

February 12, 2021

SUBMITTED ELECTRONICALLY AT [FHFA RESPONSE FORM](#)

Federal Housing Finance Agency  
Office of Housing and Regulatory Policy  
400 7th Street SW, 9th floor  
Washington, D.C, 20219

Re: Request for Information on Appraisal-Related Policies, Practices, and Processes

Dear Sir or Madam:

I am writing on behalf of SchoolsFirst Federal Credit Union (SchoolsFirst FCU), the largest education-based credit union in the U.S., serving school employees in California and their families since 1934. SchoolsFirst FCU has more than 1.1 million Members and more than \$23.7 billion in assets. We appreciate the opportunity to comment on the Federal Housing Finance Agency (FHFA) Request for Information on Appraisal-Related Policies, Practices, and Processes (the RFI). SchoolsFirst FCU supports efforts to modernize and improve appraisal processes to enhance efficiencies, streamline the loan origination process, and mitigate risk to all participants. Specific comments limited to our areas of interest covered in the RFI are below.

**Enterprise Proposal, the “hybrid appraisal”**

This proposal involves a bifurcated process whereby an appraiser trainee, home inspector, or real estate agent would inspect the property, collect key data, and provide a report to the lender. The lender would then submit the data to an Enterprise automated underwriting system and collateral management tool. If the AUS determines further collateral analysis is necessary, the initial data collected at inspection would be used in conjunction with a desktop appraisal to be performed by a licensed or certified appraiser (the “hybrid appraisal”).

*SchoolsFirst FCU comments:* we do not see a significant benefit to this proposal, as it appears to create the potential for an inefficient, two-step process. There should be a solution to enable a reliable valuation at the initial inspection, instead of creating further delays by later requiring a desktop appraisal be performed. The Enterprises’ Uniform Collateral Underwriter® application is comprised of a database of over 50 million appraisals, which should be further leveraged to streamline the process and improve the consumer experience.

**Updating Uniform Appraisal Data Set and Redesigning Appraisal Forms**

The Enterprises are working on updating the Uniform Appraisal Dataset and redesigning the appraisal forms in a separate effort from modernizing the appraisal process. Goals include revising the appraisal forms to have a similar look and feel to the redesigned Uniform Residential Loan Application (URLA), the Loan Estimate, and the Closing Disclosure.

*SchoolsFirst FCU comments:* we generally support creating consistency in the format and look of an appraisal report to enhance the lender and consumer experience. We do have concerns with the dynamic nature of the URLA, the Loan Estimate, and the Closing Disclosure; and adding another lengthy dynamic form may create additional complexity in programming of loan origination systems and

training of staff. Before finalizing any such approach, a model of the redesigned appraisal report should be circulated for industry and stakeholder review and comment. We also support the continuing efforts to update the MISMO Reference Model.

### **Automated Valuation Models (AVMs) and Appraisal Waivers**

AVMs and Appraisal Waivers are used in many aspects of the loan lifecycle, including quality control reviews, valuation desk reviews, loss mitigation, default management and property liquidations.

*SchoolsFirst FCU comments:* in order to facilitate the use of appraisal waivers, eligibility should not be removed due to insignificant changes, such as a correction to the unit number of the subject property. We further recommend a consistent standard be established for appraisal waiver lender obligations, regardless of the loan's purpose.

### **Valuation Differences by Borrower and Neighborhood Race**

Studies and articles reveal concerns with undervaluation of residential property in minority communities and significant disparities in valuations for properties in minority neighborhoods, despite substantial efforts by the appraisal community to improve appraisal and valuation methodologies.

*SchoolsFirst FCU comments:* the expansion of use of automated valuation tools and processes would help eliminate bias by removing the human involvement. Another consideration is to enhance the USPAP by requiring appraiser training to include at least two hours of fair lending and fair housing training, encouraging diversity in ownership of AMC companies, and removing barriers minorities may face in entry into the appraisal profession.

### **Appraisal Policy and Process Improvements**

*SchoolsFirst FCU comments:* on December 2, 2010, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration (collectively, the Agencies) issued the Interagency Appraisal and Evaluation Guidelines (the Guidelines). The Guidelines provide financial institutions and examiners clarification on supervisory expectations for prudent appraisal and evaluation policies, procedures, and practices.

Although the Guidelines are outside of the FHFA's scope, they are nonetheless a critical component of the collateral process. One troublesome provision found in the Guidelines is the rigid requirement for independence of the collateral valuation administrative function, including the ordering, reviewing, and acceptance of appraisals and evaluations, to mitigate potential influence from an institution's "loan production staff."

The Guidelines' Appendix D, Glossary of Terms defines "loan production staff" in part as follows:

"Loan Production Staff – Generally, all personnel responsible for generating loan volume or approving loans, as well as their subordinates and supervisors. These individuals would include any employee whose compensation is based on loan volume (such as processing or *approving of loans*)." [Emphasis added.]

In conjunction with this RFI, we urge the FHFA to partner with the Agencies to revisit the outdated and archaic Guidelines as an essential aspect of appraisal modernization. In particular, the language that mandates any lender staff who approve loans must be independent from collateral administration creates inefficiencies and difficulties in structuring an effective loan origination operation and should be removed. Such removal would not increase risk, because appraisal and valuation processes have

substantially evolved over the last decade, including the emergence of independent appraisal management companies, automated valuation tools, and appraisal waivers.

Moreover, a U.S. Housing and Urban Development (HUD) Direct Endorsement Underwriter must certify that he or she has "personally reviewed the appraisal report" in connection with any HUD-insured Federal Housing Administration loan. Creating consistency between HUD and the Enterprises by updating the Guidelines will further the FHFA's stated goals outlined in the RFI.

We again thank you for the opportunity to provide feedback on your important initiative to modernize and improve appraisal processes and policies.

Sincerely,



Andrea M. Blais  
Senior Vice President, Real Estate Lending  
SchoolsFirst Federal Credit Union

cc: Credit Union National Association  
National Association of Federally-Insured Credit Unions