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Thank you for the opportunity to provide input on this important matter. I welcome the opportunity to answer any questions or delve more deeply into any of these topics. I have been an appraiser for 40+ years. I have been developing applications for appraisers for 20+ years. The questions provided by the FHFA focus on data gathering methods which is very important, but I want to emphasize that as the quality and amount of housing data becomes available it opens the possibility of improving the analysis which the appraisers perform. Considering that the comparison grid analysis is over 70 years old and little changed over that time any modernization plan should consider new analysis methods and techniques. See the end of my comments for additional discussion on analysis.

Comment 1: The "kinks" in the current system need to be worked out and not carried on to a new system. Otherwise, some of the same problems will still exist in a new system. There are a number of "falsehoods" that need to be addressed. There is a parallel between the continued acceptance of these falsehoods (status Quo) which I often parallel with the story "The Emperor's new Cloths". I have mentioned "CIUBS" several times in the responses to the questions. This is an acronym for Collective Involuntary Unethical Behavior Syndrome. Basically, this occurs when a person is put in the position of committing an unethical act or being put at a significant competitive disadvantage. Appraisers, AMCs, lenders, and the Enterprises are all susceptible to this syndrome. A new system should be architected to minimize the potential of CIUBS in the first place.

Comment 2: The current system has too many valuation choices (levels of scope of work). A system with too many choices is fraught with potential problems. A new system should clearly define a limited number of levels of SOW. I define 5 levels of SOW in my book APPRAISING IN THE NEW MILLENNIUM (Out of print). I would recommend about 7 levels today. An appraisal order would be, "We need a Level 4 valuation". That would be it as a Level 4 valuation would be well defined in the guidelines. Lenders and AMCs should be discouraged from adding on to these SOW levels, thus preventing scope creep.

Questions

A1.1 (a) You have asked 7 distinct questions here. The answer to all 7 questions is yes there is a need to provide new valuation solutions. These questions are largely addressed in the remaining questions.

In my book, APPRAISING IN THE NEW MILLENNIUM I point out that appraisers don't inspect we "Inventory" a property much like an inventory at the hardware store. We count the nuts and bolts but we don't screw them together to see if they work. Further the question's description of data gathering methods as "valuation services" is inaccurate. That being said, the use of different methods of data gathering (which is applicable to both the subject and comps) is useful and sometimes necessary. The issue is who takes the risk the appraiser, the third-party, the AMC, or the lender.

- A1.2 (a) Currently, the risk is assigned to the appraiser, however, legal experts often say that any time a lender orders less than an interior and exterior method by the appraiser, the lender assumes some of that risk. The risk is that the condition, quality, and functional obsolescence are accurate, as reported by the appraiser. In practice it takes less time to go out to the property and make a firsthand visual inventory of the property- than to get equally reliable data any other way. So, when the appraiser is taking the risk of these other methods which if done to meet regulations (Enterprises and USPAP) take as much or more time then they are not feasible.

However, if it is understood that the quality of the data is somewhat inaccurate and the lender takes the risk then these other methods of data collection are useful. The lender's losses are averaged out by a portfolio of loans and desktops and exterior methods should only be used with low loan to value ratios, good job stability, and good credit scores. These limited data gathering methods may not be appropriate when the borrower is basing their buy decision where the contract stipulates the appraised value must be equal or higher than the contract price. In this case the buyer should sign a waiver that their transaction decision is not based on the appraised value. It is common practice for the appraiser to make assumptions about the condition, quality, and functional obsolescence. This is often a guess as there is little or no data to make a determination. USPAP does not allow for these issues to be based on a "guess" as USPAP requires "...a reasonable basis.." Many hold that an appraisers hunch is not a guess and is a reasonable basis. But what is occurring here is pass the risk to the appraiser and the process of CIUBS which force them to accept the additional risk at a lesser fee.

A1.2 (b)

- A1.3 Caps and limits should be put in place to prevent CIUBS (see second paragraph at top).

