe how important it is that technology must be part of this process as we look to potentially remove the appraiser from the concept of viewing the properties physically. Next slide, please.

Obviously, within five minutes there's no way I can go through and cover the robust amount of benefits to the technologies that exist today in a modern era. If we were having this conversation three years ago, probably would not be the same conversation and would have a lot more concerns about the idea of keeping appraiser from physically viewing the property. And allowing them to focus, as

Ernie mentioned prior, on the more important components of the process and where they bring the most value.

One thing I want to point about as many of us are familiar with 3D property tours that were available on marketing of homes as you've probably seen online. These same technologies can be applied to the appraisal process. And I think one of the most important aspects about the virtual tour itself is what that does is it allows us to ensure that all areas of the home are captured. So there's no longer a concern of whether or not all the still images were captured to give the appraiser full insight of that property or even worse, something was missed. Same with video. Video can be used to capture a home. But how do you know that all areas of that property are captured.

With these technologies, because of the spatial context that we're able to use with computer vision, the same technologies that drive self-propelled vehicles, we're able to guarantee that all areas about home are captured, both from the interior as well as providing great representation of the exterior of the home and the different areas that would affect real estate on that property. Next slide, please.

As I mentioned, with the advancement of these technologies and the computer vision, we're able to extract a lot of data from those images. Virtual tours are essentially lots and lots of images that are stitched together to create those virtual renditions.

Another point I might make is that a real positive of having that virtual rendition is now we have an actual stamp of that property at the time of origination showing the condition and the quality of construction of that particular home that can carry on through the life of the transaction.

We're also able to extract very detailed measurements of the property and floor plans. So as you can contemplate taking the appraiser out of viewing the property physically themselves, the functional utility of the property is a very important concept. And with computer vision we can machine generate detailed floor plans giving that appraiser 100% confidence of the functional utility of that property, as well as not having to be concerned of relying upon training of other labor forces that may or may not be qualified to measure a property and provide them with the details that they need to know.

We now have technologies that can support this process, bringing that credibility and allowing us to keep the appraiser at home, focused on the analysis and really helping to solve the capacity issues in our industry. Next slide, please.

On top of the detailed floor plans, we can also get asset information, detailed year make, model, match of major appliances in the home, kitchen appliances, air conditioning units, hot water heaters, furnaces, etc.

We're able to provide the appraiser and also hold in the data set itself spatial context of where contributary aspects of that property play a role. As you can see, in this photo here, you see the view of the ocean from the master bedroom, from the balcony. These views can be tagged within the dataset, as well as deficiencies or other aspects of the home pointing out where there could be potential issues or beneficial factories -- factors to that home that now are fully transparent and carry on with the data set of that property. Next slide, please.

Last, there's much, much more data that can be extracted from this process. Not only can we get two dimensional measurements, we can get three dimensional understanding of the home. We get the volume and the space of areas within that property. Average ceiling heights, measurement of all the fenestration than the home, inventories of the floor material and the various fixtures of that property, that can now all be standardized and captured in the data set, not only for the appraiser to use and their analysis, but for other downstream stakeholders to have full transparency into that property. Understanding quality of construction, conditions, and other aspects that can be used in the collateral risk process. Next slide please.

Bill Merrill: You got about 30 seconds or so there.

Scot Rose: Perfect. In conclusion, great timing, you know, there's no doubt that hybrid process can have a major impact on capacity issues allowing us to get more transactions into the hands of our most qualified appraisers. It can bolster appraiser independence by completely removing the appraiser from all parties to the transaction. Further assisting with some of these other conversations we've talked about with racial bias, there's also confirmation bias, religious bias, etc.

And not only can we help to support the hybrid process, but we can actually provide more information in a comprehensive standardized fashion with authenticated source data from the property at the time of origination that can be carried on through the process.

Last, I just want to point out, not all solutions are created equal. We must focus on responsible innovation and the use of technology if we want to apply these processes. And the technology is here to support that. Not only can we support the hybrid process, but we can improve systematic risk not degrade it. Thank you.

And last slide, I will leave you guys with a quote. I always like to do that with my presentations. To change is difficult, to not change is fatal. Thank you. That's it.

Bill Merrill: Thank you, Mr. Rose. I appreciate it. We'll be going, we're switching over a little bit here. We're going to go to John Brenan. And then we'll be going to Kenon Chen. Let me turn it over to Mr. Brenan.

John Brenan: Thank you, Bill. I appreciate it. I want to thank Director Calabria as well as the FHFA staff today for the opportunity to speak here. I also greatly appreciate my fellow speakers and their contributions today. My name is John Brenan, I am the Chief Appraiser at Clear Capital.

Appraisal is the only career I have ever known. Working previously as a residential appraiser, then a commercial appraiser, a state regulator, and then with the Appraisal Foundation. So I am passionate about our profession. And that passion is what fuels my comments today.

I believe we're at a seminal moment for our profession. When we talk about modernization, and modernization is more than just hybrid appraisals as your as you will hear from my colleague, Kenon Chen momentarily. But modernization equals change. And in many cases, as Scott just said, change can equal fear.

Adaptation is the key to survival of any business or occupation. Changes are going to occur, whether we like it or not. We can embrace those changes and remain relevant, or we can reject those changes and watch from the sidelines. But make no mistake, those changes are going to happen.

So why, in the case of appraisal modernization, and particularly hybrid systems as I'm speaking of today, are we being asked -- or why are these changes occurring and what are we being asked to do?

Well this slide that you see is one that I think most of you have probably already seen. And you can see it by the volume of loans that the GSEs have done over the past year has skyrocketed.

But look at that yellow line right around 40,000 and that is the number of appraisers that have performed those assignments over that same timeframe. And it's roughly about a ten year total. No matter the volume that line is parameters are straight. It’s very much straight. And we have capacity constraints. So something has to give. Appraisers can either be part of the solution or left out of the equation. Next slide, please.

Why are the appraisers being asked to change? This is a tough one for a lot of appraisers who have been around for a long time. Because we've been the eyes and ears of the lender. And you know what, that's made us special. That's underscored the importance of the inspection in our assignments.

But think about it, that that is a process that was created many, many, many years ago, before technology and tools, such as examples you just saw from Scott, could provide the appraiser with accurate, verifiable information about the subject property.

If the appraisal process were created from scratch today, it is difficult to imagine a scenario where the appraiser would be asked to go inside the home every time they appraise a property. And think about it, desktop appraisals are not new. Appraisers have been performing these types of assignments for many, many years. And many of those traditional desktops involve no inspection at all.

Yet some appraisers are more reluctant to perform a hybrid appraisal with an inspection provided by a trained real estate professional using technology state of the art technology, than performing a desktop appraisal with no inspection at all. And you have to ask why is this? The answer is trust. Next slide, please.

Appraisers should have confidence that the people that are performing these inspections are doing so ethically and competently. We believe property data collection performed by real estate agents and brokers is a solution that is here now, this is not a future, some sort of future game.

These folks understand real estate. They've been specifically trained to perform property data collections. They're accountable, just like appraisers, they're licensed in their state, there's a place to go to if there's a problem. And not only do they attest to having no interest in the property the transaction we actually perform a check on MLS on every property where they perform an inspection to ensure they are not an interested party. Next slide, please.

So even though there are some appraisers that are still reluctant to perform hybrid appraisal assignments, I will tell you right now that appraisers want to perform these. This is the best kept secret that's out there. We have seen, you see the stats on the slide, you see the testimonials, we have seen a dramatically increasing number of appraisers that wants to perform hybrids. There are appraisers that no longer can or want to drive, no longer want to go into extreme weather conditions to perform appraisals.

