9/1/26

The Honorable Kevin Warsh
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Travis Hill
Chairman
Federal Deposit Insurance
Corporation
550 17th Street, SW
Washington, DC 20429-9990

The Honorable Jonathan V. Gould
Comptroller of the Currency
Office of the Comptroller of the Currency
Constitution Center
400 Seventh Street, SW
Washington DC, 20219

Re: Modernizing Mortgage Valuation Practices Consistent with Safety, Soundness, and Consumer Protection

Dear Chairman Warsh, Chairman Hill and Comptroller Gould:

On behalf of the undersigned organizations representing real estate appraisers and valuation professionals nationwide, we appreciate the opportunity to provide our perspective on the implementation of President Trump's Executive Order, "Promoting Access to Mortgage Credit."

We support efforts to expand access to mortgage credit, address housing affordability, and reduce unnecessary costs and delays in the mortgage process. The appraisal profession is also embracing new technologies and valuation methods that can make the lending process more efficient.

At the same time, modernization should not come at the expense of accurate collateral valuation, appraiser independence, consumer protection, or the safety and soundness of the financial system. A risk-based approach should recognize that not every transaction requires the same level of valuation analysis, while also recognizing that independent appraisal remains an important safeguard when collateral risk warrants it.

We therefore encourage the agencies to consider the following recommendations carefully, with particular attention to proposals that would substantially expand the circumstances in which a mortgage transaction could proceed without an independent appraisal or could be performed by an appraiser with a lower level of credentialing.

The Residential Appraisal Threshold & Evaluations

The banking organizations have recently recommended increasing the residential transaction threshold from $400,000 to $650,000. We respectfully disagree with this recommendation.

The current $400,000 threshold already represents a significant expansion of the transactions that may proceed without a traditional appraisal. The agencies increased the threshold from $250,000 to $400,000 in 2019. Before making another substantial increase, the agencies should evaluate the effects of that change and consider whether the available evidence demonstrates that an additional increase would maintain appropriate collateral-risk protections.

Moving the threshold to $650,000 would be a 62.5 percent increase over the current level and would remove the appraisal requirement from a substantially larger segment of the residential mortgage market. While the higher threshold may reduce costs and processing times for some borrowers, those benefits should be weighed against the potential consequences of having less independent information about collateral value available to lenders.

An appraisal provides more than a point-in-time estimate of value. An independent appraiser evaluates the property and market, analyzes comparable sales, considers property-specific characteristics, and exercises professional judgment that may not be fully captured by an automated valuation model or other alternative valuation method.

We recognize that many lower-risk residential transactions may be appropriate for alternative valuation methods. The existing framework already provides flexibility for these transactions. Rather than broadly increasing the exemption to $650,000, the agencies should continue to use a risk-based approach that considers the characteristics of the property, transaction, borrower, market, and available valuation data.

At a minimum, any proposal to increase the threshold should be supported by empirical evidence demonstrating that the additional reduction in appraisal coverage would not create unacceptable collateral-risk, consumer-protection, or safety-and-soundness concerns.

Evaluations

Though appraisals are not required for loans of $400,000 or less, federal regulations allow lenders to utilize an "evaluation" to fully understand the collateral risk involved with the loan. This results in a significant portion of the real estate valuation work throughout the country being done by automated valuation models ("AVMs"), broker price opinions ("BPOs"), or through "competitive market analysis" ("CMA") reports. In many cases, evaluations are carried out by staff of institutions that have a vested interest in a real estate transaction. This negates the benefit of having an independent third party involved in the real estate transaction, and the omission of a licensed or certified appraisal requirement for properties under $400,000 creates a disruptive gap in the enforcement of appraisal standards.

As you know, upon the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA") in 1989, the Federal and state governments spent millions of dollars setting up and maintaining a system of accrediting, educating, and disciplining appraisers. However, simultaneously with putting in place of a regulatory system designed to enhance the public trust in appraisals, a dual system was created that allows other actors in the real estate space to perform evaluations. Evaluations have no official regulation or standards, can be ordered on any property type, and have no disciplinary process for bad actors. On the other hand, the Uniform Standards of Professional Appraisal Practice ("USPAP") allows an appraiser to tailor an assignment to a lender's needs through the scope of work rule also provides two report types that will cover every demand a lender might have. It seems the very definition of redundancy to allow for evaluations when an appraiser can fulfill the same function.

Advisory Opinion 13 in USPAP indicates the following regarding evaluations:

> *"An evaluation, when performed by an individual acting as an appraiser, is an appraisal. In addition to complying with USPAP, the appraiser must be aware of and comply with any additional assignment conditions and reporting requirements imposed on the assignment."*

In other words, USPAP prohibits a licensed or certified appraiser from performing an evaluation, except in the 15 states that have specifically allowed appraisers to perform evaluations. Our belief is that there should be only one way to express an opinion of value and that's through an appraisal. It avoids confusion, protects consumers from unregulated valuation products, and most importantly, protects the safety and soundness of the financial system

We strongly urge the agencies to reassess the allowances for financial institutions to utilize evaluations considering the stringent professional standards that are applied only to appraisers. One solution to allowing appraisers to compete with unregulated evaluators lies in the Scope of Work Rule in USPAP. The scope of work rule stipulates that appraisers are responsible for establishing the scope of work to be performed in rendering an opinion of the property's market value. Lenders can ensure the scope of work is appropriate for the assignment. Through this avenue, we believe an appraiser can, and should, be able to work in the evaluation space, where a written appraisal isn't mandated by law.

