



THE APPRAISAL FOUNDATION

Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications

June 6, 2017

Ms. Maria Fernandez
Senior Associate Director
Office of Housing and Regulatory Policy
Division of Housing Mission and Goals
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

Via e-mail: maria.fernandez@fhfa.gov

Dear Ms. Fernandez:

We appreciate the opportunity to have met with Fannie Mae and Freddie Mac officials on May 23, to learn of the plans of the enterprises to waive appraisals in certain loan transactions. As the entity authorized by Congress to establish appraisal standards and appraiser qualifications in the United States, The Appraisal Foundation has significant concerns about these initiatives.

One thing everyone can agree on when it comes to real estate: markets are extremely cyclical. While our concerns would apply at any time, they are increased *significantly* given the rollout of these programs at a time where housing prices have increased dramatically over the last several years. Frankly, using “backward-looking” data to project a property’s value based on transactions that occurred at the height of a market creates a recipe for disaster.

While it’s true that appraisers also use historical data, competent appraisers with expertise in a marketplace may be able to recognize changes in market trends much more quickly. Appraisers may be able to supplement an analysis of historical sales by recognizing marketplace factors such as increased marketing times and available inventory, increases in the number of listings with price reductions, the prevalence of seller concessions, and new listings reflecting a lower pricing threshold, just to name a few. Thus, a competent and professional appraiser may be able to provide a more accurate opinion of value in a changing market, even with access to the same historical sales data. We believe performing a lesser level of due diligence at this time is a step 180 degrees in the wrong direction.

As stated above, we have concerns with policies allowing for a waiver of appraisals in a great number of situations. But we’re also concerned that the proposed roll out of these programs at this time lacks some of the detail and clarity needed for proper implementation. Specifically, our concerns include:

Fannie Mae said previous appraisal information would be necessary for a loan to qualify for an appraisal waiver, while Freddie Mac indicated that waivers would be allowed even when no previous appraisal information was available. This inconsistency is evidence that additional details must still be developed.

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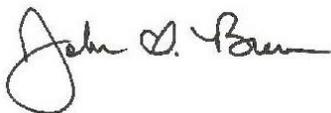
Fannie Mae and Freddie Mac are not in sync with respect to the applicability of the proposed waiver programs. Fannie Mae estimates waivers would apply to 10 percent of refinance transactions, with no waivers applicable to purchase transactions. No such specific estimates were provided by Freddie Mac which, in and of itself, is troubling. Again, this inconsistency signals lack of clear forethought.

Lastly, the reason provided for the need to consider appraisal waivers was due to a shortage of appraisers, which increased both costs and delays in obtaining an appraisal. While we are aware that some markets experienced such issues on a small scale, those very same markets have achieved an equilibrium and appraisals are now being performed in a timely manner, at a reasonable cost. We believe that many opportunists saw this short term shortage as their chance to increase profit potential and eliminate some of the vital "checks and balances" needed for sound investment practices.

In summary, we believe the proposals require further study prior to implementation. We think a focus group consisting of constituents with varying perspectives would be most beneficial. We would be pleased to participate in any such effort, and hope that we can be considered a resource in this and any future valuation-related initiatives.

Please feel free to contact me if I can provide any additional information or be of further assistance. I can be reached by calling (202) 624-3044, or via e-mail at john@appraisalfoundation.org.

Sincerely,

A handwritten signature in black ink that reads "John S. Brennan". The signature is written in a cursive, flowing style.

John S. Brennan
Director of Appraisal Issues
The Appraisal Foundation