And most importantly, the things that you'll hear, and that you've heard over and over, are that this allows appraisers to do what we do best, to analyze data to develop, credible opinions and conclusions. You can, as an appraiser, be able to perform more assignments because your scope of work does not include inspecting or driving the property. With more assignments being performed by appraisers, that will reduce the strain on capacity, keeping appraisers a relevant piece of the collateral evaluation issue.

So why, what's the ask? Why would a male, pale and stale appraiser like me advocate to accept these changes? To ensure that appraisers remain relevant in this profession that I love. Thank you, Bill.

Bill Merrill: All right. Thank you so much. Appreciate that. Just to give everybody a heads up, we are going to go on to Kenon Chen. However, in the interest of time, and a lot of this is driven by me asking questions, I'm going to make an executive decision to drop the break. So after Kenon Chen, we'll be going to Glen Kangas. Given this is virtual, you know, feel free to step away if you need to take a break and grab some caffeine or whatever you need. But we're going to proceed through the break, just to keep us a little bit more on schedule and respect everybody's time. So we'll go to Kenon and then we'll be going to Mr. Kangas. Thank you. Kenon?

Kenon Chen: Thank you, Bill. Thank you to the FHFA. Thank you Director, for the opportunity to speak at the session today. My name is Kenon Chen, I'm the Executive Vice President or Core Strategy for Clear Capital. I've been in this industry for almost 20 years now. And at Clear Capital our mission is to build confidence in real estate decisions to strengthen communities and improve lives.

After hearing story after story of families stranded in hotels due to extended appraisal times in 2016, we became deeply involved in appraisal modernization, as both an appraisal management company as well as evaluation technology innovator. Because we knew there had to be a better way, there had to be a better approach to this.

And now, after completing over 120,000 hybrid appraisals for GSE backed loans for some of the largest lenders in the US, we can definitively say that appraisal modernization is not an academic concept, but it's a proven necessary path to ensure that consumers, lenders and investors can all win.

We believe that hybrid appraisals should be approved for widespread use by the GSEs because the data results speak for themselves. On the slide here you can see some of these results. On average we've seen hybrid appraisals be completed four and a half days faster than the traditional appraisal. This increases consumer confidence, it reduces costs for lenders, it also reduces appraisal capacity risk, like many have talked about already today.

Hybrids cost 26% less than the traditional appraisal, which reduces the cost of a loan for consumers and provides a more flexible inspection scheduling options, all without reduction of quality. And I agree that it also increases the rate per hour of revenue making capabilities for appraisers, even though the cost to the consumer is less.

And these results were generated over the past year during a record volume year, as we saw the slide that John put up, where the number of loans has greatly exceeded the number of appraisers. But these results where there's faster return times, and more flexible options happened during a record year of 8.1 million loans closed last year. So this process is also more resilient to market cycles. Next slide, please.

We’ve seen appraisal waivers be used, of course, quite a bit over the past year. You know, we call them blind appraisal waivers, meaning there's this decision on a waiver without actually seeing a recent condition update and a recent understanding of that property.

And they're saving the industry today in terms of capacity, but there's some risks there. That's why we believe that the data and done method, which is a waiver decision that's made after there's a fresh inspection of the property, should be reinstituted as an alternative to the current all or nothing approach.

This program was put on pause in February of last year and actually before COVID, and would have provided a really useful option to lenders during this period. The use of appraisal waivers skyrocketed in 2020. Data shown by both Recursion and AEI show that appraisal waiver usage more than doubled year over year, and were used on almost 40% of loans.

Understanding current property condition and characteristics before a waiver decision reduces risk and increases the accuracy of automated models that are going to be used later on. As an alternative to a traditional appraisal, data and done turn times also can be as much as ten days faster than a traditional appraisal, and save the consumer hundreds of dollars. Next slide, please.

Appraisal monetization is not just about hybrid appraisal. I know that's what we're focusing on but really, it's about embracing modern technology that increases standardization, provides greater transparency, and yes, we believe it reduces the opportunity for bias.

With the exception of digital photos, the appraisal inspection process hasn't evolved for a long time and remains very analog and paper based. This makes it difficult for downstream loan decisions to be informed by the same first person experience that appraiser had while visiting the property.

The GSE programs and also the appraisal flexibilities during the COVID pandemic have required the use of mobile apps to digitize data collection right from the start right at the home. These apps encourage data standardization earlier in the process. They helped to reduce fraud for the use of GIS location data, and can increase the actual of property measurement.

The use of a smartphone and mobile technology within modern appraisal programs provides greater fidelity and transparency to all parties, including the consumer. For instance, the use of automated floor plans, as you see here, and of course living area measurement apply consistent principles which actually creates a higher threshold for bias to occur.

In short, the benefits of appraisal monetization techniques such as hybrid data and done and digital data collection are already proven. We have the data to back it up. They're already being done now. And while we're proud that Clear Capital is a leader in this area, it's not enough for us to only see a few benefit from this.

We believe that every homeowner, every homebuyer deserve an appraisal experience that is fast, low stress, affordable, unbiased, and allows their families to thrive through the long term investment that we call home. Thank you for your time.

Bill Merrill: Thank you, Mr. Chen, and greatly appreciate it. Thanks for your contributions in doing the presentation. So with that, as I mentioned, I'm going to skip the break and move right to Glen Kangas. Glen, it's all you.

Glen Kangas: Make sure I have my sound on.

Bill Merrill: No problem.

Glen Kangas: Thank you.

Bill Merrill: Thank you Glen. I love the background, by the way.

Glen Kangas: Oh thank you. Better than just having my office in the home here. So my name is Glen Kangas. And I am a Certified Residential Appraiser based in Los Angeles County, and have been an appraiser in the field for 28 years. I am grateful for the opportunity to speak before you today on the future of my profession and its role in the lending world.

I remember my first coursework on appraising, learning about USAP, the Uniform Standards of Appraisal Practice, which is the guide for what we do and how we do it. And what is the purpose of USAP and the appraiser? You all know this. To promote and maintain a high level of public trust in the appraisal practice.

Now what I haven't heard enough of today is discussions of that and how that applies all of what we're doing. So when we're talking about appraisal modernization, the UAE and design of appraisal forms, ABMs and appraisal waivers and the valuation differences by borrower and neighborhood ethnic makeup, I think it's important to look at it through the lens of does it promote and maintain a high level of public trust.

And the more I see this process that we are going through, the more it is clear that the public trust is not being considered in all cases. The last thing we as appraisers need is the GSEs and other entities getting involved in scaling our business for any reason other than to promote the public trust.

What we need as appraisers is the freedom to do our jobs and run our profession. It is important to remember that appraisers are the only independent, unbiased party in the whole real estate transaction, and the only ones tasked with promoting the public trust.

If you want to modernize the appraisal industry and still promote and maintain public trust, we need to remove the restrictions that banks place on us by allowing a trainee to inspect a property without their supervisor. That, in my opinion, is the number one impediment to appraisal modernization period.

What promotes the public -- what promotes the public trust more, having a properly licensed and supervised trainee do the inspection, or allow in a third party with little or no formal appraisal training and not bound by USAP, do that.

We keep being told that these third party inspectors are trained, but do they have 150 hours of training including a 15 hour USAP course? And are they required to be compliant with USAP and promote the public trust? No they are not.

So I ask, why are banks and lenders okay with this unqualified person doing the property data collection, and not okay with a properly licensed and trained appraiser? Does this maintain and promote the public trust? The answer to this is not for the GSEs consult with banks and AMCs on how to cut the appraiser out of the process. The answer that best promotes the public trust is to unchain the appraisers and trainees, and that would release an army of trainees into the workforce who can handle the work.

