



Housing Policy Council
1750 K Street NW Suite 300
Washington, DC 20006
202-589-1923
www.housingpolicycouncil.org

June 14, 2021

The Honorable Mark Calabria
Director
Federal Housing Finance Agency
400 7th Street SW
Washington, DC 20219

Re: COVID-Related Appraisal Flexibilities

Dear Director Calabria:

The Housing Policy Council¹ (HPC) is writing to express concern with the Federal Housing Finance Agency's decision to terminate the Government Sponsored Enterprise (GSE) COVID-related appraisal "flexibilities." HPC believes that these flexibilities should be reinstated and should serve as a permanent component of a range of property valuation methodologies available for deployment based on the risk profile of the loan transaction.

HPC and its members appreciate the flexibilities that the FHFA and GSEs implemented to address the effects of the COVID-19 pandemic, in spite of the low usage. The limited utilization was largely due to their temporary nature, which made it difficult for lenders to execute the approaches efficiently. Companies could not justify dedicating resources to upgrade technology platforms to automate the fulfillment of the valuation alternatives when these alternatives were temporary rather than permanent. However, we firmly believe that if these flexibilities were permanent, there would be widespread adoption of them.

As we stated in our February 25, 2021 letter² in response to FHFA's Request for Information on Appraisal-Related Policies, Practices, and Processes, HPC members are very supportive of the FHFA and GSE objectives to modernize and improve the quality, efficiency, and integrity of residential property valuation. As part of this work, we encourage FHFA to advance GSE adoption of a continuum of valuation options, including appraisal and evaluation techniques that harness the risk mitigation benefits of data and technology, to be used in conjunction with a physical inspection of the property. In such a continuum, the valuation methods will vary based on the degree to which they rely more heavily on data and technology or on human assessment of the characteristics and condition of the property. The determination regarding which approach to apply should be based on traditional mortgage transaction

¹ The Housing Policy Council is a trade association comprised of the leading national mortgage lenders and servicers, mortgage and title insurers, and technology and data companies. HPC advocates for the mortgage and housing marketplace interests of its members in legislative, regulatory, and judicial forums. Our interest is in the safety and soundness of the housing finance system, the equitable and consistent regulatory treatment of all market participants, and the promotion of lending practices that create sustainable homeownership opportunities in support of vibrant communities and long-term wealth-building for families. For more information, visit www.housingpolicycouncil.org.

² https://fbb0ab68-1668-4db6-9365-051035190b71.filesusr.com/ugd/d315af_de45ebe0b6734389a7d9975ae618d358.pdf.

risk factors associated with both the property and the loan characteristics. A risk-based continuum would more efficiently and effectively target resources to compile, synthesize, validate, and assess valuation information. The flexibilities introduced due to the COVID-19 pandemic should be part of this continuum.

We encourage FHFA to proceed with the valuation modernization efforts under consideration, which can help to improve the overall quality of residential property valuations, address concerns with appraiser shortages, and enhance the process for all stakeholders. We also continue to believe that system-wide improvements in residential valuation require high quality data; the more data that is available, the more accurate and reliable the analytic models. Therefore, we reiterate our recommendation that FHFA dedicate resources to the development of a strategy for public release of the extensive property valuation dataset that is now maintained by the GSEs.³

Thank you for the engagement on this critical topic. We stand ready to work with the FHFA and GSEs on valuation modernization efforts and encourage adoption of the COVID flexibilities at this point in time as an interim measure. Should you have any questions, please do not hesitate to contact Meg Burns, EVP, at 202-589-1926.

Yours truly,

A handwritten signature in black ink that reads "Edward J. DeMarco". The signature is written in a cursive style with a large, prominent "E" at the beginning.

Edward J. DeMarco
President
Housing Policy Council

³ See joint trade letter in response to RFI, https://fb0ab68-1668-4db6-9365-051035190b71.filesusr.com/ugd/d315af_ee08047681fb44d18a9d17631cfe2354.pdf.