



Welcome to the April edition of the HPC Bulletin.

In this month's newsletter you'll find: [Ed's Insights](#), [Executive Spotlight](#), [Policy Pulse](#) and [HPC in the News](#).



Publication of the Property Appraisal and Valuation Equity (PAVE) Task Force Action Plan and related Senate and House committee hearings generated a lot of attention in March.

The conversation about property valuation was reenergized last year with the emergence of media reports of anecdotal incidents of blatant appraisal bias. At the same time, academics, think tanks, both GSEs, and the FHFA were working to develop research to inject quantitative data into the discussion.

HPC's appraisal working group, which had already been exploring property valuation issues, invited several of these researchers to present to our members so we could ground ourselves in the publicly available data, which is often contradictory and generates more questions than it answers. In June, the

Biden Administration announced the formation of its PAVE task force. Since then, HPC, alongside our members, has been a prominent participant. HPC has joined in several listening sessions, submitted formal recommendations to the task force, and has remained in close contact with the PAVE team throughout their tenure.

The day before the PAVE report was released last month, HPC staff received a private briefing on its content and was, accordingly, able to proactively reach out to media and other stakeholders to convey our key messages about the report, building goodwill with the Task Force team. The resulting press coverage reiterated our key message that FHFA and the GSEs need a strategy for releasing, in a tailored and protective fashion, some of the vast appraisal data collected over the years.

Generally, the PAVE Action Plan is practical, reasonable and concedes what the Task Force does not know. It calls for actions that are within the jurisdiction of federal entities, and aims to empower consumers with knowledge, expand the diversity of the appraiser workforce, and develop more comprehensive and probative data. It does not pretend to have developed definitive answers to questions that will take more time and study such as the viability and effectiveness of alternative appraisal methods. It also, thankfully, did not embrace some of the most radical proposals that emerged during this conversation, such as dispensing with the sales comparison method altogether.

At the House Financial Services Committee hearing, Rep. Waters (D-CA) introduced *The Fair Appraisal and Inequity Reform Act of 2022*, which would eliminate the Appraisal Foundation and the Appraisal Subcommittee and replace them with an independent federal agency.

HPC is well positioned to continue its close collaboration with the PAVE team and the executive agencies charged with implementing pieces of the Action Plan. The appraisal working group will be meeting this month to identify appropriate next steps.





This month's Executive Spotlight focuses on Adam Glassner, Managing Director at Bayview Asset Management.



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Deploying private capital to the housing finance system

Adam Glassner, Managing Director at Bayview Asset Management, describes Bayview's unique corporate structure and their perspective on the treatment of third-party originations and the cash window in FHFA's recent capital rule amendments.

[Read More](#)



PAVE Task Force Report Published

On March 22nd, President Biden's Property Appraisal and Valuation Equity's (PAVE) Task Force issued its long-awaited Action Plan. White House Domestic Policy Council leadership provided a private briefing to HPC staff on the contents of the plan before its release. HPC issued a statement commending the task force for its work, conveying our support for the goals of the plan, and committing to continued engagement on its implementation. Two days later, the Senate Banking Committee held a [hearing](#) to discuss the report and how to strengthen oversight and equity in the appraisal process. The following week, the House Financial Services Committee also held a [hearing](#) where Chairwoman Maxine Waters unveiled the [Fair Appraisal and Inequity Reform \(FAIR\) Act of 2022](#). The FAIR Act would elevate the Appraisal Standards Board to an independent federal agency and create a National Appraiser Registry that

would record the race, ethnicity, and gender of all appraisers. HPC's appraisal and government relations working groups met at the end of these two busy weeks to assess the plan and the proposed legislation and to determine the next steps to keep HPC members engaged in the property valuation conversation in DC.

[Read the PAVE Action Plan](#)

[Read HPC's Statement on the PAVE Plan](#)

FHA's Proposed Servicing Defect Taxonomy

Providing input to FHA to assist in their development of a more effective servicing defect taxonomy than the one proposed in October 2021 remains a high priority for HPC. After preparing and submitting two letters commenting on the draft in January, HPC had several conversations with FHA staff clarifying member concerns. HPC staff and member companies were invited to participate in an invitation-only listening session in mid-March where FHA expressed a willingness to work with stakeholders to hear additional views on how to make this a valuable taxonomy. Ideally, the taxonomy will increase transparency and clarity about FHA's interpretation and enforcement of the servicing rules to reduce the risks associated with noncompliance and provide confidence to servicers who participate in FHA programs. FHA leadership acknowledged that additional work is needed and is committed to continued collaboration. HPC is working with several stakeholders, including consumer advocates, to provide additional input to FHA.