With regard to the forms and UABs, if you want to help the appraisers promote the public trust, the most important thing is to simplify the forms and focus on what's important. They need to be more narrative and focused on the significant factors to value.

There should also be more focus on market trending and statistical analysis of both the market and the adjustments. You should actually be simple and straightforward enough that a reader can make sense of the process and the value conclusion.

And you know what else would help to promote the public trust? Share the data. We just need to stop with all these reasons for not sharing data and let us appraisers, who have provided it with you, have it. Nothing promotes public trust like transparency, and nothing damages public trust like some government agencies saying we have the information but you can't be trusted with it.

Now for AVMs and appraisal waivers. On the AVM front, it is important to understand that big data is a tool, not the answer. Data and technology are tools that we professional appraisers use to help us do our job better. So what promotes public trust more, a professional appraiser using and analyzing data, or some corporation using it but not sharing how they derive their value conclusion.

On the issue of appraisal waivers, my biggest concern about the appraisal waivers as a potential corruption of the data and the lack of vetting and verification not only for value, but for the correct living area condition, functional or external issues. And then there are comps that are used by appraisers to justify even higher values for future purchases and refi's that could possibly make the data completely unreliable. We'll end up with dirty data.

Also, on this front I've heard anchoring mentioned a number of times. And I think a simple solution to that is to have the loan not be tied directly to a single point of value in the appraisal. For instance, if the contract price is $700,000, and the adjusted range in the appraisal is $660,000 to $705,000, and the appraiser feels that $680,000 is a more reasonable value, but $700,000 is not unreasonable, then the appraiser at the moment is likely to come in at $700,000. But if the loan allowed a 3% variance and value for a borrower with good credit, the appraisal coming in at $680,000 would not kill the deal and make the appraiser more willing to be -- feel -- give their honest opinion.

For the issues being discussed, I feel that we are not recognizing that the hats that each person in the process wears. When you're talking about appraiser modernization, we need to remember that the appraiser is the only hat that is worn that is to promote and protect the public trust. And to suggest non USAP solutions does not promote the public trust.

In summary, I encourage us to release the army of trainees waiting in the wings by allowing them to inspect a loan. Stop treating technology and big data as the answer and not a tool in the appraiser's belt. And be transparent and share the data. And all of our appraisal policy decisions should be made with a goal of promoting public trust. Thank you very much for your time today.

Bill Merrill: Thank you, Mr. Kangas. Appreciate it. So now we'll be going to Joan Trice. And then after Joan will Lesli Gooch. So let me turn it over to you, Joan.

Joan Trice: Thank you, Bill. And many thanks to FHFA for providing this platform today. FIREA was enacted to ensure that a professionally trained and licensed real estate appraiser with no compensation tied to the outcome of the transaction acts independently to protect the public and serve to maintain safety and soundness in housing finance. Sounds like that's not the first time you've heard this so far today.

Do we have this today? Now I don't think we do. We have almost every single stakeholder working to diminish the role of the appraiser. During the last crisis, the credit side of the equation was ceremoniously dismissed with stated income no dock loans. For this next crisis, it would seem that the weak link is the appraisal process.

Now we have no dock appraisals or waivers. We keep raising the de minimis, we have perverted the intent of FIREA with appraisal exemptions for the vast majority of loans. In short FIREA has been gutted, as has the appraisal independence mandates in Dodd Frank.

The most impactful change to the appraisal profession would be to build a framework to allow and support appraisers in reporting the truth. Appraisal independence is the single most important tenant of the appraisal process. Without it you've got nothing. All of the innovation and modernization in this world won't fix the structural problems.

We have policies, practices and procedures in place that encourage appraisers to evade the truth and mislead and here are a few examples. Seller concession policies encourage appraisers to mislead, while seller concessions were well intended, in practice, they harm they do not help the affordable housing sector.

We make 30 year loans on properties that may be underwater in ten years or no longer structurally sound. When is the last time you've seen an appraiser report an economic life of less than 30 years? We have lenders and AMCs creating blacklists of appraisers who kill deals. That is a heinous practice. And yet we haven't had a single enforcement action on appraisal independence since Dodd Frank.

Automated collateral systems have created an avalanche of revisions and reconsiderations of value whereby the appraisers must respond to comps selected by a machine. Lenders who have compared the GSE systems, claim that 60% of the time the scores are diametrically opposed.

And that's not coming from just one lender that's multiple lenders have done this study. That tells me that either one of the models is good, the other isn't so good, or they're both terribly wrong. Lenders inform me that the scores seems somewhat random. But hey, they love that certainty that the buyback protection is afforded to them by using those systems.

The appraisal process has devolved into a single approach to value. We are in a very frothy market today and we have removed two legs of the stool that could help identify speculative aspects of house prices. Each of the three approaches to value acts as a mathematical proof of the other.

And again, this is a resounding theme you're hearing today. We need to stop dumbing down the appraisal process. We seem to be so in love with technology and big data that we've just lost all common sense.

Some recent policy changes are directing appraisers to incorrectly approach highest and best use. This puts appraisers in harm's way of choosing between violating Fannie Mae policies or USAP. The GSEs are the de facto standard bearers of the mortgage appraisal process. That's not codified anywhere folks, it's just the way it has evolved over time.

This is the structural problem that must be corrected in order to achieve appraisal independence. You effectively have the fox guarding the hen house. An independent entity needs to be established. Appraisal data must be democratized. This entity could act as the utility to manage that data. All stakeholders must have access not just appraisers, but lenders, regulators, rating agencies, investors, PMI companies, and even academics and think tanks who want to study collateral risk.

This entity needs to develop new reporting formats. This begins with a top down approach. And the entire process needs to be rethought through a prism of collateral risk. We need to stop blaming appraisers for the failures of a system that they did not create.

We are sending signals to the appraisal community that they are incompetent, they're slow and they're useless. They are terribly underpaid, yet we don't seem to understand why we cannot attract new entrants into the profession. It seems fairly obvious to me. We set ridiculous barriers to entry for the privilege of being abused by the very stakeholders that we serve. This too must change. Thank you.

Bill Merrill: Thank you, Joan, I appreciate it. As I mentioned to other speakers, I want to encourage you, if you decide to respond to the RFI, you mentioned several data points in your earlier comments. So encourage you to contribute those into your response too, I think that would be helpful and data points you mentioned from sellers and stuff.

Joan Trice: Okay.

Bill Merrill: But thank you. Let me turn it over to Lesli Gooch and then we'll be going to Charles Gress. Lesli?

Lesli Gooch: Thank you very much. And thank you to the team at FHFA, Fannie Mae and Freddie Mac and everyone joining today's call. I appreciate the opportunity to share MHIs views about the enterprises, appraisal related policies, practices and processes.

My name is Leslie Gooch. I'm the CEO of the Manufactured Housing Institute. We are the only national trade association that represents all segments of the factory built housing industry. Our members include home builders, suppliers, retail sellers, lenders, installers, community owners and operators and others who serve the industry. We also have 49 affiliated state organizations.

In 2020, the industry shipped almost 95,000 HUD code homes produced by 35 US corporations in 135 plants located across the country. Our members are responsible for close to 85% of the manufactured homes that are produced each year.

Manufactured housing offers value to consumers because of the technological advancements and cost savings associated with the factory built process. And because of the efficiencies that come with the Federal Building Code, the HUD code.

We are pleased that the Federal Housing Finance Agency focused its housing price index highlight in the second quarter of 2018 on price trends for manufactured housing that are titled as real estate. According to the report, in general, the figures suggest that manufactured homes have seen price trends broadly similar to those of other homes.

