

May 13, 2022

The Honorable Mark Takano
Chairman
House Veterans' Affairs Committee
United States House of Representatives
420 Cannon House Office Building
Washington, DC 20515

The Honorable Mike Bost
Ranking Member
House Veterans' Affairs Committee
United States House of Representatives
1211 Longworth House Office Building
Washington, DC 20515

Dear Chairman Takano and Ranking Member Bost:

On behalf of nearly 16,000 members of the largest organization of professional real property appraisers, this is to express our concern and opposition to H.R. 7735, the "Improving the VA Home Loan Benefit Act," which if enacted, could degrade the VA Home Loan Program and home buying process for Veterans. The VA appraisal process is widely regarded as the "gold standard" in credit risk management, and this is illustrated by the fact the VA outperforms other federal loan guarantee programs by large margins¹. We believe the strong appraisal risk management components unique to the VA program directly contribute to this strong standing and Veteran benefit.

We continue to hear anecdotal concerns about the VA appraisal process compared to the conventional or FHA process. We urge further investigation into these claims before taking extreme action to radically change what is roundly a successful program.

Turnaround Times

We continue to hear whispers of slow turnaround times for VA appraisals. However, we have yet to see credible and quantifiable data that supports this claim. One thing that may be contributing to the different estimates on paper is that the VA counts their turn time differently than the conventional market. With the VA, once the appraisal assignment commences, the clock starts, and it does not end until the appraisal is completed. With a conventional loan, if there is ever an issue with scheduling the assignment or something occurs that is out of the hands of the appraiser, the clock stops and does not proceed until the issue is resolved.

Additionally, the VA has the Tidewater Initiative –a notice of value that occurs if the appraisal is below the contract price, which is more robust than anything available in the conventional market. Tidewater provides consumers and stakeholders opportunities to provide relevant information to the appraiser that maintain appraisal independence. While this benefit adds time to the VA process, it provides great benefit to consumers and stakeholders in providing a direct path to provide relevant information to the VA appraiser.

These issues alone could explain much of any apparent differences in timeliness between programs.

Special Authorization

This legislation is unnecessary because the VA does not need any special authorization to perform streamlined or "desktop" appraisals, as included in Section 2c. A provision in the "Blue Water Navy Vietnam Veterans Act of 2019" allowed the VA to initiate a hybrid appraisal program to address perceived slower appraisal turnaround times in rural areas. This program has been rolled out as the Assisted Appraisal Processing Program (AAPP). Under AAPP, the appraisal report may be completed based solely on information gathered by a person with whom the VA fee panel appraiser has entered into an

agreement for such services. Other VA appraisers, non-VA fee panel appraisers and appraisal trainee/apprentices are eligible to perform this work with the VA fee panel appraiser.

This program is still in its infancy, and we suggest that greater emphasis be placed on both lender and appraiser education on its availability. A minority of VA lenders currently accept the AAPP process, and this contributes to slow uptake on the part of appraisers.

Other Concerns

VA Fee Panel

The Appraisal Institute does not believe that a move to a lender select program, such as those found in the conventional or FHA mortgage markets, would improve timeliness, nor would it be in the best interests of veterans. The strong loan performance of VA speaks to this point.

The VA recruits appraisers on an ongoing basis to the Fee Panel, and the Appraisal Institute has assisted the agency in marketing the opportunity to the appraisal community. VA officials report that it actively recruits existing licensed and certified appraisers to the Fee Panel. The agency has undertaken efforts to proactively contact licensed and certified appraisers encouraging application to the Fee Panel, and these efforts have resulted in better coverage by the VA Fee Panel in recent years.

Desktops

The VA Home Loan Benefit Act attempts to advance desktop appraisal assignments in the VA process, drawing comparisons to how Fannie Mae and Freddie Mac have released desktop allowance in recent years. It is important to recognize the GSE desktop allowances have a great deal of constraints built around them, including limitations to existing portfolio loans, credit score requirements, loan-to-value (LTV) constraints, and a massive uniform appraisal data system supporting it. In contrast, VA has limited resources, guarantees 100 percent LTV, and has a small percentage of loans below 90 percent LTV. If the Benefit Act were to be enacted as is, it would be introducing high risk into an already high leverage situation.

Reports of Veteran Discrimination

Appraisal Institute members have heard concerning reports that some real estate agents may be consulting clients to avoid working with VA contracts, giving preference to conventional or cash offers. That would result in outright discrimination and a fair housing issue under some state laws, which treat Veterans as protected classes. We believe this issue is serious enough to warrant further investigation by the House and Senate oversight committees in concert with the VA.

In sum, we believe the VA appraisal process is sound and deserves broad support by the mortgage and housing sectors. We believe there are ways in which the program can be enhanced – education and awareness on the AAPP program, being one. We look forward to working with you to see that occurs in a timely and efficient manner.

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, broggers@appraisalinstitute.org if you have any questions or would like additional information.

Sincerely,

Appraisal Institute

ⁱ See <https://www.urban.org/sites/default/files/publication/22776/413182-VA-Loans-Outperform-FHA-Loans-Why-And-What-Can-We-Learn-.PDF>