

September 6, 2017

The Honorable Mike Crapo  
Chairman  
Committee on Banking, Housing and Urban Affairs  
534 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing and Urban Affairs  
534 Dirksen Senate Office Building

Dear Chairman Crapo and Ranking Member Brown:

We are writing this letter to raise concern over the new appraisal waiver programs recently implemented by Freddie Mac and Fannie Mae (the "Government Sponsored Enterprises.") We believe these programs will create unnecessary and unacceptable risks for taxpayers and homeowners, and they come at a time when markets are at all-time highs - when risk mitigation should be tantamount. We ask you to call on the Federal Housing Finance Agency (FHFA) to prevent the Enterprises from implementing the appraisal waiver programs until they can demonstrate the appraisal waiver program:

- 1) is consistent with safe and sound operation of the Enterprises;
- 2) does not bring harm to the consumer, especially the affordable housing sector;
- 3) is properly monitored by FHFA and tested with independent appraisals; and
- 4) integrates proper safeguards to prevent fraud.

We recognize that the Enterprises have, since 1994, been exempted from appraisal requirements established by Congress on the basis that their requirements exceeded those established by Congress and that they would continue to make responsible decisions. These new programs call this privilege into question.

We view these new programs as an "arms race" between Freddie Mac and Fannie Mae on who can increase the most market share, while demonstrating a distinct pullback in terms of safety and soundness. Competition between the Enterprises should not result in a race to the bottom in terms of due diligence – especially while the agencies remain in conservatorship. It was the same elimination of risk focused underwriting that led to the Enterprises' brink of bankruptcy 9 years ago. Unlike an earlier policy change by Fannie Mae which addressed mostly refinances where previous appraisal information is likely available, first purchase transactions by the Enterprises carry higher risk from a property information standpoint. It is standard underwriting practice to obtain a complete interior inspection appraisal for first purchase transactions in order to better understand the potential risk associated with a property's condition, which is more likely to change between subsequent sales than between refinance transactions. That likelihood is why independent appraisal data, including an inspection, is so important to managing risk and protecting the public trust.

This is not the first time appraisal waivers have been advanced by the enterprises. Similar actions were taken by the Enterprises in the early to mid-2000s, and the resulting decline in risk management by mortgage lenders proved to be disastrous for the economy, damaging the public trust.

It has taken many years for the mortgage finance sector to recover from the financial disaster in 2008-2009, but progress has been made. This significant progress is due in large part to the employment of fundamental risk-management activities, such as the requirement for the completion of full appraisals to determine the true equity position of individual properties. Reducing appraisal requirements sends the wrong signal to mortgage loan

sellers about the importance of fundamental risk-management practices and the need to continue to employ strong underwriting guidelines to avoid the costly mistakes of the recent past.

For these reasons, we ask you to call on the Federal Housing Finance Agency to prevent the Enterprises from implementing the appraisal waiver programs until it can demonstrate that they are consistent with safe and sound operation of the Enterprises. At a minimum, the Agency should request the estimates of loan purchase and refinance transactions that would be subject to the new programs and make those estimates public for comment by affected stakeholders and other experts. Further, as your Committee develops housing finance reform legislation, we ask that any legislation ensures that the Enterprises' appraisal requirements enhances their safe and sound operation so long as the Enterprises remain in conservatorship or otherwise present potential risks to taxpayers and homeowners.

Thank you for your consideration of this matter. If you should have any questions or would like additional information or resources from our organizations, please contact any of the individuals listed in the attached document.

Sincerely,

American Society of Appraisers  
American Society of Farm Managers and Rural Appraisers  
Appraisal Institute  
Appraisers' Coalition of Washington  
Arizona Association of Real Estate Appraisers  
Association of Texas Appraisers  
California Coalition of Appraisal Professionals  
Coalition of Appraisers in Nevada  
Coalition of Arizona Appraisers  
Colorado Association of Real Estate Appraisers  
Columbia Society of Real Estate Appraisers  
Delaware Association of Appraisers  
Foundation Appraisers Coalition of Texas  
Illinois Coalition of Appraisal Professionals  
Kentucky Association of Real Estate Appraisers  
Louisiana Real Estate Appraiser Coalition  
Maryland Association of Appraisers

Massachusetts Board of Real Estate Appraisers  
Michigan Coalition of Appraisal Professionals  
Mississippi Coalition of Appraisers  
National Association of Appraisers  
National Association of Independent Fee Appraisers  
New York Coalition of Appraiser Professionals  
North Carolina Real Estate Appraiser Association  
Ohio Coalition of Appraisal Professionals  
Oklahoma Professional Appraisers' Coalition  
Real Estate Appraisers Association of California  
Real Estate Appraisers of Southern Arizona  
Rhode Island Real Estate Appraiser Association  
South Carolina Professional Appraisers Coalition  
Tennessee Appraiser Coalition  
United Appraisers of Utah  
Utah Association of Appraisers  
Virginia Coalition of Appraiser Professionals  
West Virginia Council of Appraiser Professionals

**American Society of Appraisers/National Association of Independent Fee Appraisers**

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Appraisal Waiver Programs  
September 6, 2017

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