According to the purchase only series, since 1995, prices have risen by roughly 120% for manufactured homes versus 140% for other homes. While this report was the first of its kind from FHFA, we do encourage FHFA to continue with these reports. We recommend that FHFA publish updates about manufactured housing pricing more regularly, and we hope that FHFA will ultimately include this information in the standard monthly and quarterly house price indexes.

In 2008, Congress created the duty to serve, and it made manufactured housing one of the three areas that Fannie Mae and Freddie Mac must serve. MHI has since been advocating for Fannie and Freddie to meet this statutory duty for manufactured housing both chattel home loans and homes titled as real estate. We urge

FHFA to continue to hold the enterprises responsible for meeting these obligations.

My comments today are focused on changes that both Fannie Mae and Freddie Mac have made to their loan programs for a new category of manufactured homes called CrossMod homes. MHI is pleased that the enterprises have introduced these new programs that provide conventional financing for manufactured homes that are titled as real estate and have certain site built features.

Qualifying home features for the MH Advantage program, which is Fanny's program, and the choice Home program, which is Freddie's program, align closely with the industry's CrossMod home. And include things like higher roof pitches, permanent and lower profile foundations, energy efficient features, garages or carports and porches.

As Director Calabria and his team witnessed on the National Mall during HUD's innovative housing showcase in 2019, CrossMod homes are indistinguishable from site built homes, and are at a fraction of the cost due to the efficiencies of off-site construction.

CrossMod homes are a point of entry for homebuyers who are currently priced out of homeownership because traditional site built housing is not produced below $200,000. CrossMod homes will serve this gap in the market.

These homes have the potential to reach areas of the country where manufactured housing has in the past been zoned out by exclusionary land use regulations at the state and local level. As we work to deliver CrossMod homes to more consumers, MHI believes the GSE needs to help ensure that appraisers are aware of the new financing programs at Fannie Mae and Freddie Mac, and understand how they are different from traditional manufactured housing appraisals.

We need the GSEs to ensure appraisers follow the new appraisal guidelines for homes that qualify for MH Advantage and Choice homes. Under both of the GSEs programs, appraisers may use site built homes as comparables when valuating qualifying homes. But since both programs are still relatively new, we think more GSE outreach to the appraisal professionals about appraisal logistics surrounding CrossMod homes and the available financing programs is absolutely critical.

Beyond outreach we think if the GSEs could develop a functional solution that fits into the lender and underwriting process, such as a form that provides appraisers with very specific instructions and guidelines, would help overcome some of the hurdles we are experiencing.

For example, we are beginning to see multiple listing services include CrossMod as a separate category in their drop down menus. This simple change has helped clarify for agents, appraisers and loan originators that CrossMod is a distinct type of HUD code home. We need the GSEs and FHFA to support similar changes that can help keep the CrossMod home category distinct from the other HUD code homes.

Our fundamental concern is that in spite of the new programs appraisal guidelines, appraisers are just not aware of CrossMod and that it is a distinct type of HUD code manufactured home. We are concerned that by default, they are using manufactured homes as comps when appraising a CrossMod home. So purposeful outreach and engagement for appraisers so that they are aware of these new programs is needed.

In conclusion, the enterprises programs for CrossMod homes could not have come at a more important time. Particularly as the nation responds to the impact of the pandemic, there has emerged a large group of aspiring homeowners who are priced out of traditional site built housing. These are the very consumers that CrossMod homes will serve.

Looking forward, MHI urges the GSEs to provide further support on certain challenges the industry has had in developing this new product, specifically with respect to appraisals and zoning. Again, we appreciate FHFA for setting up this listening session to learn more about potential changes needed to the GSEs appraisal related policies, practices and processes. Thank you very much.

Bill Merrill: Thank you, Lesli. Appreciate it. We'll be going to Charles Gress and then we'll be going to Julienne Joseph. Charles?

Charles Gress: Thank you, Bill. And thank you FHFA for hosting this session. You know, my name is Charlie Grace, I'm a real estate appraiser, been in the business for 25 years. And I'm Director of the Ohio Coalition of Appraiser Professionals. And I also have a lot of experience with the network of state appraiser organizations.

In talking about appraisal modernization, I think the number one thing that comes to mind when I speak to, you know, not only my members in Ohio, but also with leaders from other coalitions across the country is fear. You know, fear is something that, you know, appraisers fear change, and they certainly fear who might be inspecting properties when it comes to the idea of a bifurcated appraisal.

So, you know, I think that, you know, I really am grateful that, you know, FHFA has asked for this type of dialogue. And I think that one way to quell that fear is to continue that dialogue with the working professional appraisers that are out there.

And I also think that one suggestion would be that let the appraisers be in control of who is inspecting the property. You know, I think that if it was a trainee or somebody that the appraiser was engaging, you know, not only would that create a trust of where that information was coming from, it would also allow for a business opportunity for appraisers.

You know, so many times over the last decade or even longer, our profession has started to take away from the ability to earn a living, and I've heard wages come up a few times. Allowing that part of the process to be, you know, given back to appraisers and allow them to use it as a business practice to increase revenue, obviously would be, you know, something that would go a long way with the working appraiser.

The other thing I'd like to speak on is data. You know, we've been filling that UAD pool for, you know, a decade now. And we've -- we all know that appraisal data as appraisers and everybody else in the industry considers the gold standard of housing data.

You know, it'd be very helpful to have that data accessible to appraisers as they're completing their assignments. And I think that, you know, that should be something that we're looking at when we're talking about modernizing the process.

Last, I would like to speak about the racial bias. You know, it's a hot topic that's, you know, been kind of sweeping over the appraisal profession and the mortgage industry for about a year now. You know, it's one of those questions when you're asked it as an appraiser, you become defensive, because, you know, you sign a certification that says that you weren't biased.

And I think I heard it said earlier that bias is the enemy of the appraisal process. And -- but somebody feels this way. Somebody out there does feel this way. So as a professional, we have to look at ourselves and ask those questions.

So you know, from Ohio Coalition, we're going to bring in Peter Christiansen and host a webinar. I would encourage other people in the industry and other state coalitions to do the same, to address this issue head on. And, you know, not only learn about it, but also try to educate the public on what it is that we do do.

Because I think that, you know, as professional appraisers we have an opportunity not only to educate but -- and to weed out bad actors in our profession, but also make us better as a profession. So I appreciate the time. Thank you very much.

Bill Merrill: Thank you, Mr. Gress, I really appreciate it. We'll now go to Julienne Joseph. And then next up after that will be Curtis Milton. Julienne?

Julienne Joseph: Thank you so much. And my name is Julienne Joseph. I'm the Associate Director of Government Housing Programs at the Mortgage Bankers Association. The information that I'll be providing today is a culmination of information that we've received from multiple work streams at MBA from our members. And I'm looking forward to sharing that information with you all today. And we're thankful for the opportunity. Thank you.

Primarily from the perspective of determining improvements in the process, MBA is very supportive of finding the appropriate intersection of the human touch and the use of big data. So I just want to pretty much create that context from the comments that I'm about to provide.

From the purpose of ABMs, our members feel there's a need for standardization among the overall model structure, whether it's from production through loss mitigation and servicing. And with that there's an understanding that the standardization is needed. However, there's a desire that it not be too prescriptive.

And the reason why is that if it does become too prescriptive, it makes it difficult in situations that requires nuances. So we're wanting clear guidelines that allow for that level of standardization, but not to the point where it's so granular that it can cause complications in specific situations.

To the topic of waivers, a lot of the other panelists have already acknowledged today that while waivers can provide cost benefits, not only to lenders but to borrowers alike, there's a concern that an oversaturation of waivers in the market can at some point begin to compromise the quality of the data.