An appraisal is primarily made up of 1) problem analysis, 2) data collection, 3) valuation analysis, and 4) reporting. #1 is typically handled by the lenders and the Enterprises, not the appraisers (this is not true for non-lender work). #5 is really insignificant to the appraiser as today the applicable information can be presented automatically in most any fashion. However, #2 and #3 determine the accuracy (reasonableness) of the value opinion. I will discuss analysis at the end of this document. Task #2 (lets call "databasing") is equally important to analysis (GIGO). In the VALUATION ANALYST, I allocated an entire chapter on databasing. It is no longer a haphazard process, but has evolved into a science. A separation of analysis and databasing is logical. However, data gathering is equally important. In fact, the two are sides of the same coin. Once the process is defined then most people will be able to follow the specified procedures.

A1.4 (a)

A1.4 (b) Basically, the UAD fields are determined by the data which the market values, and the data collected (regardless of how) must be based on the UAD and its requirements. The data gathering, the AUD, and the analysis methods are the orchestra and must be playing the same music at the same time. These three disciplines must be coordinated and in place before any one discipline will be effective. At some point the planning must stop and the three disciplines be put into practice. They can then be improved a little at a time. There is low risk to this, but the potential challenges and rewards are high. Whomever the data gathers are, they will have intelligence, good judgement, and to be trained and accountable (licensed) in some form. Use of non-appraisers is possible but data gathering is not something to take lightly.

A1.5 First, the Enterprises need some collateral products that lay in the middle ground between USPAP level appraisals and AVMs. That would be to allow the Enterprises to utilize EVALUATIONS as defined in banking regulations. Second, USPAP should remove items like condition, quality, and highest and best use to not be considered confidential information. As written this USPAP standard prevents appraisers from using and sharing this information with other appraisers. If some regulations are not changed appraisal modernization may not be possible as is hard to fit a square peg into a round hole.

A1.6 The AUD updating must be coordinated with any changes made to analysis techniques. The current rating of condition and quality should be expanded from 1-6 to a range of 1-10.

B2.1 My first thought is that all of the best quality data in the databases of the enterprises was first gathered and was the property of the appraiser. So, while I am offended by the question, I am glad it was asked. Based on the original ownership of the data and the commitment to promote better collateral products, I am not sure how one can justify not sharing it with the appraisers. I can see no potential problems that will arise out of giving appraisers access to a database of their own data. Some appraisal software companies have inserted something similar to, "The appraiser agrees to allow the software company to collect the appraisal data and use it as they see fit." Appraiser who don't agree to this I assume are asked to use another provider. Appraisers should be able to create their own databases, currently USPAP standards do not allow all data to be disclosed as some are considered confidential. This makes no sense that everyone except appraisers can create a complete database of property transactions.

B2.2 Unsure

B2.3 Unsure

B2.4 Unsure

B2.5 Someone has to be held accountable for inaccurate data resulting from fraudulent or incompetent work. I see nothing wrong with third-parties gathering data on real property- but the risk of its use can't fall on the appraiser. As stated earlier a process and procedures (best practices) must be developed for data gatherers to follow. There must be multiple levels of data gathering methods defined. The AUD would need fields describing the level of data gathering, and whom it was gathered by. Data gathering cannot be done haphazardly, it will have to be done methodically as a full fledged discipline.

B2.6 None

B2.7 Unsure

C1.1 The problem with the Enterprise's use of AVMs is that appraisers could produce better values in say 24 hours, if they were playing by the same rules. What I am trying to say is that applications using augmented intelligence (a computer analysis that is overseen by an appraiser) is better than an just a computer program that chooses the sales, makes suppositions and calculations, to reach a conclusion. My question is, "If the bar can be lowered for AVMs why don't we allow appraisers to work under much less stringent requirements? This will be a natural progression as appraising splits into the two distinct disciplines of data gathering and valuation analyst.