FHFA's Servicer Eligibility 2.0 Proposal

HPC is developing a comment letter in response to FHFA's [Re-Proposal to Enhance Seller/Servicer Eligibility Requirements](#). The input, which is due on April 25th, will focus on four issues. First, a guide change implemented in March 2021 affects how independent mortgage bank servicers satisfy the new standards. That is, the GSEs exclude committed lines of credit from counting towards an entity's liquidity requirements. Therefore, the HPC letter will recommend that committed lines of credit are a prudent risk management practice that non-depositories use to manage their liquidity risk and that the contractual arrangements for this form of financing provide durability during stressful market conditions. Second, HPC will address netting counter-party

exposures in satisfying the TBA hedging requirement. Third, HPC will reiterate a previous request to update the definition of net worth to align with current practice by both the GSEs and Ginnie Mae. Fourth, HPC will ask that FHFA provide additional detail on access to the liquidity buffers during times of stress and re-capitalize after an event.

[Read the February 24th Re-Proposal](#)

The Digital Verification of Income and Assets

To advance the work of the HPC Digital Verification of Income and Assets (DVOIA) working group, HPC staff met with three rating agencies – Kroll, Moody’s, and S&P Global – to discuss how a rating agency might think about the data and analytic work needed to demonstrate the performance of mortgages underwritten with digitally verified income and assets. The agencies need this information to rate securitizations with these loans. The discussion focused on the methodology that might be used to gross up the net income depository account data, the variables that might affect how that data is treated, and the consistency of any approach across financial institutions. The rating agencies also recognized that making loan decisions based on observable net income would eventually be more accurate than the current gross income metric and moving to this standard would benefit the industry as a whole. However, they affirmed what HPC working group members have discussed, that additional insight is needed on how these loans perform relative to traditional underwriting. As an initial framework, staff presented a draft income calculation framework that focused on the identification and treatment of income deposit types, including the frequency, variability, and continuity of various income types. A universal approach could allow originators to build algorithms aligned to their own risk tolerance as reflected in their unique credit policies while still being grounded in a common set of standards.

The CFPB’s Focus on Consumer Financial Services Fees

In late January, CFPB Director Rohit Chopra [announced](#) a new effort to seek input from consumers on their experiences with “junk fees,” and, on February 2nd, the CFPB published an RFI requesting public comments on the impact of fees. The Bureau published a blog describing its quest: [The hidden cost of junk fees](#). In a subsequent blog, [Comparing overdraft fees and policies across banks](#), the CFPB describes changes banks have been making on their overdraft programs as an “encouraging step by some banks in the right direction.” In

response to the RFI, HPC developed its own position and then worked with other trade associations on a joint response. The joint trade letter, signed by multiple organizations including the CBA, ABA, and the MBA, reminds the CFPB that the existing regulatory regime already requires extensive disclosures and collects data on consumers' understanding of these fees. The joint letter also cautions the CFPB against stepping beyond its regulatory jurisdiction. HPC's own letter urges the CFPB to continue to be data-driven and take advantage of the substantial data and information available within the Bureau. With existing data, CFPB can assess whether a significant consumer protection problem exists and, if identified, follow a notice and comment process to develop policy solutions. HPC's letter also reminds the CFPB of the many rulemakings that already provide significant transparency in the mortgage market. Finally, HPC notes that hidden fees are bad for everyone and pledges to work with the CFPB to address any hidden fees identified.

[Read HPC's Letter](#)

FHFA's Draft Strategic Plan

In mid-March, HPC submitted a letter to Acting Director Sandra Thompson commenting on FHFA's draft strategic plan. In the letter, HPC noted that while the proposed goals and strategies in the plan were in harmony with FHFA's mission and directly addressed current priorities, FHFA should take a more explicit role in shaping the future of housing finance. In particular, FHFA should evaluate future securitization options, the conforming loan limit, and how Enterprise actions intersect with the FHA program and the private label market and the post-conservatorship marketplace. Ideally, HPC would like to see FHFA provide strong leadership in articulating policy choices and identifying barriers to continued improvement in housing finance.

[Read HPC's March 13th Letter](#)

Registration for HPC's Annual Meeting Coming Soon

HPC's in-person Annual Meeting is back this June at DC's Park Hyatt hotel. HPC member executives and senior staff will gather for dinner and an opening reception the evening of Wednesday, June 22nd starting at 6:00 PM and then convene for an all-day policy conference on Thursday, June 23rd. Following the policy conference, HPC will host a reception and open house at HPC's new

headquarters at 1220 19th St NW. The Executive Council will meet as well, on Friday, June 24th. Please mark the dates on your calendar to join us.



- [What did the PAVE report on appraisal bias find?](#), HousingWire Daily Podcast, Georgia Kromrei and Sarah Wheeler, March 24, 2022
 - [Appraisal bias plan promises barrage of actions in the near term](#), HousingWire+, Georgia Kromrei, March 23, 2022
 - [Biden administration tackles racial bias in home appraisals](#), CNN, Anna Bahney and Donald Judd, March 23, 2022
 - [Rising to the Occasion](#), DS News, Phil Britt, March 7, 2022
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Please send us your feedback.

Please email HPC's VP for Public Affairs, Sheryl Pardo, at Sheryl.Pardo@housingpolicycouncil.org with your thoughts on what was helpful in this month's newsletter and what additional information you would like to see on a monthly basis.

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