In addition, there's concerns with the buyback situation and lenders are asking if there will be added assurances that if a mortgage has to be bought back, that a property or a mortgage that did receive a waiver, that there won't be any complications within that process.

Also, there's a concern about potential disparate impact and what the actual algorithm is in which these waivers are issued. Some of the lenders are concerned that whether loan to value or either --or even the loan amount can come into play in the issuance of these waivers. Which if you do have communities of color that don't have access to larger down payments, or a higher sales prices and loan amounts, that they might be disproportionately impacted by not being able to achieve or to receive those level of waivers.

Next, I wanted to cover the topic of the UAV initiatives. The members understand the need on behalf of FHFA and the GSEs for there to be a restructuring of the forms to make it easier to harvest property details, by creating more of a data point format versus the narrative prose format that currently is in place.

The concern, however, is as has been mentioned by other panelists is the access to that data and the utilization of it for the real estate industry at large.

So the question is, after this data is harvested is there an opportunity not only for it to be utilized from the appraisal standpoint, but also for lenders and the utilization of future evaluations?

Lastly, I wanted to address the racial bias conversation as well. And while there is data that's continuing to be collected in order to understand the breadth and the size of the impact of racial bias in the appraisal process, MBA is very supportive of future development or in further development of tools that can be utilized in order to remove or extract that bias. Whether it be the use of artificial intelligence, or 3D tools that can utilize, you know, that can utilize that data to extract personal information, but it can be blurred out. If there are these tools that are utilized to find as many ways as possible in order to mitigate that bias.

MBA doesn't tend to provide comments to the RFIs, and we look forward to the continued conversation with FHFA, the GSEs and our stakeholder partners. Thank you so much.

Bill Merrill: Thank you, Julienne, really appreciate it. We'll now go to Curtis Milton, and then it we'll be going to Sehar Siddiqi. So Curtis?

Curtis Milton: Thank you so much. I'd like to thank FHFA and Director Calabria for inviting us to share our recommendations and comments. My name is Curtis Milton. I am Director of the Single Family Finance with the National Association of Home Builders. And so I have a few talking points I'd like to go over.

So NHAB has been very supportive of sound valuation practices and procedures that produce credible valuations in all economic circumstances. NHAB has been at the forefront of working with the appraisal industry and housing stakeholders to improve the home valuation process and greatly appreciates that FHFA is focused on better understanding appraisals and the role that Fannie Mae and Freddie Mac share in setting appraisal practices.

Overall, NHAB's efforts have focused on making improvements in four key areas, data, communication, education and the reconsideration of value process. We believe that credible and consistent data is extremely critical to the evaluation process.

NAHB strong supports and has been actively involved in the enterprises modernization efforts and the UAE informs redesign to meet this goal. NAHB believes the UAE forms redesign not only meets the current needs, but is also flexible enough to adjust the future changes in the industry.

NAHB also believes that all aspects of the appraisal process should be standardized, including the method in which the square footage is calculated, and we do have our own standard developed refinances that we'd like to have adopted.

Data for appraising new construction should also include cost factors. While the cost, comp, and income approach are not used to determine value, Fannie and Freddie only require the comp approach. Therefore, quite often the cost approach is not given the necessary consideration when appraising newly built homes.

This is of extreme concern to us right now as there is a significant increase in the demand for new single family homes with the increased cost of building materials across the board. While NAHB is not requesting that the cost approach to value be made mandatory, NAHB does believe that more weight and or consideration should be given to using the cost approach to value specifically in those rural areas where there are few comps or few sales to help produce a fair and accurate assessment of value.

NAHB will continue to work with the enterprises and stakeholders in the appraisal industry to help improve data, communication and the sharing of information which will also help to produce a fair and accurate appraisal.

NAHB is also supportive of COVID-19 related appraisal flexibilities granted by the GSEs to permit an exterior only, or a desktop appraisal, to the traditional appraisal when an exterior or planned interior inspection is not feasible due to COVID-19 concerns.

NAHB also believes that it is very prudent that the GSEs monitor the performance of these loans given these temporary appraisal flexibilities. And those are our comments and recommendations. Thank you so much.

Bill Merrill: Thank you, Curtis. I really appreciate the feedback. Thank you. So next we'll be going to Sehar Siddiqi, and then I think we're going to then go to Brian Zitin. So Sehar, are you on?

Sehar Siddiqi: Hi, yes.

Bill Merrill: Please.

Sehar Siddiqi: Great, well thank you to the FHFA and Director Calabria for allowing the National Association of Realtors the opportunity to speak today. My name is Sehar Siddiqi and I am NAR's Director of Fair Housing Policy and Valuation.

NAR will be submitting official comments that will have detailed arguments and plenty of data points. But today I just want to put forth some general views of NAR and for all of those listening to consider as they work on their official comments.

Transparency and understanding are key to the evaluation process when buyers, sellers, and yes, their agents do not understand how the value process works. They don't understand why it might take so long for an appraiser to see a property. When the media is highlighting terrible instances of racial bias in home valuation, these rightly bring up questions, including if there should be an alternative to the traditional appraisal process.

The appraisal ministry and appraisers must be prepared to answer, even if the answer is that, yes, something wrong might have happened. That said FHFA and the GSEs can help address these issues by increasing their openness on the process.

Appraisers have a reasonable need to see all the data available and to be trusted and respected as the experts they are. There is no question that the traditional appraisal is the most thorough valuation option.

However, lenders are reasonable to use the variety of appraisal methods, such as the hybrid and desktop appraisals, such as AVM based ones. There are going to be transactions where that makes sense.

And it's not just in data, but FHFA and GSEs can create opportunities for appraisers to use their analytical ability and not constrain them by creating a platform where conformity in method, in application, in thought are awarded. And that those appraisers who are legitimately using all the options available, who are using their analytical skills, their wealth of knowledge, to value a property, that might look a little different than maybe the wide range of value opinions coming through, are reprimanded. That is a problem.

Clarity. The public needs to understand what all the variety evaluation products are. NAR has worked hard to educate our own members on this. But it would behoove FHFA and the GSEs to also be a part of this education opportunity as well.

In our common I will say, NAR will be providing more detailed suggestions to how valuation products should be used and explained, as well as what parties should be a part of those various valuation products.

Thank you. I sincerely hope I did not use all five minutes because that was not my intention.

Bill Merrill: No, you're good. You have more time. Do you want to -- do you have anything else? I want to make sure you use --

Sehar Siddiqi: Only for questions?

Bill Merrill: Okay, I'm good. I just want to make sure you have your full chance. So are you good?

Sehar Siddiqi: Yes.

Bill Merrill: Okay, thank you so much for your time. I appreciate it and look forward to your comments as commented in seeing your RFI submission. So with that, thank you, Sehar. And next we will go to Brian Zitin, and then Ken Dicks. So Brian, I'm going to turn it over to you.

Brian Zitin: Awesome. Thank you very much. So hi everyone my name is Brian Zitin. I'm the CEO of a company called Reggora. We are a FinTech out of Boston where we provide software that streamlines the appraisal process. Our platform facilitates the ordering and completion of hundreds of thousands of appraisals for more than a hundred different financial institutions across the country. And so the workflows of appraisals and valuations are very near and dear to our heart.

So I want to thank the FHFA for allowing myself and other key stakeholders in our industry today to provide input on the challenges that we all face together.

