**Talking Points: 1. The Issue: As the House Financial Services/Senate Banking Committee considers housing finance reform, I am calling to raise concern with Freddie Mac and Fannie Mae’s new appraisal waiver programs, which will create unnecessary risks for taxpayers.**

**2. Since 1994, the government sponsored Enterprises have been exempted from appraisal requirements established by Congress on the basis that they would make responsible decisions. These programs call this privilege into question.**

**3. The Concern: This is essentially an arms race between Freddie Mac and Fannie Mae on who can do the least amount of care. Competition between Freddie Mac and Fannie Mae should not result in a rae to the bottom of due diligence – especially while the agencies remain in conservatorship.**

**4. Unlike an earlier policy change which addressed mainly refinances, first purchase loans carry higher risk from a property information standpoint. It is standard practice to obtain a complete interior inspection appraisal for mortgage transactions in order to better understand property conditions, which are more likely to change between purchase transactions than between refinance transactions. That likelihood is why appraisal data, including an inspection, is so important to managing risk.**

**5. This is not the first time appraisal waivers have been advanced by the enterprises. Similar actions were taken by the GSE’s in the early to mid-2000’s, and the resulting decline in risk management by mortgage lenders was disastrous for the economy.**

**6. It has taken many years for the mortgage finance sector to recover, but progress has been made, in large part, because fundamental risk-management activities like appraisals have been reinforced by mortgage lenders. Reducing appraisal requirements send the wrong signal to mortgage loan sellers about the importance of risk-management and the importance of maintaining the public trust.**

**7. Action Request: For these reasons, I ask you to call on the Federal Housing Finance Agency to prevent the Enterprises from implementing the appraisal waiver programs until it can demonstrate they are consistent with safe and sound operations.**

**8. Also, as Congress develops housing finance reform legislation, I ask that any legislation ensures that the Enterprises’ appraisal requirements enhance their safe and sound operation so long as the Enterprises remain in conservatorship or otherwise present potential risks to taxpayers and homeowners.**