

March 24, 2014

The Honorable Melvin L. Watt  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street, SW  
Washington, DC 20024

Dear Director Watt:

On behalf of our membership of working appraisers, the undersigned organizations would like to recognize and send our appreciation to Fannie Mae for formulating a comprehensive strategy to protect this Nation's mortgage industry from future harm. Fannie Mae's influence has shaped the U.S. Housing market into what we have today...the backbone of our Country's economy.

As real estate appraisers who have survived the past few years' turbulence, we realize, more than ever, how valuable our role is as unbiased observers of the market. Our role is to document and provide proof that will transcend time and survive critical analysis by those who depend on our knowledge, expertise and unbiased conclusions.

All actions have potential for unintended consequences. Those implemented by Fannie Mae, even more so, due to Fannie's involvement in the majority of the Nation's housing transactions.

Fannie Mae's new "Appraiser Quality Monitoring" initiative that creates an appraiser "do not use list" or "blacklist" has alarmed many working appraisers, especially since at least a portion of the process is automated.

Placing an appraiser on a Fannie Mae exclusionary list would effectively end a career, therefore, it is critical that appraisers have a complete understanding of any actions that might be taken against them with this initiative. It is our hope that a clear and consistent program be developed that is well documented and transparent.

In place of this initiative, we would strongly encourage Fannie Mae to instead use the existing state licensing authorities as a resource for any appraisal problems that they encounter rather than a private, overwhelmingly devastating enforcement program. If a state certified appraiser's career needs to come to an end, it should be through the enforcement powers granted to the States through the Appraisal Subcommittee. This is an existing, tried and true process that is already structured to limit any "unintended" consequences.

In the hopes of avoiding unintended consequences, we ask that the following items be considered and where appropriate, acted upon:

-Unless specifically stated, Fannie Mae is not the client of an appraisal report. An appraiser would likely be in violation of the Uniform Standards of Professional Appraisal Practice (USPAP)'s confidentiality requirements in responding to any Fannie Mae inquiry. A solution might be to join with the Appraisal Foundation to create standards, opinions and FAQ's within USPAP regarding this issue.

-Appraisers must be given the ability to respond before they are placed on any exclusionary list and be given clear and defined parameters that Fannie Mae will use to place an appraiser on any list. We understand that there are steps in this process, but they need to be better communicated to appraisers in general, among their circles and through their peers. Our organizations could be of assistance on this issue.

-There should be defined/documented periods of time that an appraiser would be included on a list and what measures might be taken to be removed from a “do not use” list. Clear and specific paths to redemption should be provided. Again, we would be able to help disseminate this information if it were provided to us.

-The current quality and condition ratings that Fannie Mae’s UAD relies on must be better clarified. They are currently too subjective. Furthermore, the ratings are discrete steps, whereas the appraiser’s evaluations of such areas as quality and condition are necessarily a continuum. For example, two properties may both fall within the definition for C3, yet be sufficiently different as to require adjustment. Appraisers have been utilizing these ratings for some time now and there has been confusion between not only appraisers, but also among the intended and unintended users of our reports. Several appraisal entities have written Fannie Mae regarding the effect that the UAD would have on the credibility and readability of an appraisal report. Fannie Mae has stated that these ratings would be relied upon in the automated review that will flag an appraiser’s work. Therefore, it is imperative that appraisers have a thorough, concrete understanding and logical equation to utilize that would minimize unintended inconsistencies. An example of a possible clarification to the condition rating might include adding a range of effective ages for each category. This would help eliminate unintended inconsistencies.

Finally, appraising real estate has often been considered both an “art” and a “science”. In our age of technology, credibility and reliability often come from paring processes down to a “science”. Condition, quality and the intangibles of real property, such as market appeal to a typical buyer, are often what brings “value” to the market. These cannot be brought together on paper without the “art” inherent in the development of an appraisal report. It is understandable that Fannie Mae wishes to convert as much as possible of the appraisal process into a “science”. An unintended consequence could be that an appraiser will be penalized, to the point of losing their livelihood, because Fannie Mae is looking for a scientist without appreciating the need for the artist.

We sincerely appreciate your consideration of these concerns and look forward to hearing from you at your earliest convenience. An in-person meeting could be arranged if you would find that to be helpful. If you should have any questions, please contact Peter Gallo, Association Work Group Organizer, at 704-752-6252 x101 / [peterg@homesightllc.com](mailto:peterg@homesightllc.com) or any of the officers of the signing organizations.

Sincerely,

Arizona Association of Real Estate Appraisers  
California Coalition of Appraisal Professionals  
Georgia Coalition of Appraisal Professionals  
Maryland Association of Appraisers  
North Carolina Real Estate Appraiser Association  
Ohio Coalition of Appraisal Professionals  
South Carolina Professional Appraisers Coalition  
Virginia Coalition of Appraisal Professionals  
West Virginia Council of Appraiser Professionals

Cc: Jim Park, Executive Director, Appraisal Subcommittee  
David Bunton, President, The Appraisal Foundation  
Robert Murphy, Director Property Valuation & Eligibility, Fannie Mae  
Robert Witt, Senior Policy Analyst, FHFA  
Arthur Lindo, Senior Associate Director, Division of Banking & Regulation, Federal Reserve