And the main points that I want to focus on today are around the FHFA's request for input on both appraisal waivers as well as alternative valuation products. And so while it is our belief that the main priority of the appraisal is to instill confidence and trust and a piece of collateral's value, both for the consumer as well as financial institutions, it is undeniable that in 2021 the current processes in place to ensure this trust have caused a supply side issue where we do not have enough appraisers to meet the demand.

This can clearly be seen by the significant increase in appraisal turn times that are occurring in the market, despite an increased number of appraisal waivers. This shortage of supply creates serious potential for liquidity problems in the mortgage market, as appraisals potentially delay transactions. And as the number of facts for appraisers continues to decline year over year, this problem will only worsen, creating systemic risk through the responses from market participants trying to meet the demand, by doing things such as increasing the number of appraisal waivers or gaming of these automated underwriting systems.

Therefore, it is of our opinion that these new processes must be designed, which most importantly reduce risk and ensure confidence in collateral value, but also balance the need for liquidity in the mortgage market.

So we believe that appraisal waivers on low risk loans most definitely have a place as part of this as they offer significant cost benefit to the consumer, as well as relief in meeting demand as part of the previously mentioned liquidity burden.

That being said, appraisal waivers also create systemic risk, because the same automated underwriting models making the decisions on which loans are eligible, also utilize inputs such as property data and insight gathered from trusted sources like appraisers. And so as the number of waivers increase over time, the number of property data inputs feeding these actual models, which are making these decisions, decreases over time.

The consequences of this is that the accuracy of these models will erode unless enough sufficient quality data input is received. Because of the recency of appraisal waivers and a long time horizon of foreclosures relating to them, long term systemic consequences of impaired underwriting model performance are unknown.

The most recent increased level of appraisal waivers is even more unprecedented. And so it is our belief that the current level is most likely too high given that we don't understand the full statistical picture yet.

Since the main risk with appraisal waivers as a relates to accuracy of value is the inability to validate the current condition and any changes impacting the property, introducing an intermediary product that maintains the appropriate level of risk while balancing turn time and liquidity concerns is crucial.

So the key to achieving this balance will be two things. One, enlisting a potential workforce, which can actually increase the supply of people fulfilling these inspections. And then number two, ensuring these inspections maintain a proper level of data quality.

The good news is that because of the accessibility of smartphones, as well as recent improvements in new technologies such as computer vision, geolocation tracking, LIDAR, and much more, there has been a significantly lowered bar in terms of the level of expertise required to ensure proper data quality.

If the industry can come together to design a standard around what an inspection must entail, and the level of data quality required to ensure proper risk management, then theoretically any type of workforce, which can visibly demonstrate meeting these standards, to be able to fulfill the inspection.

This can be accomplished in the same way that we have people pass a standard course and test for a driver's license. If we as a society can establish risk comparability around people operating 1,000 pound steel machinery moving at 60 miles an hour, surely we can design a process which ensures the underwriting standards of a property inspection and be comfortable with it from a risk standpoint.

So to summarize, we need to balance both risk management and liquidity in order to create a stable and sustainable lending environment. Although waivers have their place, the current level is most likely too high to be systemically safe. And so in order to reduce risk, while maintaining proper liquidity and costs, it is encouraged that alternative valuation products replace some percentage of waivers as long as they can confirm the property condition and changes while utilizing a more accessible workforce.

If we can create a north star around what the standards of these inspections need to be, in order to ensure proper risk management and implement this in practice, it will be a huge win for the consumer, the lender and valuation professionals alike. Thank you very much.

Bill Merrill: Thank you, Brian. Really appreciate your comments. So next, we will go to Ken Dicks, and then to Lisa Desmarais. Ken?

Ken Dicks: Thanks, Bill, appreciate it. My name is Ken Dicks, I work with Brian over at Reggora. I'm the Director of Appraisal Compliance and Initiatives. My background is about 35 years of appraisal experience and evaluation industry for both residential and commercial. I've served in roles as an independent appraiser, bank appraiser and reviewer, tax assessor and a collateral risk program manager for large regional bank before joining Reggora this year.

I wanted to echo Brian's appreciation for being given the opportunity to present today, and to further hone in on key aspects that will be important as we consider the practical implication changes to and improve appraisal processes going forward.

The level of expertise and experience assembled for this event shows the commitment by key stakeholders to bring forth positive solutions that will instill confidence in the marketplace.

At a high level, balancing proper risk management across the entire spectrum of property types, geographies and loan products will require an approach which segments risk appropriately. Consideration of key available inputs include credit risk, property specific risk, market risk, data integrity, risk and more.

Appraisal waivers and use of AVMs have been risk management tools utilized by the industry for years. Because of risk AVMs are required to be fit for purpose. It is inherent risk by using AVMs because it relies on key assumptions relative to the condition and the external influences on a property.

Experience has shown that failure occurs when widespread use of AVMs are coupled with a willingness to not discover what is discoverable and to test the outcome of blind assumption. We are all too familiar with the outcome of widespread AVM use with check lock lenders during the Great Recession.

In 2020, more than three million mortgage transactions were completed using waivers, many having an AVM inserted as part of that process in that decision. Assurances are needed to ensure that those transactions that benefited from AVM usage are not adversely impacting the actual -- impacted by the actual conditions contrary to what those assumed conditions are.

Intermediary valuation products such as hybrids that are in use today by lenders are able to mitigate some of the risk, however, these products they lack uniformity and have limited applicability in the mortgage marketplace.

As we all know, appraisals and the development of appraisal related opinions of value are a process. There are opportunities before us to expand valuation service products to allow for flexibility of primary data collection by either the appraiser, supervised by an appraiser or incorporated by the appraiser in your valuation product. These are all measurements of collateral risk. USAP allows this and the recent past, over the 12 months with COVID has shown that we can be flexible when it comes to data collection, provided that there's a lot of forethought in this and that it's risk appropriate for the transaction.

Now there are tools that are readily available. We've seen some of those tools today, Scot Rose had a great presentation. Tools are readily available to be inserted into the risk assessment processes. The reporting of the data will need to be standardized and universally applied for enterprise acceptance.

Development of additional supplemental products and sharing the primary data of property by the enterprises is strongly encouraged to assure that we have data integrity in the marketplace.

We encourage any efforts to allow for expansion of valuation service products to remain within the existing regulatory framework that was -- that has served this industry for over 30 years. And to incorporate similar frameworks if we are using outside sources for data collection.

Like the prior speakers spoke before, there's a public trust here that has to be maintained. We have a proven track record. USAP works. Licensing works. So that system cannot be circumvented by work we're doing here today.

The elimination of gaining of opportunities of waiver decisions can be mitigated by requiring collateral validations by -- either by process or development of new products as a basis to test model assumptions.

I'd like to wrap up my comments by bringing to light a use case on waivers. In the late summer of last year, an appraisal waiver was granted on a house in Massachusetts as part of a low risk refinance transaction. In hindsight, through validation of data with that, the enterprise made a favorable decision off of a six year old appraisal in a model measurements for the current value.

The homeowner had the good fortune and security to be able to expend the funds to update the kitchen, replace the roof, replace the furnace, since purchasing that property six years ago. In price risk position was benefited by the mortgagor's ability to do those things.

That poses a question. What if those circumstances were different and there were no updates to that property? There were no updates to the kitchen. The roof failed or the furnace failed. How would the enterprises account for those unknown adverse conditions from those failures? And what impact would that have on the risk position?

Together let's bring forward initiatives -- innovative initiatives and thinking on how to advance reliable and consistent measurements of collateral risk, taking on the perpetuation of bias head on, building off of and fortifying the talent and the strength of the processes that we have today. Thank you very much.

Bill Merrill: Thank you, Mr. Dicks, appreciate your comments. We're going to head to Lisa and then after Lisa we'll have Leigh Lester. Turn it over to you Lisa.

