

John Smaby
2019 President

Bob Goldberg
Chief Executive Officer

ADVOCACY GROUP
William E. Malkasian
Chief Advocacy Officer/Senior Vice President

Shannon McGahn
Senior Vice President Government Affairs

500 New Jersey Avenue, NW
Washington, DC 20001-2020
Phone 202-383-1194
WWW.NAR.REALTOR

October 11, 2019

Wayne R. Miller, Chair
Appraisal Standards Board
The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

Submitted via email: aida@appraisalfoundation.org

RE: Testimony - Concept Paper –Evaluation Standards in USPAP

Dear Chairman Miller and members of the Appraisal Standards Board:

On behalf of the more than 1.3 million members of the National Association of REALTORS® (NAR), thank you for the opportunity to comment on the Appraiser Standards Board's (ASB) *Concept Paper –Evaluation Standards in USPAP*. NAR agrees with the ASB that the real estate valuation market is changing and the continued use of evaluations, rather than traditional appraisals, in both purchase and re-finance transactions demands attention by stakeholders.

The National Association of REALTORS® is America's largest trade association, representing over 1.3 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. Members belong to one or more of approximately 1,200 local associations/boards and 54 state and territory associations of REALTORS®.

REALTORS® support and encourage credible, independent valuations of Real Property. Credible independent valuations of real property are critical to the health of the overall real estate industry. A trustworthy valuation of real property:

1. ensures the real property value is sufficient to collateralize the mortgage,
2. protects the mortgagor,
3. allows secondary markets to have confidence in the mortgage products and mortgage backed securities, and
4. builds public trust in the real estate profession.

Prompted by internal and external influences, the field of real estate valuation undergoing change. Fannie Mae and Freddie Mac have introduced what they describe as "data-driven valuation products" to enable, in their words, faster and more accurate property valuations. The federal banking agencies have raised the appraisal waiver threshold for federally related commercial transactions and within the past month raised the threshold for residential transactions. With these increases, more lending entities could use evaluations to assess the value and risk associated with a given property. Given this likely increase in evaluation activity, NAR believes that the ASB, as the entity entrusted with providing guidance to appraisers and other valuation professionals through the Uniform Standards of Professional Appraisal Practice (USPAP) needs to provide clearer and more robust guidance on evaluations. In that vein, NAR also urges



the ASB to develop a separate definition for “evaluation” within USPAP. These steps will help provide much needed clarity not only to appraisers, but also to real estate agents, lenders, and other invested stakeholders in the real estate field.

With respect to the promulgation of more specific statements of guidance and rules, NAR believes ASB should create one or more task forces focused on developing guidance on evaluations. Each task force should be made up of representatives for relevant stakeholders, including appraisers, REALTORS® (appraiser and broker/agent members), lenders, etc. This would be similar to the action taken by the Appraisal Foundation, ASB’s oversight organization, in creating a program geared toward bringing veterans into the appraisal field. A focused task force that develops more solid recommendations than those presented in this current concept paper would enable commentators to provide richer and more useful feedback. As always, NAR offers its support in helping bring such a task force to life.

Although no survey of our appraiser members has been conducted to provide responses to the questions posed in your invitation, members of the NAR Real Property Valuation Committee provided their views:

1. Do you find that practicing appraisers understand the differences between the Interagency Appraisal and Evaluation Guidelines and USPAP? If not, do you think that promulgating Evaluation Standards within USPAP would be helpful?

It appears the consensus is appraisers have little understanding of the difference between the Interagency Appraisal and Evaluation Guidelines and the Uniform Standards of Professional Appraisal Practice. NAR believes there is a need for clearer and more robust guidance on evaluations but has not adopted a position on Evaluation Standards within USPAP.

2. What is the biggest issue facing appraisers related to the increased use of evaluations in the marketplace?

The most important issue reported by our members is the potential loss of mortgage related business due to the use of evaluations in lieu of traditional appraisals. Our appraiser members express concern federally regulated banking institutions may not accept a valuation report labeled “Appraisal Report” (USPAP Compliant) in situations when the banking institution requested an evaluation.

3. Have your appraiser members received any feedback from E&O Insurance providers regarding the completion of evaluations? If so, what is the nature of that feedback? Are evaluations completed outside of the constraints of the appraiser licensing laws treated differently than evaluations completed in accordance with USPAP?

Our appraiser members do not report any feedback or communication from their errors and omissions insurance providers. However, informal discussion with several providers indicate currently their coverage is extended to their insured when providing professional services as an appraiser, regardless of the product nomenclature. Depending on claims experience, those policies are subject to change.

Thank you again for the invitation and request for comments from the National Association of REALTORS®. We are interested in working with the ASB and relevant stakeholders in developing reasonable solutions. Please do not hesitate to contact me or NAR’s Senior Policy Representative, Sehar Siddiqi, at (202) 383-1176 or SSiddiqi@REALTORS.org.

Submitted by:

Francois (Frank) K. Gregoire ASA IFA RAA
Gregoire & Gregoire, Inc.