ACCURATE GROUP

February 25, 2021

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

RE: Response to Federal Housing Finance Agency Request for Information on Appraisal-Related Policies, Practices, and Processes

We would first like to thank you for the opportunity to provide input on appraisal-related policies, practices, and processes.

Accurate Group, LLC is a real estate technology and services leader delivering technology-driven property appraisal, title data, analytics and digital closing solutions to banks, credit unions, servicers, non-banks and capital market firms. By combining modern process automation, accurate data and innovative SaaS and mobile technologies, Accurate Group provides its clients with the best combination of speed, quality, regulatory compliance and price. Our ValueNet™ Hybrid Appraisal is the market leader in alternative valuation products.

Our comments focus mainly on Appraisal Modernization. Accurate Group is an active participant in the GSE Modernization Pilots with technology built to fully support uniform data capture. Based on our 23+ years of experience in the hybrid/desktop space, we believe that moving hybrid appraisals from the pilot stage to appraisal policy, while bringing back "Data and Done" would have the most impact on Appraisal Modernization overall.

Hybrid Appraisals utilizing alternative labor forces have the following impact:

- Increase Appraiser Efficiency 4X
- Increase Appraiser Earnings
- Promote Appraisal Independence
- Improve Valuation Process for all Stakeholders
- Reduce Post-Delivery Revision Rates
- Reduce Overall Turn Times
- Help Underserved Markets (Rural or Limited Data) and
- Reduce Potential for Discriminatory Bias

Sincerely,

Paul Doman
President/CEO
Accurate Group, LLC

Question 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?

Answer A1.1

Yes, much of the appraisal industry has been doing business the same way for decades. Valuation has stayed stagnant while innovation has taken off in every other part of the loan manufacturing process. The number of appraisers has at best remained the same, and actually shown signs of decline in some markets, while volume has skyrocketed. This is adding additional time and costs to borrowers.

We believe hybrid appraisal can ease capacity issues because most appraisers complete four hybrid appraisals in the same time it would take to finish one traditional appraisal. The pressure on appraisers to meet current demand in the traditional appraisal space is leading to errors and burnout.

We have provided hybrid appraisals for more than 23 years and our data shows that there is less risk when hybrid appraisals are completed over a traditional appraisal in part because of the added level of independence. The implementation challenge for some will be providing data collection reports that have been checked for quality and completeness to build confidence and trust in that data but this hurdle is no different than how appraisers must establish trust in other third-party data today.

Question 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?

Answer A1.2

Yes, there are opportunities for process improvements that allow non-traditional valuation services to augment traditional appraisals. The traditional appraisal process creates a bottleneck in the workflow since the appraiser must perform every task in the development of the report. Just as dentists now use their vast experience on more complex procedures instead of cleaning teeth, appraisers need to move away from routine tasks, such as scheduling, driving, data collection, etc., and use non-appraiser entities and professionals to perform that work. Professional property data collectors would also alleviate most appraiser independence issues since the appraiser would not have contact with the borrower.

Lenders have been cascading their valuation products based on risk for years in the second mortgage market. We recommend using a risk-based, technology-driven valuation cascade similar to the following:

- Stand-alone Appraisal Waivers
- Appraisal Waiver with Inspection
- Hybrid Appraisal
- Traditional 1004/70 Appraisals

Question 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?

Answer A1.3

Waivers have a place in Enterprise appraisal policy and process for lower risk transactions. We also believe waivers are appropriate with a tiered risk approach using a cascading valuation cascade as mentioned in A1.2.

Question 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?

Answer A1.4

Utilizing alternative inspection workforces would absolutely help with appraiser capacity. As mentioned above, appraisers are able to complete close to four hybrid appraisals compared to a single traditional appraisal due to the efficiencies of the process based on our experience with our proprietary hybrid appraisal.

We have been utilizing alternative workforces for over 23 years within our hybrid appraisal division and have found no more risk in this model than our traditional appraisal division. In fact, we would argue that there is more independence in this bifurcated process since the appraiser does not have any contact with the borrower. Appraisers have been relying on third-party data for years when relying on sources like MLS data, public records data, flood data, broker interviews, etc. Our ValueNet™ appraisers have been using inspections provided by insurance inspectors, real estate professionals, and, in some cases, other appraisers for many years.

