

May 30, 2023

Director Sandra Thompson
Federal Housing Finance Agency
400 7th St SW
Washington, DC 20024

RE: Uniform Reconsideration of Value Process

Dear Director Thompson:

On behalf of a collaboration of industry trade associations, consumer advocates, civil rights organizations and the companies, customers, and communities we represent, we write to encourage the Federal Housing Finance Agency to collaborate with relevant members of the Property Appraisal Valuation Equity (PAVE) Task Force and the GSEs (government-sponsored enterprises/Fannie Mae and Freddie Mac) to develop a uniform reconsideration of value (ROV) process for residential appraisals. We commend the Federal Housing Administration (“FHA”) for taking the first step by issuing a draft Mortgagee Letter, but are concerned that the benefits of an ROV process are minimized without interagency cooperation in the design and implementation of a standard ROV approach.

This joint industry and consumer advocate comment sets out three recommendations we see as vital for the successful development and deployment of a reconsideration of value process:

1. PAVE agencies and the GSEs should work together to jointly issue a uniform industry process for ROVs associated with residential mortgages;
2. The joint approach should include, at a minimum, clear roles and responsibilities for borrowers, lenders, and appraisers, and an accountability framework; and
3. Agencies should solicit industry and consumer advocacy input and feedback through transparent engagement with a broad set of stakeholders.

Agency Collaboration

We believe that an ROV process would be most effective if the relevant PAVE Task Force members and the GSEs worked together to develop a uniform, market-wide process that provides detailed information for all of the parties involved. A comprehensive set of administrative expectations, rules, and educational guidance regarding each of the various components of the process could serve as an instruction manual and regulatory framework for borrowers, lenders, appraisers, and other stakeholders that may engage in the process. A uniform and national framework would directly benefit the government, industry, and borrowers alike.

Uniform Standards and Processes

We believe that a comprehensive ROV process would include, at a minimum, educational resources for consumers, clear responsibilities for lenders, and required response timelines for appraisers. First, clear educational information and instructional materials for borrowers should describe the circumstances that warrant a request for reconsideration and the materials that a consumer should submit for such a review. Further, the consumer should be aware of the type and timing of results they can expect. It is important that borrowers receive this guidance early in the process to initiate a well-supported ROV request.

Second, FHFA should provide lenders and appraisers with clear guidance on their responsibility to review ROV requests and associated information submitted by the borrower, including standards for evaluating requests for merit, handling invalid or insufficient supplementary information, and instructions regarding how to communicate the appraiser's findings to the borrower. The FHFA'S policies should clearly delineate the specific circumstances that affirm the need for the requested ROV and those that justify an order for a second appraisal.

Third, FHFA should provide similar guidance to establish appraiser accountability, including appropriate communications between the lender and appraiser. Appraiser guidance should explain, at a minimum: how to evaluate the information submitted by the borrower; how to modify the opinion of value, when appropriate; how to make note of any change to the appraisal and opinion of value, when appropriate; how to note a determination that no change is warranted; and what timeframes are acceptable for reviewing and responding to the request.

To promote appraiser accountability, we further suggest that FHFA itself dedicate resources to monitor appraisals for patterns of discrimination and take action where appropriate. This should 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.

Stakeholder Engagement

We believe that FHFA should engage with a broad representation of stakeholders in connection with developing a detailed and comprehensive ROV process, prior to its finalization.

We are aware that the Office of the Comptroller of the Currency's (OCC) Roundtable for Economic Access and Change (Project REACH) has also been working on developing best practice documents for lenders in the ROV process. While we believe this work could inform a standardized ROV approach, it is important to recognize that Project REACH does not include representation from independent mortgage bankers (IMBs). In 2021, IMBs originated 73% of loans obtained by minority households.¹

¹ Home Mortgage Disclosure Act (HMDA) data 2021. Information available at: <https://www.consumerfinance.gov/about-us/newsroom/2021-hmda-data-on-mortgage-lending-now-available/>

We ask for the opportunity for a broad array of market participants and stakeholders like IMBs and advocates to engage in an ROV standardization dialogue, which may include the Project REACH best practices documents, to offer additional insights. In other words, we advocate that for any dialogue related to a new ROV process, agencies solicit and allow for input from all stakeholders.

Conclusion

A single, uniform ROV process will be an important early step in fulfilling the PAVE Task Force's collaborative 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 residential mortgage loan products and reinforce adherence to the new standards with common and enhanced quality control procedures. We believe that collaboration between PAVE members and the GSEs, as well as broad engagement with relevant stakeholders will provide the best opportunity for success.

We look forward to further dialogue regarding the ROV process, and we appreciate your consideration of our recommendations.

Sincerely,

Center for Responsible Lending

Housing Finance Strategies

Housing Policy Council

Mortgage Bankers Association

National Association of Hispanic Real Estate Professionals

National Association of REALTORS®

National Community Reinvestment Coalition

National Fair Housing Alliance

National Housing Conference

Partnership for Financial Equity

Real Estate Valuation Advocacy Association

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cc:

Secretary Marcia Fudge, U.S. Department of Housing and Urban Development and PAVE Co-Chair

Director Neera Tanden, White House Domestic Policy Council and PAVE Co-Chair

Director Melody Taylor, HUD Office of Fair Housing and Equal Opportunity and PAVE Executive Director

Commissioner Julia Gordon, Federal Housing Administration

Executive Director Jim Park, Appraisal Subcommittee of the Federal Financial Institutions Examination Council

Governor Michelle Bowman, Board of Governors of the Federal Reserve System

Director Rohit Chopra, Consumer Financial Protection Bureau

Chairman Martin Gruenberg, Federal Deposit Insurance Corporation

Director Sandra Thompson, Federal Housing Finance Agency

Chairman Todd Harper, National Credit Union Administration

Secretary Vilsack, U.S. Department of Agriculture

Associate Attorney General Vanita Gupta, U.S. Department of Justice

Secretary Marty Walsh, U.S. Department of Labor

Secretary Denis McDonough, U.S. Department of Veterans Affairs

Priscilla Almodovar, CEO, Federal National Mortgage Association

Michael DeVito, CEO, Federal Home Loan Mortgage Corporation