C1.2 (a) This question applies to both retirement timing for appraisers and the appeal for new appraisers and data gatherers to enter into the profession. Both are based on the perceived risk reward ratio, and stress of the job. Appraisers are concerned with how many entities they are liable to; the lender, the enterprises, the borrower, the seller, the AMC, the PMI carrier, etc. If the appraiser is liable to most of these either by local laws or lending regulations then Question A1.2 is answered in a negative way. On the reward side, the year 2020 saw tolerance for significant increases in fees and turn-time. Many appraisers seem content with this as they do not understand these are not sustainable. The only way to ensure a pool of well trained appraisers is maintain a high \$/hour earnings ratio. While I am not against AMCs, the AMC system presented a real problem for highly trained and ethical appraisers. originally, the idea was to start with the lowest fee and quickest turn time bid, then shore up the appraiser's work with an excessive review process. The better AMCs have abandoned that philosophy, but some still operate that way. Appraisers only bid to cover this months rent, groceries, and some monthly payments. They did not add in for retirement, year end taxes, their children's college education, etc. The Dodd Frank legislation tried to prevent this by mandating a fair appraisal fee, which the AMCs challenge as price fixing (anti-trust). Most appraisers have little or no retirement savings, in fact they are not even employees they are typically contract labor. The concern is not retirement as most can't afford to retire. In addition to bidding for the lowest fee many AMCs have perpetuated "scope creep". In order to appeal to more clients they may offer more appraiser gathered data and analysis. This is the reason that I feel the Enterprises should develop and adhere to a limited number of well defined levels of scope of work. They would help appraisers make realistic bids and prevent scope creep.

C1.2 (b) Now lets talk about stress. When all is said and done many single family appraisers make less per hour than the plumbers and car mechanics they hire. To make the budget balance they often work 60-80 hours per week. Now they notice that in some AMC contracts they agreed to pay all of their losses and attorney fees if the AMC is sued. The appraiser follows the SOW outlined by the lender or AMC only to find out they can be sued by the seller and the buyer. If they don't accept the fee then they loose the job. This is CIUBS are its best. Often to make it all work the appraiser may be forced to skip certain tasks that they have agreed to perform. My point is that there is a lot, lot, lot of stress in appraisal work. Any modernization practices must be designed to reduce both the time and effort to compete an assignment and the stress level of the appraiser. At this point you will find appraisers want to stay in the profession and new people will want to enter the profession.

C1.3 (a) Many appraisers simply refuse to appraise in rural and underserved markets as the guidelines require use of the comparison grid which requires adjustments and USPAP requires that these adjustments be supported, and not based solely on "experience and judgement". Typically, adjustments can not be well supported in these areas. The potential of having a reviewer or state board attacking the appraisal is more than stressful. In these areas a comparison method such as "Ranking" should be allowed. This is a recognized analysis method that is easy to understand and does not require adjustments to be made.

C1.3 (b) The Enterprises requirement that the appraiser must have geographical competency should be withdrawn and replaced with the USPAP view that the appraiser must get competent before completing the assignment.

C1.4 (a) Discrimination comes in two forms, hate and incompetency. Any appraiser who knowingly reports a bogus value because they hate a particular race simply cannot be tolerated. Incompetency usually results from CIUBS. For example an appraiser may not be geographically competent and may not know much about a particular neighborhood. They know they should not take the assignment, but a peer will take it if they don't. They need work and so they accept the assignment at a low fee. Not knowing the makeup of the neighborhood they assume that the inhabitants of the subject house is representative of the neighborhood. This leads to the appraiser using inappropriate comparables.

C1.5 It doesn't seem fair that some minority areas typically require a higher scope of work appraisal based on underwriting guidelines. A higher scope of work translates into a higher appraisal cost and a longer turn time.

C1.6 (a) My comments have shed light on the importance of data gathering, ways to minimize the stress on appraisers, and needed policy changes. Now I want to address changes that are needed in the analysis methodologies. We have been using the comparative grid analysis for the past 70 years. Adjustments are notoriously hard to extract from the market. While I have been studying price prediction analysis methodology for 20 years, I have spent a good part of the past five years developing actual valuation applications to replace the traditional comparison grid.

Analysis methods must be appropriate for the type of market the subject property is in. One application is based on ranking analysis and is suitable for rural sales , or anytime there are very few comparables. The second is the "TLeaves" application. It is an appraiser assisted valuation method. It does about 80% of the analysis. It is very quick and adds consistency to appraisals. It cannot be discriminatory as the appraiser picks the comps. The Tleaves has been tested to within 5% of the correct value over 95% of the time in an environment where prices randomly vary +/-6%. There are built-in tests that allow the appraiser to identify the 5% of the time it is not correct. At that point the appraiser would swap out one or more comparables. I am offering to donate these to the FHFA as prototypes on which software vendors can base analysis packages. Contact me for a demonstration.