To reduce risks, third-party non-appraiser data collectors should be managed the same way appraisers are managed today with standards, oversight and accountability.

It is our experience that a professional training program coupled with a strong QC process produces credible assignment data that appraisers and our lender clients have come to not only trust but prefer over a traditional appraisal when given the choice.

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

Answer B2.5

The challenges are in kind the same as the challenges of managing fee appraisers with the exception that additional inspection-specific training is required. Our inspectors are vetted with background checks just as our appraisers are. We typically prefer to use individuals with state certifications and/or licenses as inspectors which increases assurance of their professionalism. We use the same quality control procedures to ensure absence of discriminatory bias in the work product of our inspectors. We also have the capability to provide information about the inspector to the homeowner before the appointment to provide more comfort and a better consumer experience. It's worth noting that we have inspection technology that allows the inspector to remotely direct and conduct the inspection with the aid of the homeowner so that the consumer need not even allow an inspector into the home.

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

Answer B2.6

Here is our experience when comparing hybrid appraisals verses traditional appraisals:

- Hybrids completed in 25% of the time of a traditional appraisal.
- Hybrid review technology drives post-delivery revision rates by half.
- Our data shows hybrid appraisals to be just as accurate and in some cases more accurate than traditional appraisals.
- Hybrid process is faster by at least three business days.
- Appraisers who focus on hybrid appraisals earn more money per hour on average.
- Hybrid appraisals are typically less expensive overall for borrowers and lenders.
- Hybrid appraisals are more convenient to borrowers trying to schedule.
- Overall borrower satisfaction is typically higher with a hybrid process based on our experience.

Question 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?

Answer B2.7

We believe the appraisal flexibilities have been an important option which has reduced the risk for appraisers and borrowers. Unfortunately, many lenders had difficultly operationalizing the flexibilities for several reasons. Most often we heard concerns about the short duration of the flexibilities. Even though the flexibilities have been in place for some time now, they have been extended for short periods of time which discouraged implementation by some lenders due to the major technology development work required for a temporary issue. If hybrid appraisals were accepted as a matter of policy, in addition to remote inspection technology to inspect the property from a distance, appraisal flexibilities would be built into policy.

Question 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?

Answer C1.1

We have been providing hybrid appraisals to the home equity, mortgage portfolio, REO, MIT and servicing channels for over 23 years and we deliver tens of thousands of them each month. We can say without any reservation that it has been a positive experience overall on the industry. We believe it is time for the first mortgage market to adopt some of the same types of valuations that have been used for decades in other channels.

Lenders have been utilizing hybrid appraisals to originate portfolio loans for years and would not continue to do so if these products were adding even a small percentage of risk to their balance sheets over the traditional valuation process. (These products have been mostly used by equity lenders which retain the loans on their balance sheets).

FHFA has a tremendous amount of data from modernization pilots that have been running for the last few years. These “new” products are proven and now is the time to make these modernization efforts a reality since we are already in the middle of the largest disruption in the history of valuation.

Question 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?

Answer C1.2

We have found that most appraisers will at least give this new process a try. We have a large loyal panel of appraisers who prefer to complete hybrid appraisals instead of their traditional work. We have found that as life’s challenges meet appraisers, for example family care commitments and health issues, not having to engage in field work can be a plus that even extends valuable careers. Every effort should be made to keep appraisers that are late in their careers engaged as they are the most experienced and typically the most talented. There will always be a group of appraisers who only want to do traditional appraisals which is great because we believe there will always be a segment of traditional work that needs to be completed.

Question 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?

Answer C1.3

Absolutely. There is no doubt that appraisal policy and process improvements would go a long way in extending credit to rural and underserved markets if there were more flexibility in the valuation service allowed in these areas. Today, we have a one size fits all valuation policy. It would be beneficial to allow different valuation tools for specific pain points and we believe that enabling alternative labor forces as well as innovative valuation products would be steps in the right direction.

At the start of the pandemic, we launched a Directed Remote Data Collection process ("DRDC') in which our data collectors worked directly with the homeowner by directing them throughout the property using technology to collect the property data and photos in real-time. In addition to the many efficiencies this technology creates, this process could be utilized in rural and underserved markets to reduce consumer costs and increase convenience without sacrificing accuracy.