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February 26, 2021

Federal Housing Finance Agency  
Office of Housing and Regulatory Policy  
400 7th Street SW, 9th Floor  
Washington, DC 20219

Re: RFI on Appraisal-Related Policies, Practices, and Processes

Dear Sir or Madam:

The Credit Union National Association (CUNA) represents America's credit unions and their 120 million members. On behalf of our members, we are writing regarding the Federal Housing Finance Agency (FHFA or agency) request for information (RFI) on appraisal-related policies, practices, and processes.<sup>1</sup>

### **Background**

To understand the credit risks associated with the mortgages they acquire, Fannie Mae and Freddie Mac (the Government-Sponsored Enterprises or GSEs) have developed appraisal policies, practices, and processes to measure the value of collateral on which mortgages are made. Property value is a key input for a mortgage's loan-to-value ratio, which captures the degree of homeowner equity and aids in determining borrower credit risk. In addition, the property data used to determine the value plays a role in supporting the accuracy of appraisals and automated valuation models.

FHFA is seeking input on the current appraisal policies, practices, and processes, especially as they relate to modernizing the appraisal process and balancing mortgage lenders' need for efficiency with the GSEs' need for prudent risk management. The agency will consider the feedback received to determine the next steps for modifications and modernizations to the GSEs' appraisal policies, practices, and processes.

### **General Comment**

CUNA supports the agency's effort to assess and modernize the current GSEs' appraisal policies, practices and processes. During this process, we recommend the FHFA consider the importance of permitting new valuation solutions – including virtual walk-throughs with local real estate agents or another qualified individual – that could beneficially augment traditional approaches to appraisals. Adopting modern appraisal solutions that leverage ubiquitous, improved technologies would greatly benefit rural areas that deal with unique challenges with traditional in-person appraisals. We also encourage the FHFA to revise its education and training requirements for new appraisers with an eye toward increasing the pool of individuals entering this critical vocation.

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<sup>1</sup> See <https://www.fhfa.gov/Media/PublicAffairs/PublicAffairsDocuments/RFI-Appraisal-Related-Policies.pdf>.

## **Appraisals in Rural Areas**

Conducting appraisals in rural areas is challenging, especially for credit unions who are often the only lenders serving these areas. While these challenges can be year-round, winter is particularly difficult. In less densely populated areas, such as Alaska or similar states, scheduling appraisers requires lengthy wait times due to the distances traveled and the presence of fewer comparable properties. As a result, it can take a month or more to schedule an appraisal in some areas. Overall, appraisals in rural areas are more challenging to get and take a lot longer than in urban and suburban areas, and these rural appraisals can also cost 2-3 times more than their urban/suburban counterparts with the borrower paying the increased costs.

The valuation industry has innovated more rapidly than the GSEs in evaluating properties, as the GSEs still largely rely on in-person appraisers who are physically visiting properties and taking manual measurements. At the same time, because of the high entry requirements to become an appraiser, fewer individuals are choosing it as a career option. Unless the FHFA addresses the high barriers to entry for prospective appraisers, the significant concerns about the available supply of appraisers will continue. We believe modernizing the appraisal process using technology and increasing the pool of appraisers could help alleviate some of these challenges for rural areas.

## **Leveraging Technology**

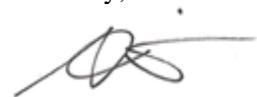
CUNA believes the appraisal profession should be using technology and data more to conduct assessments, which would greatly benefit consumers. In particular, the secondary market's dedication to an antiquated model of in-person appraisals will likely keep the appraisal industry's status quo inefficient and disadvantageous toward rural areas and low and moderate-income consumers. Meanwhile, focusing on permitting greater use of artificial intelligence, virtual video communications, and other technologies could make appraisals less costly, timelier, and more efficient for consumers.

That said, the GSEs appraisal policies, procedures, and processes should also acknowledge that some consumers may prefer traditional in-person appraisals and that option should be available, including for homeowners who completed recent renovations or who have home characteristics that might not be apparent if the property isn't visited in person. We encourage the FHFA to approach appraisal modernization from the perspective of increasing flexibility rather than further entrenching overly prescriptive traditional practices.

## **Conclusion**

On behalf of America's credit unions and their 120 million members, thank you for your consideration. If you have questions or require additional information related to our feedback, please do not hesitate to contact me at (202) 508-3629 or [amonterrubio@cuna.coop](mailto:amonterrubio@cuna.coop).

Sincerely,



Alexander Monterrubio  
Senior Director of Advocacy & Counsel