

Virginia Coalition of Appraiser Professionals

October 8, 2019

US House Committee on Financial Services
2129 Rayburn House Building
Washington, DC 20515

Via e-mail

Dear Chairwoman Waters and Respected Members.

The Virginia Coalition of Appraiser Professionals (VaCAP) is a nonprofit organization comprised of boots on the ground real estate appraisers. Our objectives are to support the profession, educate the consumer and promote public trust.

The North Dakota Waiver recently issued by the Appraisal Subcommittee is in fact a concern of not only Virginia appraisers, but appraisers throughout the United States. We applaud your efforts in seeking additional information on how and why this unprecedented action occurred.

Appraisal waivers currently being completed by the GSE's, Fannie Mae and Freddie Mac take a slightly different approach in which no appraisal is being completed at all. Property valuation is being completed by automated valuation models; proprietary to the GSE's utilizing data mined from appraisal reports completed by professional licensed and certified appraisers. In some cases information from a bifurcated appraisal product is being utilized to base decisions.

A bifurcated appraisal product is one in which an unknown third party inspects the property and provides the information to the licensed appraiser to complete the report from their office. Those individuals gathering property information can be anyone; an Uber driver, housewife / househusband, Realtor, college student, etc. Professional licensed and certified appraisers are being offered sub-standard compensation of \$100- \$150 for an appraisal report on a property they have not physically seen, taking on 100% of the liability from the unknown property data collector.

A major concern is the qualifications of the person completing the "check list" data sheet to report the property characteristic and condition. Do those gathering the property information know what influences market value? What about deficiencies in the property that impact the safety and soundness? External influences such as gas stations, high tension electrical transmission lines, etc. Are the property data collectors motivated / educated enough to perform the necessary functions ethically, accurately and professionally? Many appraisers have refused to complete these types of products due to the lack of credibility of the information being provided as well as the

day labor type compensation. Simply stated, this type of product lacks logic and credibility. FHFA never should have allowed the GSE's to move forward with a product that does not protect the public.

Appraisers have concerns with appraisal waivers as these offerings are only for those who have superior credit scores and substantial assets. Concern is warranted as when the housing market crashed just ten years ago, many of those superior credit score borrowers made conscious decisions to walk away from their properties due to the unrecoverable loss in value. The losses occurred on higher dollar properties is far greater than lower or middle priced properties. Many view waivers as a form of discrimination to minority or lower income borrowers as those borrowers simply will not qualify.

Other forms of discrimination can be found in automated valuation models being utilized by many lenders and the GSE's. There are no standards to these products and discrimination to minority and lower income borrowers may occur. Two great Ted Talk Presentations on algorithmic bias can be found on VaCAP's website.

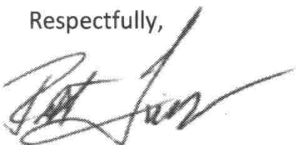
<http://vacaponline.com/big-data-thick-data-human-data/>

The Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) was passed after the savings and loans debacle in the late 1980's / Early 1990's. FIRREA required the licensing of real estate appraisers to set a minimum standard and to instill confidence to the public. Much of what the GSE's are introducing as modernization is reminiscent of activities that occurred prior to FIRREA. We have come so far over the years, reverting back to questionable practices does not insure the safety and soundness of the market. The housing market plays a key role in the economy, licensed and certified professional appraisers are a crucial component in minimizing collateral risk.

Communities and voters are the back bone of this country. The safety and soundness of the housing market is the back bone of local economies, the national economy and yes, the international economy. We have barely recovered from the major financial crash of 2007/2008. Let's not do it again!

The Virginia Coalition of Appraiser Professionals is available to answer any questions or provide documentation that may be needed to help facilitate your inquiries into the questionable practices being promoted.

Respectfully,

A handwritten signature in black ink, appearing to read 'Pat Turner', with a stylized flourish extending from the end.

Pat Turner
VaCAP President