****

**General Questions on Appraisal Policy and Process Improvements**

Q A1.1 Is there is 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? What are those potential solutions? What are the risks of these policies and the challenges in implementing them?

Yes, new valuation solutions are necessary. It appears that the GSE’s are driving towards risk-based lending. With that premise in mind, appraisers should not be forced to produce a single product that is intended to always provide the largest amount of information which would generally be suited for evaluation of the highest risk. Similarly, a lender is currently offered only a valuation designed for the highest risk, or no valuation at all when issued a PIW (presumably for the lowest risk loans). The landscape in between is sometimes filled by proprietary forms used by institutional lenders and credit unions, however no current solution exists for the significant number of variables in between the full appraisal and a PIW for sale to the GSEs. If there is an acceptable risk solution for valuation and collateral assessment between these two currently offered, and if those solutions can be achieved within an appraisal office or an AMC, it will allow for faster turn times, less expensive valuations, and additional revenue sources for appraisal offices to broaden their financial base and provide training to increase the availability of appraisers throughout the country. Unless the goal is to eliminate the appraisal process altogether, it would seem prudent to look at the long term impact of any changes that will be made in the short term, to enhance and grow availability of appraisal professionals in the future.

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

Appraisers can provide the gamut of services including appraiser assisted AVM’s, desktop analysis; exterior only and inspection only if they can use trainees to enhance production. Additionally, if a lender can rely upon the AMC to also contract with other service providers or inspectors the AMC could provide a complete suite of services. With the data availability today, and the potential transparency, the GSE’s could provide physical property information to the lender with guidance on the level of valuation required if an abbreviated format is a reasonable risk choice. This information can be included with the appraisal order to speed up the valuation process. The risk/challenge is related to what data points on the potential loan are needed to automate and deliver an appropriate valuation directive and can those be manipulated. The appraisal community has desired for at least a decade to be able to offer multiple services. However, appraisers are also bound by the policies of the ASB. Collaboration between the ASB and the GSE’s to create acceptable scopes of work for abbreviated services is needed. Then driving that information out to the education providers is necessary, as appraisers often do not understand how to create an appropriate scope of work for a variety of assignments that will protect them from sanctions. Those appraisers will not accept alternative work assignments. If the GSEs and the ASB can agree upon scope of work, certifications, and limiting conditions, appraisers will not resist alternative assignments. The road blocks of appraisers attempting to protect themselves legally and lacking the resources to create a massive legal document could be put to rest if the ASB and GSEs are in alignment.

A1.3 Do appraisal waivers have a place in Enterprise appraisal policy and process, and if so, for what segment of 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?

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?

Further diluting the valuation process would continue to degrade the public trust as well as degrade the information input into the big data systems. Since the mortgage meltdown, the industry at large has continued to toy with the idea of other entities providing various pieces of the appraisal process. At the same time the government and associated appraisal oversight bodies have choked the growth of the appraisal profession and then panicked at the subsequent shortage of valuation professionals. This problem was created by the entities that control the appraisal industry. Appraisers margins decreased to a level which made it impossible to retain staff and trainees have been discouraged industry wide.

One obvious solution is to allow an appraiser to work with appraisal trainees. This would serve to increase the overall population of appraisers, as well as provide oversight and training for the critical growth of appraisal professionals. Inspections performed by other industry professionals may have its place in the valuation process based on risk analysis etc. however, it does not provide a long-term solution to the issue at hand which is a path for individuals to become professional appraisers. An insurance adjuster performing an inspection will not be a contributor to the growth of the appraisal industry. This seems like a short-sighted solution to an issue we have known was approaching for over a decade. Finally, a classroom with virtual or synthesized inspections is akin to learning to build a house or conduct a chemistry experiment completely online. Half of an appraiser’s expertise is derived in the field. The best solution to the shortage is to provide avenues to leverage an appraiser’s expertise by using trainees and to generate enough income to pay for administrative assistance. Any solutions will take years to recover the losses of the past decade however, the AMC’s are perfectly poised to teach and train. The educational path is still very disjointed as well. Any student who graduates with a degree in analytics, finance or real estate should not need the extensive amount of additional appraisal education. What they need is training and field time.

