



CALIFORNIA ASSOCIATION OF REALTORS®

February 26, 2021

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

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

Dear Director Calabria,

On behalf of the more than 200,000 members of the California Association of REALTORS® (C.A.R.), I am pleased to submit the following comments on the Federal Housing Finance Agency's (FHFA) Request for information on Appraisal-Related Policies, Practices, and Processes (RFI). C.A.R. and its membership have seen a number of changes in the home appraisal process since the Great Recession and believe the RFI to be a timely request by the FHFA.

PROPOSED HYBRID APPRAISAL

C.A.R. believes the FHFA should pursue the development and implementation of a hybrid appraisal as proposed in the RFI. C.A.R. has long supported changes to the appraisal process that would focus on reducing both the time it takes to complete an appraisal and consumer costs. The hybrid appraisal will contribute to both goals as well as protecting against discrimination.

The data collection must be done by a qualified, independent person. It is important that whoever collects the data, has no connection with other parties involved in the transaction and cannot benefit from the outcome. Additionally, the person who collects the data should have experience in the real estate industry and property valuation, appraisers, appraiser trainees, or an individual with a real estate license.



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Support greater use of appraisal waivers. C.A.R. believes if the FHFA implements the hybrid appraisal process it should be to compliment and expand the use of the appraisal waiver program. Hybrid appraisals will allow the Enterprises to collect and keep up-to-date data on homes.

Protects against appraisal discrimination. While it is unknown how prevalent the issue of appraisal discrimination is, there are documented instances where properties are valued based on the race or ethnicity of the occupants and/or neighborhood. Discrimination in real estate is an issue that is broad and historic. It will not be eliminated with any one single policy change, but we can see it removed with many changes that either eliminate practices or protect against opportunities for discrimination. By having the collection of data on a property performed by one person, and the valuation of the property done by another (or by an automated valuation model) there is an additional wall of protection against discrimination.

Increase data points and reduce subjective comments. The FHFA should look for opportunities to move information collected in the appraisal process to a data point where possible and reduce the opportunity for subjective comments. This would allow the Enterprises to increase the data inputted into their AVMs leading to more accurate automated appraisals. Additionally, reducing the opportunity for comment reduces the opportunity for discrimination.

GENERAL QUESTIONS ON APPRAISAL POLICY AND PROCESS IMPROVEMENTS

C.A.R. presented and discussed the questions in the RFI with active California REALTORS®. These members represent both real estate agents and real estate brokers who do hundreds of transactions a year throughout the state. Below are their responses to the questions presented in the RFI (Direct statements in italics.)

Question A1.1:

- *REALTORS® should have an option to contact appraisers directly who still need to have their appraisal Quality Control through an AMC. Currently, third party ordering is slow, delayed, and not efficient with communicating.*
- Turn times vary greatly from transaction to transaction. One member recalled one appraisal where the inspection and report were completed the same day, while other appraisals have taken 2 weeks. Appraisals that run long may require rush fees paid to get them back on time. Most of this agent's transactions have appraisal contingencies of 10-12 days. This places a great deal of pressure and mental anguish on home buyers. Many members have been told by their lenders the current refinancing boom is causing appraisal delays.
- *Right now, the biggest problem is finding an appraiser to do the work. Because of COVID-19 it can be difficult to get in-person inspections. Flexible appraisals have helped greatly in getting transactions completed.*

- *Perhaps some of the changes that occurred in 2010, and the stricter requirements of education, have created a shortage of appraisers. AMCs took money from the appraiser's pocket and thus many "good ones" left the business. This member wonders if a college degree requirement is proving to have created a better appraisal product or is just an additional hurdle to becoming an appraiser?*
- *Members are concerned there continues to be an increasing shortage of appraisers and a lack of appraisal trainees to replace retiring appraisers.*
- *The FHFA should look at the VA "Tidewater" process. We have worked with veteran homebuyers and have found Tidewater to keep transactions moving and allows us to assist the appraiser with information. This has allowed for maximum knowledge to be shared.*
- *Members still find that some appraisers perceive it to be harassing when the agent provides comparable properties. However, appraisers that accepted the information created a more productive environment.*

Question A1.3:

- *Appraisal waivers should very much be a part of the Enterprises' process, for both purchase and refinancing. The FHFA should look to see how appraisal waivers may be expanded to cover more of their transactions.*
- *As a REALTOR® I love when we get appraisal waivers, it makes the deal so much smoother. However, there can still be a learning curve for buyers. While some buyers are happy to not have an appraisal, others are confused by the appraisal waiver.*
- *During the COVID-19 crisis, appraisal waivers are very valuable and should be encouraged especially in low LTV situations.*
- *We have not seen as many appraisal waivers on purchase properties as we would hope; only when there is a large down payment. Most appraisal waivers are being done on refinance transactions. However, if it were not for appraisal waivers on refinance loans, the slow down for purchase buyers would have increased dramatically.*

Question B2.7:

- *Yes, appraisal flexibilities must be a part of an updated process when there is a disaster. We lost some deals because we could not get appraisal waivers and clients did not want anyone in their home.*
- *How this is implemented is important. Specifically, there is concern with out of area appraisers doing a desktop appraisal. We have had instances where L.A. appraisers will do flexible appraisals in San Bernardino County. If the appraiser does not see the area where the home is located, it may be difficult for them to accurately value the property. If the listing has a 3D tour and HD photos that can help, but still the neighborhood and home need to be seen in person using a drive-by.*
- *COVID appraisal flexibilities have been used in my transaction very successfully. This is something Fannie Mae and Freddie Mac should continue.*

Question C1.6:

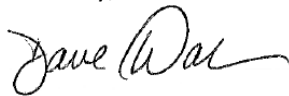
- *Racism and discrimination are a problem. Quality Control should be able to catch some of this discrimination if a value is coming in lower than Fannie and Freddie AVM valuation. They need*

to verify that the comps, pictures (clearer photos need to be done too) all justify any low values that are preventing a borrower from getting the right to a fair deal.

- *I agree this is a problem, I am not sure what can be done.*
- *I think more diversity training and more diversity in the industry would make a difference.*
- *The FHFA and the industry should look and see how existing anti-discrimination rules are being enforced and how discrimination is slipping through existing cracks.*

I thank you for your consideration of these comments. If you would like to discuss any of the issues raised in this letter, please contact Matt Roberts, C.A.R.'s Federal Government Affairs Manager, at matthewr@car.org or 213-739-8284.

Sincerely,

A handwritten signature in black ink that reads "Dave Walsh". The signature is written in a cursive, flowing style.

Dave Walsh
2021 President, California Association of REALTORS®