

March 9, 2021

The Honorable Maxine Waters
Chairwoman
House Committee on Financial Services
2128 Rayburn House Office Building
Washington, DC 20510

The Honorable Patrick McHenry
Ranking Member
House Committee on Financial Services
2128 Rayburn House Office Building
Washington, DC 20510

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of the nearly 17,000 Designated members, candidates, and affiliates of the Appraisal Institute, this is to express our support for the Real Estate Valuation Fairness and Improvement Act of 2021. This legislation, among other things, would establish an interagency task force to analyze federal collateral underwriting standards and guidance and provide resources for promoting diversity in the real estate appraisal profession.

Diversity in appraisal is a major focus of the legislation. It would provide vast financing resources for promoting greater diversity in the appraisal profession. Over the last two years, the Appraisal Institute has been amplifying and accelerating internal initiatives and partnerships to bring about positive changes in this area, including improving diversity within the profession through the Appraisal Diversity Initiative in collaboration with Fannie Mae and the National Urban League, and with our Minorities and Women Course Scholarship Initiative. There is more work to do, and this legislation would give a boost to this priority.

Further, the legislation attempts to tackle - head-on – many lending, underwriting, and valuation challenges, recognizing these issues cannot be addressed in isolation. We firmly believe that dealing with issues such as promoting liquidity in “lending deserts,” or collectively promoting sustainable development and financing, extends far beyond appraisal policy to include lender underwriting, loan approval, and agency and enterprise policies and procedures. Collateral underwriting is appropriately given strong focus in the draft legislation.

We also encourage the development of increased flexibility for mortgage underwriting criteria, as proposed by the legislation. Specifically, these flexibilities should include market analysis techniques that consider the impact of inactive lending and infrequent home sales, where traditional underwriting criteria may have aggravated the problems of infrequent home sales, low loan approval rates, and low property valuations. Such increased flexibilities could include alternative borrower underwriting beyond traditional credit scoring and risk modeling, expanding the ability for appraisers to research sales transactions farther back in time in underserved markets, and also consider current market transactions in alternative geographic markets that feature similar overall housing stock, considering the full dollar value of proposed improvements to housing in underserved markets, and considering range of values for collateral rather than a single point valuation. Care should be taken to protect safe and sound lending; but we believe increased flexibilities have the potential to benefit communities that have experienced chronic low loan activity and inactive sale markets.

Another challenge that is thoughtfully contemplated by the legislation are processes relating to reconsideration of value (or appraisal appeals) by borrowers and others. Such policies can vary greatly by institution – including the processes of reviewing appraisals, procedures for accepting data for consideration by consumers, the engagement of second appraisals, and procedures for accepting the second appraisal as a basis for a lending decision after a full review determines it is more reliable than the original appraisal. Any matters determined to be violations of appraisal standards should be reported to the appropriate state appraiser regulatory agency. Secondary market guidelines offer guidance on this issue, which might serve as the basis for interagency awareness and adoption. This legislation would

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bring relevant stakeholders together to identify best practices and help develop more consistent policies and procedures.

Real Estate Valuation Fairness and Improvement Act targets solutions to several challenging and thought-provoking issues, but it does so knowing all relevant parties must be at the table, collectively solving problems. For these reasons, we support the bill, and look forward to working with you on any necessary refinements to promote its swift enactment into law.

Thank you for this opportunity to offer this statement of support. Please contact Bill Garber, Director of Government and External Relations at 202-298-5586, bgarber@appraisalinstitute.org or Brian Rodgers, Manager of Federal Affairs, at 202-298-5597, brodgers@appraisalinstitute.org should have any questions.

Sincerely,



Rodman Schley, MAI, SRA
President