Lisa Desmarais: Great. Thank you. My comments today are kind of more of a high level holistic look at the issues the RFA has to be considered. But we will be providing more detail in our letter to the RFI.

In the late 1980's and following the savings and loan crisis, Congress recognized the extreme importance to the public good of having a strong and healthy real estate market. This led to the passage of legislation that recognized the deeply important act of ensuring and protecting the independence of the appraiser and the appraisal process.

And in every subsequent housing market downturn since then, Congress has acted again and again to strengthen the ability of the appraiser to remain independent. Our organization, The Appraisal Foundation, was granted congressional authority to guard that independence. With this authority, The Appraisal Foundation's standard setting board has written some of the most stringent ethical and professional standards in the world. And these standards have been adopted in the U.S. states and in territories.

These standards have always been written with the public trust in mind, to protect the public and guarantee the independence of the appraiser. But what if the appraiser has a powerful client that is attempting to be in full control of the valuation process and the ultimate outcome? This makes it difficult for the appraiser to maintain the independence that is required to protect the public trust. And that is exactly what we see happening with the inspection process and the appraisal report forms that appraisers are required to use.

An appraiser will gladly accept from the lender an inspection report completed by somebody else. However, they will need to treat it for what it is. It's data provided by and controlled by the client. And in many instances, it is the client and not law that decides just how qualified the person has to be who performs those inspections. They can be unregulated, unlicensed and untrained in how to see a property from an appraisal perspective.

Anyone is welcome to provide an appraiser with any data they have. But it is still the appraiser's job to vet all data and supplement it as necessary, which often includes going into the field. But even with these inspection reports, appraisers will still need to observe the market they work in, physically and continually. They may not need to see the interior of every home but they do need to see the market area the properties are located in.

And I'm just trying to make clear here today that we don't think hybrids are a problem, they are not a problem. But it does mean that these inspection reports have limited value, because the appraiser must still perform their due diligence to ensure that the information they are using to develop the appraisal is credible and not influenced by interested parties.

Now regarding the appraisal report form, who controls the words and the data, who controls the appraisal? The lender has dipped their toe into this water ten years ago when they created the Uniform Appraisal Data sets. They began to control the words the appraiser can use to communicate their opinions. And they are attempting to encroach even further into fully controlling the words and the data in the appraisal report.

The GSE directed appraisal process and their report forms are at their most extreme reducing the appraiser to a box checker. Someone who sits on an assembly line, is handed various objects and asked to place the objects in the correct box. This once again makes it difficult for an appraiser to maintain their independence and to protect the public trust when developing a value opinion that complies with the uniform standards of professional appraisal practice.

And as if the attacks on valuation independence are not evident enough with the inspection and performed reporting issues, the massive increase in appraisal waivers is the most blatant assault to the public trust. Waivers fully silence any independent analysis, leaving the assessment of risk to those who turn the dials and receive compensation by closing a loan.

The good news is, we already have an entity out there that has solved many of these problems all the while keeping his eye on the ball, the Department of Veterans Affairs. They have continually acted from a place of one philosophy, does this process to be adopted impact the appraiser's ability to maintain their independence. The Appraisal Foundation has worked closely with the VA as they develop their approach. And we welcome the opportunity to do the same with you. Thank you.

Bill Merrill: Thank you, Lisa. I greatly appreciate your time and your comments. So we will go to Leigh Lester, and then we'll go to Brooke McDaniel. So Leigh?

Leigh Lester: Thank you. Thank you to Director Calabria, staff at the FHFA and all the panelists, I really appreciate you allowing us to speak today. My name is Leigh Lester, I am the Executive Director of Ubuntu Institute of Learning.

As a former mortgage banker and currently a trainer and consultant in the affordable housing and diversity equity inclusion space, I wanted to comment on two points. The first being valuation of differences by borrowers and neighborhood ethnic makeup. Regarding potential bias and appraising or historical devaluing of properties in Black and Brown communities, from a community advocate perspective, I would like to see more transparency. And thank you, Glen, you mentioned something about that earlier, I was waiting.

From academia we're hearing from, if there is bias, and then we also hear there is no bias. And both sides providing data and analysis to support their claims. All of this serves to increase public distrust of the appraisal industry.

My first recommendation is that we look at being transparent with appraisal data available to the public. I also recommend that like Dodd Frank requires mortgage lenders to be licensed nationally, and that helps to weed out bad apples from just going to a different location and setting up shop, we should do that with appraisers, and consumers to be able to research their appraiser for themselves just to make sure that they're not a bad apple. Because right now there's -- the reporting can't get to the consumer and they have no way of knowing, so it's just stressful.

Another is a direct and simplistic way to provide the feedback -- of feedback from the appraisal process, from the consumer back to the industry would assist in collecting data of value fluctuating for Black and Brown communities when the sale falls through. My understanding is that the data is being collected now is when it goes through. So if it falls through that information is not being captured in that could be just as important.

Also putting a collective effort into removing the impediments to becoming an appraiser. And a few of my colleagues have already talked about that. These communities weren't devalued by one discipline, this was a collective effort. So we need the same effort going into the solution. And that includes actively recruiting appraisers from all communities, reaching them where they are.

There's a phrase used by inclusive marketing organizations it says, nothing about us without us. So we need to look at bringing in people from those communities, not only as appraisers, but to help do outreach in those communities.

Another question that I have, a few people have brought up is the idea of equity. We know, as Jilian White so eloquently demonstrated, the systemic that devaluing of Black and Brown communities is still being felt today. And I would posit that is because it's never been addressed in any meaningful way. I would invite FHFA to begin having that dialogue as well.

On the issue of appraisal waivers and valuation, this isn't a direct comment but something I've noticed that's been brought to my attention quite a bit lately. I live in Southern California, and life before the recession, the last recession, property values are skyrocketing and realtors are starting to ask consumers to waive the appraisal contingency or request an appraisal waiver.

This poses several problems. The aforementioned impact, of course, on low income and minority communities is more impacted than nonminority communities. And not too long ago, people of wealth were even walking away from homes because values had dropped so much that they owed more than the house is worth, than the home is worth.

And then looking at it more from a community development lens, this practice, we'll call it Black and Brown neighborhoods, become gentrified at a faster rate. We're already at a shortage of affordable housing. In Southern California alone we're short 600,000 units. And so if we don't start looking at other ways, as a collective of making homes permanently affordable, then it's just going to get worse and worse and homelessness is just continuing to climb. And I hate to see what it's going to be like after this pandemic is over. Thank you very much.

Bill Merrill: Thank you, Ms. Lester. As I mentioned to others, our [inaudible 02:16:58] team may want to reach out to you, is that okay If they do that at some point?

Leigh Lester: Absolutely.

Bill Merrill: Okay. Thankyou.

Leigh Lester: I would invite that.

Bill Merrill: Okay, thank you so much. And again, if you decide to respond to the RFI, if you have any additional data or information, even if regional, always helps us, if people are sending it. So thank you for that. We'll go to Brooke McDaniel. And then we'll go to Rebecca Jones. Brooke? Do we have Brooke?

Danielle: I don’t think we have Brooke with us.

Bill Merrill: Okay, thank you Danielle. Rebecca Jones, we’ll go to you, and then we’ll go to Mark Giannini. Rebecca?

Rebecca Jones: I am here, thank you so much, Bill, and thank you for the FHFA and everyone for allowing this to happen. My name is Rebecca Jones. I actually hail from the great state of New York. I am in a rural area. I do live on ten acres. I will not give the years I've been in the profession, but I started in the mid ‘80s, coming out of college. And this is the profession that I chose to stay in and have been in.

