

26 February 2021

via email: [AppraisalRFI@fhfa.gov](mailto:AppraisalRFI@fhfa.gov)

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

Dear FHFA Technical Director:

**Re: Federal Housing Finance Agency's Request for Information on Appraisal-Related Policies, Practices, and Processes**

RICS would like to thank the Federal Housing Finance Agency (FHFA) for their time and effort in preparing the Request for Information dated December 28, 2020 pertaining to the 'Appraisal-Related Policies, Practices, and Processes (the 'RFI')'. RICS appreciates the opportunity to provide observations and comments, which we set out in detail on the pages that follow. We would be happy to discuss any aspect of this response if you would find that helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Michael Zuriff".

**Michael Zuriff**  
**Senior Public Affairs Officer**

Copy: Steve Choi

## About RICS

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure.

Our name promises the consistent delivery of standards – bringing confidence to the markets we serve.

We accredit over 130,000 professionals and any individual or firm registered with RICS is subject to our quality assurance. Within the valuation sector, RICS has about 30,000 valuation professionals in over 100 countries. Their expertise covers valuations of real estate, businesses, intangible assets, machinery and equipment, and to a limited extent valuation of financial instruments.

Our professionals cover property, asset valuation and real estate management which includes property and facilities management; the costing and leadership of construction projects; the development of infrastructure; and the management of natural resources, such as mining, farms and woodland. From environmental assessments and building controls to negotiating land rights in an emerging economy; if our professionals are involved the same standards and ethics apply.

We believe that standards underpin effective markets. With up to seventy per cent of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

With offices covering the major political and financial centers of the world, our market presence means we are ideally placed to influence policy and embed professional standards. We work at a cross-governmental level, delivering international standards that will support a safe and vibrant marketplace in valuation, land, real estate, construction and infrastructure, for the benefit of all.

We are proud of our reputation and we guard it fiercely, so clients who work with an RICS professional can have confidence in the quality and ethics of the services they receive.

## Observations and Comments

RICS has provided observations and comments from a valuation professional organisation's perspective. We have not provided responses to questions A1.3, A1.5 to A1.6, questions on risk management, and questions C1.3, C1.5 to C1.6 as professionals more familiar with UAD and other processes are better placed to provide comments for these questions.

## General Questions on Appraisal Policy and Process Improvements

**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?

- *RICS Comments:*

*In general, there are an adequate number of appraisers in nearly every state to complete appraisal assignments. However, for commercial property appraisals, there may be some challenges due to capacity constraints and turn-times for urban and rural appraisals.*

*At times, low professional fees can be a hurdle for engaging appraisers, and the resulting relaxed policies around an appraiser's qualification and experience risk inaccuracy thereby lowering the safety and soundness in the lending process.*

**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?

- *RICS Comments:*

*Prior to the COVID-19 pandemic, non-traditional valuation services had already been utilized. During the pandemic, desktop or exterior-only inspections were increasingly used unless the property needed to be inspected because of the specialized nature of the asset or for contamination reasons. Appraisers often used other procedures instead of inspections, as long as the appraiser reasonably believed the sources were reliable, such as use of videos or photographs provided by the occupant, previous third-party valuations, etc. to produce a credible analysis. While there are certainly some benefits that can be achieved through efficiency by the use of these methods, it is critical that the appraiser be clear on how the service was provided – describing what is and what isn't included in the service. The risk is that the appraiser may not have a full picture of the asset.*

*However, for certain low risk loans, some hybrid or other such type of non-traditional valuation services are appropriate and are best provided by a trained and an experienced valuation professional.*

**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?

- *RICS Comments:*

*In general, there are some risks or perceived risks in utilizing the aforementioned professionals for inspections unless he or she is providing the inspection service were trained and qualified. There is risk that using non-appraisers could create confusion amongst clients and consumers as to who is qualified to perform these types of services.*

*Further risk exists when a non-appraiser is or can be perceived to not be independent. Appraiser independence is crucial in maintaining confidence in the services delivered to the public. Thus, it is highly recommended that the responsibility to provide such inspection services should still fall under the valuation professional as he or she is also ultimately responsible for the valuation conclusion.*

### **Operational Questions on Appraisal Improvements**

**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?

- *RICS Comments:*

*The use of automated valuation models (AVMs) is becoming more prevalent. However, the widespread use of AVMs also comes with concerns in relation to the reliability of value estimates (especially during uncertain times and for complex or non-homogenous assets), the accuracy of the data, and lack of standards and regulation of these models. Confidence in AVMs and similar tools will increase as transparency and confidence in the data is strengthened. Standards around transparency, data accuracy, and setting clear expectations on the role of the appraiser using these tools will be an important to the success of these process improvements.*

*We do not have a comment with regard to how Waivers affect the non SFR valuation professional.*

**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?

- *RICS Comments:*

*Based on views expressed by our membership, in general, it seems that the late career appraiser would adapt to change and would be the most suited to apply new techniques in their practice. In this case additional tools would benefit the valuation profession as well as the appraisers. Further, if there are alternative ways to perform valuation services efficiently while maintaining the quality, having a trained*

*and an experienced valuation professional interpreting the results rather than an untrained and less experienced professional would mitigate some risks.*

**Question 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?

- *RICS Comments:*

*This is an important issue in valuation and in society today. Using language such as “desirable neighborhood, good neighborhood”, and other terms of reference result in unintended consequences of placing a value reference on an area. Valuation professionals should be better trained (perhaps a mandatory training as part of state license renewal) in how their words and reports can contribute to unintended or unconscious bias.*

*Automated solutions, on the face of it may help remove bias. However, careful thought needs to be made to both the source and quality of data used as inputs. Even in instances where confidence in the data is high, such data is likely to be based off of valuations that contained biased or discriminatory practices. While the automated solution itself may not be biased, the data actually might be.*