This discussion is in response to the RFI on Appraisal Related Policies, Practices and Processes.

Valuation of real estate is not a one size fits all solution. Each property is unique and therefore has its own set of unique circumstances. No amount of automation can capture the true essence of a property as the underlining principle of UAD data does not reflect how a true market functions. In other words, buyers and sellers compare properties to one another, The UAD criteria removes that vital function of the market thereby promoting inaccurate results. In the eyes of buyers and sellers, the quality and condition of a property directly relates to the market the property is in. For example, in a starter home market, buyers expect condition and quality to be lower than upper end properties. When markets with varied price points are intermixed, differences in quality and condition become more apparent. There is a strong correlation between price, quality and condition. The UAD principle is seriously flawed and simple does not produce accurate results. Strong proof of this is in the varied ratings of the same property.

AVMs, waivers and other nonhuman forms of valuation are not reliable, increase the risk, and much of the data these valuations are based on is flawed. Regardless of the LTV of the mortgage, these products greatly increase the risk, not only to the lender and investor, but the neighborhood and community can be greatly impacted when properties are over or under valued. Not only is the condition of the property not viewed by a licensed appraiser, the ramifications of high foreclosures due to inadequate collateral is greatly increased.

Desk tops and hybrid appraisals should never be allowed. These products simply do not make good sense when the collateral of the loan is one of the three major C's (credit, capital and collateral) of lending. Appraisal accuracy is not only higher, but easier for the appraiser when he/ she has actually viewed the property and knows firsthand of its condition, location, neighborhood and other characteristics that are relevant to the valuation.

It has been suggested insurance agents and real estate agents could assist with property inspections. These professionals are not trained on what contributes to value nor are they familiar with industry requirements. There are so many factors that appraisers consider within the neighborhood itself in the valuation process. Topography, the junk yard next door, proximity to industrial plants, major highway access and overall appeal to the market are all factors appraisers observe and consider. Take a look at what agents post in their listings. Take a look at what they <u>don't</u> post in their listings. Accuracy of appraisal data will deteriorate even further, thereby making AVM's and Waivers even less reliable if these third parties are involved as more inaccurate data is feed into the databases . Some appraisal management companies have already started licensing in house appraisers in multiple states utilizing these third party data collectors. The issue becomes catastrophic when the appraiser sitting behind a desk in Michigan signs an appraisal report based on information provided by the unlicensed person for a property in Virginia. Sadly, the appraiser has never been to the area of the property or even to the state the property is located. This is happening already and defies every ounce of logic and common sense.

The only person capable of performing a property inspection other than the licensed appraiser is possibly an Appraiser Trainee; then only after his/ her direct supervisor is confident in their abilities. Under no circumstances should an appraisal management company contract with an Appraisal Trainee. The licensed appraiser is responsible for the entire appraisal regardless of any assistance. It is nonsensical to allow any other into the process that is outside of the appraiser's control.

There is no question the current GSE mortgage forms need updating. However it is highly irresponsible of the GSE's to continue to attempt to place square pegs into round holes. The continuation of this inappropriate practice will only deteriorate the appraisal quality further than it has since UAD was initiated. The over automation of data simply does not translate on how markets act. It would be highly advisable for the decision makers to get out in the field and get a true perception of the how the markets act.

Appraisers do not need data from the GSE's. The data the GSE's have is the appraiser's data that was mined from appraisal report. As an appraiser, I am not interested in what another appraiser said about a property. I am responsible for my report and the contents. When my signature goes on the report, I own the data and opinions. Rest assured I can prove its accuracy. The more the GSE's create box fillers on forms, the less reliable of the quality of that appraisal. The thought and analysis is gone from the process and "Form Fillers" have emerged. This is nothing more than common sense, which seems to be fast disappearing.

Lenders need to rely less on appraisal management companies and utilize their own trained staff for appraisal ordering and quality control. It has become the norm appraisal management companies continue to shop for the lowest price appraiser with the quickest turn time. It is not uncommon to receive 10-15 requests a day for nothing more than my fee and turn time, often times from companies I have never heard of. How are appraisal management companies beneficial to the lender with this practice? How is this beneficial to the GSE's or investors?