Barring a reassessment of the evaluation structure, another way to level the playing field for professional real estate appraisers would be by granting an exemption from USPAP when an appraiser is providing an evaluation service. Essentially, when a lender is required by a federal regulatory agency to determine the value of real property for a real estate-related financial transaction, and the regulated institution is not required by federal law to obtain an appraisal, the value of the real property may be determined by an appraiser who would not be subject to compliance with USPAP. This creates flexibility for lenders to turn to appraisers to provide cost competitive valuation services where the development and reporting requirements suit the needs of the assignment.

The $1 Million Certified-Appraiser Threshold Should Be Maintained

The banking organizations have also recommended adjusting the $1 million loan amount limit associated with federally related transactions. We believe the current $1 million threshold should be maintained.

This threshold serves a different purpose from the residential appraisal threshold. It establishes an important credentialing safeguard for higher-value federally related transactions. Maintaining that distinction is important because the question is not simply whether an appraisal is required, but whether the assignment warrants the expertise and demonstrated competency associated with a State-certified appraiser.

The existing framework already provides substantial flexibility for 1–4 unit residential properties. State-licensed appraisers may perform qualifying residential assignments below the applicable threshold, while the framework also recognizes that the size and complexity of a property or transaction may warrant a certified appraiser regardless of transaction value.

Increasing the $1 million threshold would expand the universe of higher-value transactions that could potentially be performed by State-licensed rather than State-certified appraisers. We do not believe that changes in home prices, standing alone, provide sufficient justification for weakening this competency safeguard.

If the agencies believe that certain higher-value residential transactions are sufficiently straightforward to warrant additional flexibility, that issue should be addressed through a careful examination of assignment complexity and risk—not simply by raising the dollar threshold.

Modernization Should Not Presume That Alternative Valuation Is Preferable

We support appropriate use of evaluations, desktop and hybrid appraisals, automated valuation models, and other emerging technologies. These tools can improve efficiency and, when appropriately validated and applied, can provide reliable valuation information for lower-risk transactions.

However, the availability of an alternative valuation method should not create a presumption that it is preferable merely because it is faster or less expensive. Real estate markets are local, property characteristics can be highly variable, and available data do not always capture the conditions that influence a property's market value. Automated tools can be particularly challenged by unusual, rural, newly constructed, highly customized, or otherwise complex properties and inactive markets where relevant data may be limited.

Rural and agricultural properties can present particular challenges for automated valuation. These properties may involve large acreage, mixed uses, agricultural improvements, income-producing components, conservation easements, water rights, development potential, specialized improvements, limited comparable sales, and highly localized market conditions. These characteristics often require market knowledge and professional judgment that may not be readily captured through automated models alone.

The appropriate valuation method should therefore be determined by the risk and complexity of the transaction, the characteristics of the property and market, and the reliability and sufficiency of the available data. Where those factors warrant a comprehensive, independent assessment of collateral, a traditional appraisal remains an important and appropriate safeguard.

Technology Can Strengthen the Valuation Process

The appraisal profession is actively integrating new technologies, including artificial intelligence, into valuation practice. These tools have significant potential to strengthen valuation analysis, improve efficiency, expand access to relevant market data, and assist appraisers in producing credible valuation conclusions.

The profession's willingness to embrace these technologies, however, should not be interpreted as support for replacing professional valuation with technology before its capabilities and limitations are sufficiently understood.

Regulators should take a measured, evidence-based approach to emerging technologies and ensure that their use is supported by appropriate standards for validation, data quality, transparency, privacy, security, monitoring, and oversight.

Independent Appraisals Remain an Important Safeguard

Independent appraisals remain particularly important when the risk associated with a collateral valuation is greater. An independent appraiser provides professional judgment that considers market evidence, property characteristics, comparable sales, highest and best use, and other factors that may not be fully captured by automated models or standardized datasets.

This independent analysis serves an important purpose beyond simply producing a value. It provides a professional assessment that is independent of the transaction and the financial incentives of the parties involved.

That safeguard is particularly important for higher loan-to-value transactions, complex or unique properties, higher-value loans, properties in markets with limited comparable sales, and transactions where automated models may have greater difficulty producing reliable results.

Protecting Borrowers, Lenders, and Taxpayers

The agencies should also consider the broader consequences of reducing appraisal requirements. A mortgage valuation does not affect only the lender and borrower. When federal programs, government guarantees, deposit insurance, or other forms of government support are involved, inaccurate collateral valuations can ultimately create costs for taxpayers.

The objective of modernization should therefore be to reduce unnecessary costs and delays while preserving the safeguards necessary to identify and manage collateral risk.

The undersigned organizations appreciate the agencies' efforts to consider ways to modernize the mortgage valuation process. Appraisers are not opposed to innovation; we are already actively using data and technology to improve our work. We believe the profession can be an important partner in developing a valuation system that is more efficient and responsive while remaining accurate, independent, and resilient.

Modernization and strong valuation standards are not competing objectives. A well-designed, risk-based system can promote efficiency while preserving the independent valuation safeguards that protect borrowers, lenders, and taxpayers.

We look forward to working constructively with the agencies as these policies develop and encourage a measured, evidence-based approach that embraces innovation while preserving the safeguards that protect the integrity of the housing finance system.

Sincerely,

Appraisal Institute

American Society of Appraisers

American Society of Farm Managers and Rural Appraisers

National Association of Appraisers

MBREA