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September 11, 2017

The Honorable Melvin L. Watt
Director
Federal Housing Finance Agency
Constitution Center
400 7th Street SW
Washington, DC 20219

RE: Use of Automated Valuations in Purchase Transactions

Dear Director Watt:

On behalf of the over 1.2 million members of the National Association of REALTORS® (NAR), I would like to respond to the recent announcements by Fannie Mae and Freddie Mac (collectively the Government Sponsored Entities or GSEs) allowing for the waiver of traditional on-site appraisals for certain home purchase transactions. NAR is supportive of innovation in the housing industry as it relates to improving home financing transaction for buyers and sellers, but urges caution when dealing with safety and soundness elements such as the appraisal.

The National Association of REALTORS® is America's largest trade association, representing over 1.2 million members, including NAR's institutes, societies, and councils, involved in all aspects of the residential and commercial real estate industries. Membership is composed of residential and commercial brokers, salespeople, property managers, appraisers, counselors, and others engaged in the real estate industry who belong to NAR and agree to comply with NAR's strict Code of Ethics. Members belong to one or more of approximately 1,200 local associations/boards and 54 state and territory associations of REALTORS®. REALTORS® are essential to consumers, providing expertise and guidance during the home buying process.

Appraisals are an integral part of the home buying experience. A well-developed, thoughtful, and accurate valuation of residential property ensures that consumers are paying an appropriate amount for their future home. Lenders benefit from knowing their mortgage loans are supported by adequate collateral. Generally, appraisals provide the housing market with a level of certainty that the transactions are being driven by sound financial decisions. NAR's own Code of Ethics and Responsible Valuation Policy stress the care which must be taken when determining value of a home, especially considering a home purchase is in many cases the largest investment a person will make in their lifetime.

The recent housing crisis and its role in the Great Recession highlighted the need to ensure the buying and selling of homes is conducted with integrity and follows sound financial principles. Ensuring safety and soundness, however, does not have to mean curtailing innovation in the housing finance space. In recent years, REALTORS® from across the country have noted increases in appraisal wait times and fees, in both booming markets like Portland, OR and Denver, CO, but also rural areas such as the Upper Peninsula of Michigan and rural Oklahoma. These trends, coupled with the increasing advancement in data analysis and greater accuracy of automated valuation



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models (AVMs), suggest a move toward allowing data centric real estate valuations in a small number of transactions is not without reason, but NAR believes it must be done with appropriate caution.

As of today, both Fannie Mae and Freddie Mac have released press releases and shared information through industry events on their respective valuations programs, the Property Inspection Waiver (PIW) and automated collateral evaluation (ACE), which allow for a waiver of a traditional appraisal in certain home purchase transactions. NAR was pleased to see both GSEs require at least an 80 percent debt to loan value (LTV) for the transactions that could qualify for an appraisal waiver, as well as limitations on the types of property that can be financed. NAR urges the GSEs to maintain high down-payment requirements for borrowers in these appraisal waiver transactions, to prevent defaults and maintain stability in the housing finance market.

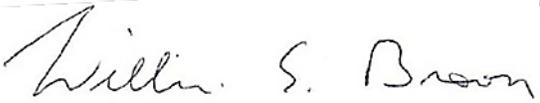
NAR appreciates the knowledge that Fannie Mae requires a previous appraisal in its valuation method, which helps ensure the quality of Fannie Mae's valuation process. Freddie Mac has been relatively silent on its methodology which makes it difficult to fully support Freddie Mac's decision to implement an appraisal waiver program. Both programs can do much better in providing transparency on their valuation methods. NAR has many questions about the quality of the GSEs valuation methods that have not been answered. For example, how many homes will not have a traditional appraisal? Which metro areas and regions of the country will be affected? A full report detailing the information the GSEs used to determine the parameters of the appraisal waiver programs and estimates of how many properties would be affected would do much to shore up public support and demonstrate that the GSEs are not rushing to increase their market share without regard for safety and soundness. NAR urges the GSEs and FHFA, the Federal Housing Finance Agency, to provide official documentation outlining at the very least:

- The estimated number of purchase transactions using an appraisal-waiver
- The geographic areas that would benefit from appraisal-waivers
- Credit scores and other defining information regarding borrowers in appraisal-waiver transactions
- The estimated total value of the appraisal-waiver transactions

In addition, it is vital that the lender makes the consumer aware that the transaction did not include a traditional appraisal. NAR urges FHFA and the GSEs to develop appropriate disclosure parameters for lenders to share with borrowers regarding the GSE valuation methods. This would be in the best interest of the borrower's financial security and market safety and soundness.

Thank you for the opportunity to share NAR's views on this matter. If I may be of any assistance to you, please do not hesitate to contact me or our Regulatory Policy Representative, Sehar Siddiqi, at (202) 383-1176 or SSiddiqi@REALTORS.org.

Sincerely,



William E. Brown

2017 President, National Association of REALTORS®

cc: Timothy J. Mayopoulos Chief Executive Officer, Fannie Mae
Donald H. Layton, Chief Executive Officer, Freddie Mac