



December 21, 2020

Hugh R. Frater
Chief Executive Officer
Fannie Mae
1100 15th Street Northwest
Washington, DC 20005

Michael Hutchins
Interim President
Freddie Mac
8250 Jones Branch Drive
McLean, VA 22102

Re: Considerations Regarding the Enterprises' Appraisal Initiative

Dear Mr. Hutchins and Mr. Frater:

The undersigned associations representing the mortgage lending industry appreciate the recent efforts of Freddie Mac and Fannie Mae (the Government-Sponsored Enterprises, or Enterprises) to update certain elements of the residential property appraisal process, including the Uniform Residential Appraisal Report (URAR). Changes that result in better overall risk management, more efficient processes, lower costs, and greater accuracy in property valuations are desired by all parties to mortgage transactions. Given that such improvements may result in substantial changes to appraisal forms, processes, documentation, and data, a transparent and consultative approach is needed.

We are concerned that the current Enterprise appraisal initiative includes a massive number of changes, resulting in a significant expansion of new and revised data requirements. Such an expansion is likely to result in high initial implementation costs for the lending community and potentially higher appraisal costs for borrowers. We are also concerned that risks to lenders will increase if there is a concurrent reduction in the availability of qualified appraisers, especially in rural and small town markets. At this time, there is little clarity that these changes will improve the quality of the end product. There is also limited information about how anticipated downstream users (e.g., lenders and borrowers) will benefit from these changes.

As such, we believe the Enterprises and the Federal Housing Finance Agency (FHFA) should provide the broader mortgage community more details regarding the expected benefits of these changes as well as how these data will be made directly available for use by the primary market. The Enterprises and FHFA should establish more formal communications with all industry participants to determine how these benefits compare to the estimated costs to implement and support these changes. For proposed changes where the potential benefits cannot yet be

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determined, we recommend that the Enterprises develop small-scale, cost-effective pilot projects involving multiple primary market lenders and vendors, to assess the value of these changes and narrow the end-state data expansion to those fields that have demonstrated value in improving appraisal accuracy and reliability.

Revisions to the URAR and the data that are collected affect many internal lender processes, including underwriting and quality control. Many lenders also have operational processes that input, process, and assess the property-level information obtained through the appraisal. Changes to the appraisal process will require changes to the internal operations of these organizations. While the impact and cost to different lenders and market participants may vary widely, it is critical that these effects be considered as the initiative is developed and executed.

We are concerned that the value of the proposed changes either has not been assessed fully or has not been shared with the lending community and its vendors. At this stage, lenders and vendors do not have a clear understanding of the benefits that will accrue or consequences that may arise from the Enterprises' initiative.

We request that the Enterprises and FHFA engage with the entire lending industry (including the vendors that provide a variety of services to lenders and administer key primary market platforms) on this initiative so all can benefit from the diversity of thought and input to make meaningful improvements in the appraisal process. We recommend that the Enterprises and FHFA develop a plan with a timeline and milestones that can be shared with the industry, so that we may engage with other stakeholders on critical issues at various points along the way. Such a plan could be refreshed and updated, as necessary, and would provide transparency for all affected industry participants.

We further recommend that the Enterprises and FHFA consider limited implementation or additional pilot-testing of the new form before it takes effect, a step that would allow for appropriate refinements prior to full execution. A pilot would also provide all parties an opportunity to assess and measure any changes in the resources and time required to complete and use the new form, for appraisers and lenders alike.

We believe that a high level of transparency and engagement is required to make this effort a success, given the complexity of the undertaking and its impact on both costs and risks for all parties involved.

Thank you in advance for your consideration of this request. We look forward to working with the Enterprises and FHFA to address these concerns. Should you have any questions or wish to discuss any aspects of these comments, please contact the undersigned organizations.

Sincerely,

Housing Policy Council
Independent Community Bankers of America
Mortgage Bankers Association
U.S. Mortgage Insurers

Cc: The Honorable Mark Calabria, Director, Federal Housing Finance Agency