

February 2, 2023

Commissioner Julia Gordon
Federal Housing Administration (FHA)
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

RE: Borrower Request for Review of Appraisal Results

Dear Commissioner Gordon:

On behalf of the industries, clients, and communities we represent, we write to comment on HUD's proposed process for Mortgagees when a Borrower requests a review of the appraisal results associated with their application for an FHA-insured mortgage. This joint industry-consumer comment sets out essential principles we see as vital for the successful development and deployment of a reconsideration of value (ROV) process.

We appreciate that FHA recognizes the value of providing additional guidance on the ROV process, and is offering an opportunity to comment on the proposed policy changes. We believe, however, that an ROV process would be more effective if FHA and HUD were to work with other Property Appraisal Valuation Equity (PAVE) Task Force members to develop a uniform, market-wide process that includes detailed information for all of the parties that may engage in the various components of the process, including (but not limited to) the borrower, lender, and appraiser.

We recommend that FHA and HUD work collaboratively with other government guarantee agencies and the GSEs to construct a standardized/uniform approach to the reconsideration process, including procedural steps and requirements for all of the parties involved, as a uniform framework would directly benefit the government, industry, and borrowers alike. We believe that a comprehensive approach would include, at a minimum, educational resources for consumers, clear responsibilities outlined for lenders, and infrastructure for accountability of appraisers.

Clear educational information and instructional materials for borrowers is necessary to ensure consumers know the processes in place to protect them against inaccurate appraisals, whether caused by racial bias in evaluations or appraisal errors, what steps they may take and information they need to execute those processes, and what kinds of results they can expect. It is important that borrowers receive guidance early in the process as to what information is relevant. Borrowers should be provided all the information necessary to successfully initiate a strong ROV request, while also setting proper expectations.

Lenders should receive clear guidance on their responsibility to review ROV requests, standards for evaluating requests for merit, and how to communicate the appraiser's findings to the borrower.

To ensure appraiser accountability and fulfill its obligation under existing law, we suggest that FHA itself dedicate resources to monitor appraisals for patterns of discrimination and take action where appropriate, to include coordination, referral, and the sharing of information with other government entities should the agency identify a pattern of discriminatory bias in the work of an appraiser. The removal of appraisers from the FHA Roster of Appraisers should be communicated to the other government guarantee agencies and the GSEs and similar information from these organizations should be shared with FHA.

A single, uniform reconsideration of valuation process will be a more effective way to fulfill HUD's program and policy goals of eliminating appraisal bias and promoting fairness and predictability in residential valuation. Such standardization will also facilitate compliance because lenders will perform the same process for all loan products and reinforce adherence to the new standards with common and enhanced quality control procedures.

Unfortunately, the proposal published by FHA is limited in scope and lacks sufficient detail to meet the critical purpose for which it is intended. Therefore, we believe that HUD should not proceed to adopt this proposal "as-is" and should instead further engage with stakeholders in connection with developing a more detailed and comprehensive policy.

We look forward to further dialogue regarding the reconsideration of value process, and we appreciate the opportunity to comment on the draft.

Sincerely,

Center for Responsible Lending
Housing Policy Council
Mortgage Bankers Association
National Association of Realtors®
National Consumer Law Center (on behalf of its low-income clients)
National Fair Housing Alliance
National Housing Conference
Real Estate Valuation Advocacy Association