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Via Electronic Mail

April 22, 2011

Mr. Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW, 4th Floor
Washington, DC 20552

On behalf of the 25,000 members of the Appraisal Institute, we are writing to express our position on the forthcoming Uniform Appraisal Dataset (UAD). The goal of the project - raising the level of professionalism and consistency of reporting in residential real estate appraisal – is admirable. We too, have seen the results of pressure on appraisers to gloss over and over simplify the judgment process needed in the credible analysis and reporting of residential real estate values. If this project is fully implemented, we look forward to an opportunity of assisting your efforts through our educational programs and hopefully participating in stakeholder involvement as the project moves into its future phases. There are, however, several issues that still need to be addressed before the project moves forward.

Today, we request your assistance regarding clarification of the forthcoming UAD. Recently, you testified before the House Financial Services Committee that the development of standard terms, definitions and industry data reporting protocols will lead to these *decreased costs* for originators and appraisers¹. While this may be the case for originators, and we would be pleased if this resulted for appraisers, we, however, believe that professional compliance with the UAD adds to an increasing scope of work trend that has been underway for the past three years. At the same time, professional fees have been decimated by a dramatic increase in the activities of third party appraisal management companies. We want to impress on you, the importance of giving appraisers latitude to charge commensurate fees to do the work needed to report credible appraisal results. As such, we respectfully request your agency refrain from implying that UAD will result in decreased costs for appraisers until that point is backed by quantifiable evidence or information.

Standardization of data may assist the GSEs in analytics. But it seems reasonable that the GSE's would desire a higher level of professional analysis to provide this more robust data. Concerns have been expressed by our members, who have reviewed UAD specifications, that the UAD, while not unwelcome, will result in an increase in scope of work for appraisers and the time needed to process every report. Appraisal costs are directly proportional to the appraisal scope of work and the time expended on the assignment. As such, there is a strong chance that UAD will actually increase the time/effort expended and cost of appraisals.

The full breadth of the impact UAD will have on the profession will not be known until it is implemented. It is undeniable that real estate appraisers face considerable pricing challenges in today's market, If the market will not accept increased fees, professional appraisers will continue to abandon mortgage lending

¹ From House Financial Services Subcommittee on Capital Markets, Insurance and Government-Sponsored Enterprises, hearing on "Legislative Proposals: Overhaul of Housing-Related Government Sponsored Enterprises," March 31, 2011. Available at <http://financialservices.house.gov/media/pdf/033111demarco.pdf>

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work in favor of alternate assignments, leaving GSE-related assignments to less capable practitioners. It is critically important that FHFA maintain an even hand in matters involving industry fees. We believe it is important for FHFA to maintain neutrality on this point to avoid unintentionally placing constraints on, or setting unrealistic expectations of, our profession.

If the FHFA moves forward in the implementation of the UAD as anticipated, our organizations commit to helping to prepare the appraisal profession for these upcoming changes through education and information. In addition, we would like to maintain an open dialogue to address potential complications that may result during implementation and future design of the analytics phase. Our members have conveyed additional concerns regarding UAD that we hope that can be addressed should they come to fruition. These include, potential consumer and underwriter confusion and reliance on the report; possibly masking the work of poor appraisers by providing the GSEs that “looks good” but is poor in quality; appraisers potentially “appraising to forms” rather than completing thorough investigation and analysis; and the lack of tools to analyze data that is collected under UAD. We offer the respective resources of our organizations to address these or other issues that may arise in the future.

Thank you in advance for your consideration of our views. If you would like to discuss any of these concerns, please please contact Bill Garber, Director of Government and External Relations at 202-298-5586 or bgarber@appraisalinstitute.org

Sincerely,

Appraisal Institute

Cc: Mr. Alfred Pollard, General Counsel, FHFA
Mr. Robert Murphy, Fannie Mae
Mr. Mark Simpson, Freddie Mac
Mr. Timothy Dick, Freddie Mac