Question B2:4 states: "How can lenders manipulate automated underwriting systems when seeking an appraisal wavier? For example, lenders changing the loan amount, submitting data changes multiple times, or submitting to both Enterprises and delivering to the one who offers the waiver? How do the Enterprises minimize this manipulation?" By the mere fact this question is being asked, it is clear the GSE's are aware the lenders are manipulating the system. The answer is extremely simple, DON'T OFFER ANY WAIVERS! If there are no waivers, there is nothing to manipulate. Again, pretty much common sense!

Like any bubble in a real estate market, the system will be stressed. Offering short cuts to eliminate a longer turn time or save a few dollars is not the solution. As we saw in 2008/2009, the bubble will burst and then the real impact of those short cuts will be seen. It is extremely premature to be considering any appraisal alternatives until the bubble has burst. When that happens, the true impact of the short cuts will be seen. History tells us, the risks taken by the GSE's will have a devastating impact on the real estate market and the economy. Communities will be destroyed by an abundance of overvalued properties that received waivers, desk top or hybrid appraisals will be in foreclosure. Short cuts are never the answer.

Sadly, the consumer is not the one complaining about a longer appraisal turn time, it is the lender being fearful the consumer will go with a competing company. It is also the appraisal management companies with questionable business practices and unreasonable demands on appraisers that have turned experienced appraisers away from lenderappraisals. Low fees paid by appraisal management companies are also a big issue for finding appraisers. FHFA needs to understand the issues completely before allowing any solutions to be initiated.

There has been some information discussed on social media about the new Fannie Mae forms and its modernization. Several of the appraisal software providers have indicated that the field work will most likely be required on a tablet due to the large increase in fields that need to be completed. This will not go over well with most appraisers. Many of us have tried going mobile and end up going back to our trusty clip boards and paper. The tablets do not operate efficiently in the field and again, this type of product leads to form filling rather than appraising with thought and analysis. The ability to take free hand notes from the owner or agent, the lack of appropriate field choices, and the complete lack of flow on these applications are real problems that exist. The analysis within the appraisal process is further deteriorated. If the discussions are any indication of what is to come, more appraisers will simply stop doing lender work, therefore compounding the problem of shortages and turn times that lenders perceive.

The use of a desk top or hybrid appraisal to shorten turn time is a fallacy. These products actually take more time to complete as more research is necessary on the characteristics of the property and then they must be verified. Sometimes the appraiser must go the property as that is the only way of verification or data gathering. Use of these products in rural areas is even riskier than in metropolitan areas due to the lack of available tools like ariel photos and online data. The process is much simpler and efficient when the appraiser actually views the property. The appraisal is far more reliable as well.

Valuation of the collateral, regardless of the method has no correlation to a borrower’s credit or ability to pay. It is a separate and equally important component to lending. Taking short cuts in a borrower’s credit and ability to pay was a large contributor to the crash of 2008/2009. Taking short cuts in any of the three C’s of lending will have a negative impact. It has been proven many times. Many seem to forget.

Discrimination unfortunately has been and will continue to be part of human life. To say no discrimination exists would be inaccurate. Is there wide spread discrimination like some recent articles have stated, no. The appraisal process is based on the principal of substitution. A buyer looks for a home in an area in which they can afford and in an area they want to live. If three properties sold in a neighborhood predominately of color for $100,000, $102,000 and $103,000 and the same model matches by the same builder sold in a neighborhood comprised of mainly whites, for $120,000, $122,000 and $123,000. The values would be $20,000 difference based on location. Many of the proposed solutions to a racial problem want the appraiser to ignore homes in the immediate neighborhood and go to other neighborhoods for comparables. That is not the appraisal process and physical barriers, school districts, neighborhood upkeep and appeal, access to major traffic arteries, etc. all can and do create value differences. Many years ago Redlining occurred. Even though it does not exist today, the data from that era is “baked” into the data we have today. Automated valuation models including the Collateral Underwriting are just as likely to discriminate racially in a valuation product as any human with the historic redlining data.