

General Questions on Appraisal Policy and Process Improvements

A1.1

Is there a need to provide new valuation solutions that address industry identified issues of appraiser capacity, turn-times, training and rural and high-volume market coverage? **Yes, there is a need for new valuation solutions to address appraiser capacity, turn-times and rural and high-volume market coverage.**

What are those potential solutions? **Allow the GSE's to continue offering Property Inspection Waivers (PIW's). These PIWs are recommended based on proprietary GSE data therefore the risk is low that the GSE would offer a PIW if the data didn't support such a decision. Also, Collateral Desktop Analysis (CDA) should be utilized.**

Maybe develop a waterfall approach to non-traditional appraisal products leveraging the data the GSE's already have. For example, obtain a CDA and if there are certain characteristics present, maybe require a desktop review or an exterior-only review.

Another option would be to permit non-appraisers (possibly trainees) to perform appraisals on a subset of properties without the full appraiser signing off on the report. Tie it to the property type, condition, comparable quality, etc., and set the standard that if "X" attributes are present, then the appraisal must be signed off by an appraiser.

Leverage drone technology for external pictures. For internal pictures, leverage applications that allow the seller or the realtor to take pictures of all livable space and geocode it to the phone so that you can tell that the person was physically at that location. Other applications allow you to take room dimensions.

What are the risks of these policies and the challenges in implementing them? Risks may include not detecting property conditions or ineligible properties and a reduction in local appraiser knowledge. Risk also include fewer full appraisal reports and the data those reports offer. Overtime, the GSE's databases may become deficient in the type and quality of data that they have on properties.

A1.2

Are there opportunities for process improvements that allow non-traditional valuation services (inspection only, desktop, exterior-only) to augment traditional appraisals? Please elaborate on the risks, challenges and benefits. **Yes, there are opportunities to augment the traditional appraisal process and allow non-traditional valuation services. If you could link to listing data (i.e. MLS) and locate trigger words such as "fixer upper," "needs work," versus "turn key ready" you could omit properties from being eligible for PIW's.**

Separately, are there opportunities to improve traditional appraisals to mitigate problems and concerns that have been overserved to date?

A1.3

Do appraisal waivers have a place in Enterprise appraisal policy and process, and if so, for what segment of loans? **Yes, appraisal waivers have a place in Enterprise appraisal policy and process, particularly for conventional loans.**

What are the current risks to Enterprise safety and soundness in how appraisal waivers are offered?

Would caps or other limits on their usage be appropriate? **Appraisal waivers should be limited to single family residences and lower loan-to-value loans.**

A1.4

Would utilizing alternative inspection workforces, such as insurance adjusters, real estate agents, and appraisal trainees assist with addressing appraiser capacity concerns? Are there risks of using third-party non-appraisers? If yes, How? **Yes, using alternative inspection workforces would assist with the current appraiser shortage, reduce turn times, and could expand lending opportunities into less populated rural areas. Risks include appraisal independence, data integrity and non-arm's length transactions (i.e. a realtor could not perform a valuation on home that he or she has an interest in).**

A1.5

Is there a need for additional policies and controls to balance potential risks with efficiency benefit from appraisal modernization? If yes, please provide your recommendations. **Yes, additional policies and controls would be needed to minimize fraud. Appraisal independence rules would need to be updated. Use of systems like LSAM or Veriscore could assess the property risk.**

A1.6

Do the objectives as outlined for the UAD update and forms redesign meet the current and future needs of the mortgage industry? Are there opportunities for refinements or additions?

Questions on Risk Management

B2.1

How could the Enterprises make additional data available to appraisers while promoting appraiser independence without crowding out other data providers? What additional challenges arise if the enterprises provide data to appraisers? **Allow appraisers to have access to systems like CU/LCA, Veriscore, and/or LSAM. By granting access to these systems upfront it would reduce the back and forth with appraisers, reduce data integrity concerns by identifying errors upfront and allowing appraiser's to amend their reports or address concerns by adding commentary to their reports prior to initial delivery of the report.**

B2.2

How can the Enterprises improve their collateral tools currently available to lenders? **See response to B2.1.**

B2.3

How do Enterprise appraisal waiver offers differ between Freddie Mac and Fannie Mae? Are both Enterprises equally likely to offer a waiver on a given property? Please elaborate.

B2.4

How can lenders manipulate automated underwriting systems when seeking an appraisal waiver? 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? **AUS manipulation to achieve a PIW is possible by changing loan-to-value, assets, debt-to-income, and agency submission. To control for these variables, limit the number of submissions or require explanations when submissions exceed a certain threshold. If a lender is abusing the process, do not make appraisal waivers available to that lender.**

B2.5

What are the challenges associated with quality of service, enforcement and consumer protections related to non-appraiser entities providing property inspection data? **To address this, develop and implement tracking for improved communication and set industry standards for performance and response times.**

B2.6

Is there any data or evidence you could share regarding the performance of alternative appraisal solutions versus traditional appraisals?

B2.7

Should Enterprise type COVID-19 appraisal flexibilities be part of an updated appraisal process to address disasters and other events to lessen market impacts? **Yes, continue to allow for exterior-only appraisals for purchase and no-cash out refinances.**

Industry Considerations

C1.1

What do you envision the impact of appraisal process improvements as described in this RFI to be on the appraisal industry? What impact, if any, has increasing use by the Enterprises of alternative appraisal solutions had on the availability and/or quality of traditional appraisals? **The improvements mentioned in this RFI will decrease valuation turn times, decrease consumer costs while still allowing valuations to be received which can increase lending opportunities in areas with limited appraiser coverage.**

C1.2

What would be the impact of appraisal policy and process improvements to the mid or late career appraiser? Do you believe late career appraisers would delay retirement if they could focus on specific valuation services like desktop appraisals? Or alternatively, would late career appraisers cease operations due to technology adoption challenges? **This is a personal question and the response depends on the appraiser in question. Allowing alternative appraisal options will have**

its pros and cons for existing appraisers. Some appraisers will adapt, and others might chose to retire.

C1.3

Do you believe appraisal policy and process improvements would have a positive impact on access to credit, including for rural and underserved markets by providing additional valuation services that serve the needs of these markets? **Yes.**

C1.4

Is there discrimination in current collateral valuation practices? If you believe there is discrimination, describe the impact. Please provide any relevant data or analyses to support your position. Conversely, are there concerns that alternative or automated solutions could have a discriminatory impact? **To decrease the potential for discrimination in the appraisal process, industry needs to do a better job of recruiting for diversity so that there are ample appraisers ready to serve the areas where they live.**

C1.5

What are the fair housing impacts of current FHFA and Enterprise policies and procedures on appraisals and valuations, and how can these policies change to further fair housing? Please provide any relevant data or analyses. **Existing policies and procedures are neutral on the topic of fair lending. As previously stated, diversity in the appraiser pool would theoretically have a positive impact on fair housing and improve capacity in underserved communities.**

C1.6

Do you have any additional feedback on issues and questions raised by this RFI?