Appraisal Institute Leads Coalition on Mortgage Credit Modernization

The Appraisal Institute recently led a coalition of national appraisal organizations in responding to federal financial regulators as they consider implementation of the Administration's Executive Order on promoting access to mortgage credit. The coalition's letter also addressed recommendations recently submitted by banking organizations, including a proposal to increase the current $400,000 residential appraisal threshold to $650,000. The coalition supports efforts to expand access to mortgage credit and reduce unnecessary costs and delays, while emphasizing that modernization should preserve credible collateral valuation, appraiser independence, consumer protection and safety and soundness.

The coalition urged regulators to take a risk-based approach to any changes in appraisal requirements. In particular, the groups opposed increasing the $400,000 threshold to $650,000 without additional evidence demonstrating that the change would not increase collateral risk. The letter also called for maintaining the $1 million threshold associated with federally related transactions requiring certified appraisers and raised concerns about the growing use of evaluations outside the traditional appraisal regulatory framework. The coalition also emphasized that the potential cost and efficiency benefits of alternative valuation methods may not be consistent across all markets, particularly in rural areas where limited comparable sales, unique property characteristics and less available data can make automated valuation more challenging.

The Appraisal Institute will continue to lead engagement with federal policymakers and regulators as any proposal moves forward. While the Institute supports responsible innovation, it will advocate for maintaining independent, credible appraisals when the risk and complexity of a transaction warrant them. Greater use of AVMs, artificial intelligence, desktop and hybrid valuation products should not become a substitute for professional appraisal where reliable collateral valuation requires the judgment, competency and accountability of a qualified appraiser.