

April 25, 2023

The Honorable Sandra L. Thompson
Director - Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Director Thompson:

The North Dakota Appraisers Association would like to express its concerns over Fannie Mae's business practice changes regarding the appraisal waiver and value acceptance. Our association leadership had the opportunity to listen in on the March 28th joint conference call sponsored by the Appraisal Institute and Fannie Mae. While we appreciated the additional information on the changes made in the March 2023 Selling Guide our membership still has concerns about the direction these changes take the valuation/appraisal profession. Our concerns directly relate to interests of borrowers, lenders, real estate stake holders, and the public trust.

In North Dakota, real estate markets are widespread and very diverse in property characteristics. Due to the rural nature of the State, appraisers have historically seen violations for exceeding the comparable selection limitations set forth by Fannie Mae. These violations require time consuming written explanations as well as additional conversations with out-of-market lenders. Due to the complexity of our State, computer-aided valuation is not suitable for appraising properties in North Dakota.

Fannie Mae's proposed valuation product of "Value Acceptance", is rooted in automated *computer-aided* valuation and combines with Property Data Collection (PDC) in conjunction with Application Programming Interfaces (API). This process uses historical sales data that is often older than twelve months to determine future values without a physical verification that the data is comparable to the subject property. This data is collected by untrained individuals with no oversight or accountability to any regulatory body. Furthermore, this valuation product appears to have little oversight to Fannie Mae with no known guidelines for qualifications in place.

Fannie Mae's proposed "Value Acceptance" product is similar to the previously developed bifurcated appraisal, which includes a third-party property inspection report that is provided to the appraiser to complete an appraisal. The appraiser does not select the property inspector and is not provided with the individuals qualifications. To NDAA's knowledge, the third-party property inspector is not required to demonstrate their ability, nor are they bound by liability, errors or omissions insurance. These factors are problematic for appraisers who have little leverage to remediate any concerns regarding the property inspection report.

A trustworthy property inspection is imperative to the appraisal process. Inspections obtain critical information in terms of key features and characteristics of the property being appraised. Appraisers have undergone extensive training to develop a professional understanding of real estate that includes



elements of construction science, quality, condition, property-specific defects, ANSI standardized gross living area, condition concerns, and numerous value-contributing and detracting 'market-specific' features. Market trends, neighborhood nuances, and economic indicators within a community play an equally important role in the appraisal and valuation process. NDAA does not know of an equivalent training level for third-party property inspectors and therefore it is troubling that Fannie Mae requires appraisers to accept responsibility for their product.

Fannie Mae relies on appraisal management companies who hire individuals with little understanding of what information is needed for the appraisal process. Fannie Mae's decision to employ third-party data collectors and mobilize appraisal management companies removes the appraiser's trained eyes, ears, and ethical standards from the appraisal development process, leading to negative consequences on the real estate market. NDAA wants to preserve the public trust and ensure lenders and borrowers are receiving a quality product; this starts with allowing appraisers to fully complete the appraisal process.

Valuation bias has been an important topic in the appraisal profession. NDAA is concerned with the bias and motivations of third-party property data collectors who have no fiduciary responsibility towards market participants or the real property that is subject to the appraisal. No language exists in the Selling Guide requiring a thorough vetting process for property data collectors. Conversely, appraisers are subject to background checks, fingerprinting, bias training, and annual education to operate in the appraisal field. NDAA believes that removing these professional characteristics from the appraisal process has the potential to lead to additional scrutiny on bias within the appraisal profession. Safety and soundness are paramount for everyone, and this decision does not have market participant's best interest in mind.

NDAA is concerned with Fannie Mae's decision to remove key parts of the appraisal process from appraiser hands. We are also concerned by Fannie Mae's recent statements that the appraisal is no longer the "default requirement." It is reasonable to assume that these are attempts to limit the services of appraisers. NDAA is passionate about the appraisal profession and brings these concerns to shed light on some of the significant problems these policies can create. Fannie Mae can continue to make sound mortgage lending decision by engaging appraisers in the process and recognize the critical role they play in the real estate industry. We represent our members willingness to continue to work with Fannie Mae and other industry stakeholders to find a solution that ensures the integrity of the appraisal process, promotes continued success, and maintains the public trust.

Respectfully Submitted,

A handwritten signature in black ink that reads "Joe Sumers". The signature is written in a cursive, flowing style.

Joseph Sumers
President 2022 - 2023
North Dakota Appraisers Association

Cc: Patrick McHenry - Financial Services Committee; Senator Kevin Cramer – Banking Housing and Urban Affairs Committee; Senator John Hoven; Representative Kelly Armstrong; Jodie Campbell – Administrator, NDREAQEB; Corey Kost – Chair, NDREAQEB; Priscilla Almodovar – CEO, Fannie Mae.