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

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**

Q 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?

The GSE’s should not hesitate to provide factual objective data. The HPI index is not timely enough and appraisers do not understand how to interpret the charts. There exists an unreasonable paranoia by the appraisal community to adjust for market conditions. This is a trained response for many, because their business was removed and they landed on DNU lists when they reported declining market conditions back in 2008. Conversely, underwriters are hesitant to accept adjustments for appreciation, so the constant questioning of market adjustments dissuades an appraiser from making this critical adjustment to the grid. Often this results in under or over valuations. Please provide objective market appreciation/depreciation data based on purchase transactions that appraisers can review and consider. Consider providing physical property information upon requesting abbreviated format appraisals.

B2.2 How can the Enterprises improve their collateral tools currently available to lenders?

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 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?

B2.5 What are the challenges associated with quality of service, enforcement and consumer protections related to non-appraiser entities providing property inspection data?

What rules are in place to monitor these providers of services? How are they licensed? How do the Enterprises ensure the information is unbiased and has not been influenced in any way? The Federal Gov. has gone to great lengths to ensure appraisers are not influenced by realtors, homeowners, brokers etc. The lender must enforce these rules every day at a cost both to the lender and the consumer. If that level of protection is no longer necessary than there should be a level of relief across the board both in the treatment of the appraisal process and in the application of enforcement as new entities are introduced into the process. Further, when the bifurcated process tests were completed two years ago, the AMC’s that partner with us reported higher costs to those consumers that had to undergo a failed “inspection only” process. Costs were higher both due to multiple service providers as well as management costs of a split process. Bifurcation does not seem to be a successful avenue to pursue. Offering abbreviated appraisal formats for lesser risk provides a short-term solution by moving valuations through faster and a long term solution by allowing AMC’s and independent appraisal offices to train and grow a full service business.

B2.6 Is there any data or evidence you could share regarding the performance of alternative appraisal solutions versus traditional appraisals?

The AMC’s and lenders that participated in the testing should have this information.

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?

I am not clear on this question. Disaster inspections are already developed on short forms 1004d forms, 2075, 2055 and Disaster Inspection forms. To have a homeowner verify their own level of damage is not prudent as a long-term solution. Allowing for contractors and home inspectors to certify and inspect is prudent.

**Operational Questions on Appraisal Process Improvement**

Q 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?

Thankfully the data was sufficient to produce waivers during this impactful period of time of COVID challenges and low interest rates. The appraisers could not manage the volume. There is a place for waivers as long as the data on the specific property and neighborhood sales data is current enough. Raw data will degrade over time, sometimes quickly in areas of decline or gentrification. This will always be the challenge and the reason abbreviated appraisal format’s needs to be part of the solution.

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?

Absolutely, not only should it assist in delay of retirement but if trainees can be leverage to a greater degree, it will provide an opportunity to train new appraisers so that the senior appraiser can move to a supervisory roll rather than a active roll of inspecting properties every day. The challenge is the new technology. Many appraisers are aging out of learning new technology. Again, the solution is to bring in trainee staff and have multiple product offerings to allow for a full service business that can provide enough margin to operate a robust valuation business.

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?

Rural markets will always be challenging. No matter what the service is composed of, the travel time will always be detrimental to any provider. The loss of productive time sitting in a car is expensive. Unfortunately, rural properties are often the most complex. They also register poorly on any analytic which is clear in an analysis of Collateral UW. Shops and ponds, creeks, manufactured home ADUs and various outbuildings skew CU results. There should be some risk based lending solutions for rural properties that can incorporate an abbreviated valuation format. This is a good round table topic for Collateral Advisory Forum.

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?

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.

C1.6 Do you have any additional feedback on issues and questions raised by this RFI?

Thank you for allowing us to contribute our thoughts on these topics.

Lori Reische

Appraisal Dept. Manager

Chief Appraiser | CACert# AR005470

p 916.960.1062 |direct: 916.960.1271

e **lreische@apmortgage.com**

3000 Lava Ridge Ct, Suite 200, Roseville, CA 95661