I've served in many different leadership positions, but I'm speaking as a boots on the ground appraiser. I'm also an AQV certified USAP instructor and an educator. And I want to give a couple of shout outs to some of the speakers before me. I was blessed to go last.

Craig with the Data Set. Absolutely. John Russell, when it comes to everything they know, right, the appraisers. Everything that we know. And also to that range of value. We've been talking about doing range of values for a long time when it comes to the secondary market setting. Just that data sharing absolutely.

And Glen, God I loved you, Glen. Unleash the assistants, right. Our appraiser assistants needs to be unleashed. And they are the best data collectors that we could possibly have. And my great friend, Sehar, trust the appraiser, ditto on that one. And Lisa, assault on public trust and get the data. All of those are just phenomenal shout outs for that.

Now with John Brenan, great. I love it. It's trust and it's fear. And you know what, John, I will agree with you. But here's where I'm going to be a little bit different. I trust you, John. I've known you john.

But for me, it's out there trusting the appraisal management companies. Coming from New York where it all started from and became more prevalent, I look to see how many appraisal management companies I have in New York state. I have 114 that are registered in the appraisal subcommittee registration data banks.

That means I have 114 potential clients. And each one of those 114 AMC companies within New York State, not every one of them has a clue. That is where the trust is lost for us boots on the ground appraisers. I have no fear of the modernization, I'm all for it, bring it on, I have accepted assignment so I can teach my fellow appraisers about what's happening.

I have horror stories to tell with my 114 potential clients that are going to engage me within doing that assignment. It's taking longer, it's costing more money. An example I have is it took six weeks for a hybrid assignment because the data collector was the listing agent for the sale of this property. I could not rely on that data in order to produce a credible report within that assignment.

So for me standardization, right. We have all of these appraisal man -- it's like a race to who's going to come up with the best bells and whistles for this modernization process. The standard was put out there with this with the GSEs. Bring us back. We have all the appraisal management companies with all the bells and whistles, and as a boots on the ground appraiser, I have all kinds of different scope of work, and creep we call it. And that's part of the problem that we're dealing with.

Not necessarily because we're aging out and dying, it's we're choosing not to work for some of the appraisal management companies that are out there. Because they don't have an understanding of what the expectation is. So that's a lot of what the problem is.

The second thing I wanted to make sure I talked about, because once again I'm coming from New York State. Long Island in 2018 was investigated by Newsday. New York State just came out with its Senate Report, 97 pages, detailing the disparities of the racism and everything that was taking place within that profession.

However, there was not a hint of the appraiser within that investigation report that is out there. But I'm not 100% sure whether or not it's reaching the appraiser. It's definitely reaching other realms of it. And with that, I will surrender my time to the next speaker. Thank you so much.

Bill Merrill: Thank you very much, Rebecca. We appreciate your time. So we will go to Mark Giannini. Mark I'm going to turn it over to you. I appreciate your time as well. Go ahead.

Mark Giannini: Good afternoon everybody. I am Mark Giannini. I'm a certified residential real estate appraiser. I've been doing this for about 14 years. I started out in Fort Myers and the Cape Coral market, just before what will become, in 2007, the subprime mortgage crisis. More recently, I've returned to the Ohio Valley area, and I've been appraising residential properties here for the last seven years.

In my professional life, I've always been an advocate and have embraced change and new technology to help drive and increase productivity. But there's one recent movement within the residential appraisal industry that I've been unable to support, and I just can't let this issue go. It's the adoption by the Appraisal Qualification Board of a trading program called Practical Applications of Real Estate Appraisal, or PAREA.

This alternative track to appraisal licensing will allow individuals to become certified residential real estate appraisers without spending any time in any local real estate market getting hands on training and having their work reviewed by a peer, prior to their receiving an appraisal license.

The Appraisal Qualification Board says, "PAREA is designed to offer a practical experience in a virtual environment, combining appraisal theory and methodology in", what they're calling, "real world simulations."

All of the appraisal training is simulation based. The prospective appraiser spends zero time performing actual appraisals in a live marketplace. Everything is a simulation.

Now how many people on this call would board an airplane knowing that its pilot's only had virtual simulation flying experience in flight simulators? Or if you needed a heart procedure done, would you choose your cardiothoracic surgeon, knowing that he's only read about the procedures in medical books, and only had virtual surgical training? Of course not.

You know, it's not a fear of change. But you know, there are plans in place now that are going to award residential appraisal licenses to individuals with no appraisal, real world appraisal experience. Doing this doesn't injustice not only to the budding appraiser, but also to the GSEs, Fannie Mae and Freddie Mac.

Now, you know, I know that, you know, one inexperienced appraiser is not going to bring down the whole US mortgage backed securities market. But as more inexperienced individuals are allowed to potentially mis-value property, because of a lack of real world experience, appraisal training and having a, you know, peer review, as they're out in the field, it has the potential to corrupt or skew the sales data across the entire country.

You know, as the saying goes, you know, a million here, a million there, a billion here, a billion there, pretty soon we're talking about real money.

I urge the FHFA to use its oversight authority over Fannie Mae and Freddie Mac to make certain that no policies are adopted by the GSEs which will promote the acceptance of appraisals from appraisers who have less than a total of 1,500 hours experience working on real world appraisals, and no less than 12 months.

The appraisal reports submitted during the 1,500 hour supervisory window should be reviewed, and cosigned by a state licensed appraiser with a minimum of three years certification. And what that looks like doesn't have to be the model that's in place now. But it has to be someone who has a supervisor in some capacity, whether it's in the same city, the same county, the same state, the same MLS area. Someone with some local market knowledge has to be able to give guidance to these fledgling, newly minted trained appraisers.

These measures will allow the FHFA to continue to carry out its mandate, to ensure that Fannie Mae and Freddie Mac operate in a safe and sound manner.

I want to thank you for allowing me to participate in today's discussion. And I'd be happy to meet with you again at any time. And thanks again for allowing front line appraisers to have a voice in this discussion.

Bill Merrill: Thank you, Mark. I really appreciate it. We did -- there was a couple speakers that we didn't see in the lobby, so we missed them. Just want to make sure they didn't join late or we dropped them and they rejoined. Okay, just want to make sure everybody has an opportunity that signed up. So for those who are following the agenda, we did have some folks that did not come into the room to speak after signing up. So just want to make sure they're not there. Okay.

Well let me let me close up. Thank you so much for your time. Especially the speakers. I found your input to be very insightful, diverse and critical to our process of understanding collateral risk. So thank you to you all. It's an immense investment of time to be here with us. And we greatly appreciate it.

As the Director mentioned, collateral risk is extremely important to the enterprises, that drives our credit risk, it drives our losses. And it's also critical to all homeowners out there to make sure they're sustainable in their homeownership. So a critical issue for the entire mortgage industry.

I'm very impressed by the participation. If you all noticed, at any one time on a call today we had over 200 representatives of the industry on this call, and I can also let you know that it's on the RFI we're approaching, I think it's 80 to 90 responses already. I've done a few RFs in my career, this is an impressive return with two weeks to go.

I'm also impressed by the number of individuals who are responding. It's great to see individuals speak out and respond to the RFI.

So with that, I will invite everyone on the phone, you're certainly welcome to and encouraged to respond to the RFI here before the end of the month in your time.

So with that, thank you all so much. I greatly appreciate it. Again, a few of us may be following up with certain speakers. And as for my comments and questions as you spoke, we encourage, you during your submissions to include data, comments, research that always helps us having that information to backup opinion.

So, thank you all so much. And with that, we wish you a wonderful evening. Thanks again.