



January 1, 2023

The Honorable Julia Gordon
Assistant Secretary for Housing
Federal Housing Commissioner
Federal Housing Administration
Department of Housing and Urban Development
451 7th Street, S.W., Washington, DC 20410

Dear Commissioner Gordon:

The National Association of REALTORS® (NAR) thanks you for your commitment to improve the reconsideration of value (ROV) process for homebuyers seeking financing through the Federal Housing Administration (FHA). Credible and fair valuations are key to sustainable financing and REALTORS® commend FHA for its proposed updates in its draft mortgagee letter ([Mortgagee Letter 2022-XX](#)).

ROVs Are Critical to Credibility and Fairness

Valuations are the gateway to mortgage finance and the opportunity to attain the American Dream. As industry leaders we must use every tool at our disposal to ensure that appraisals are conducted free from bias and discrimination.

Appropriate communication between appraisers and their clients is critical to obtaining an accurate and credible valuation. Consumers should be able to provide additional information about a property, ask questions, or request errors be corrected. Providing a consistent framework for ROVs will build credibility in the valuation process and enable consumers to raise fair lending concerns.

REALTORS® appreciate the FHA's efforts to issue guidance clarify in this mortgagee letter that outlines how a valuation may be reconsidered if the value opinion is believed to lack accurate data or if the appraisal is believed not credible.

Further Clarification Would Benefit ROVs

A few additional adjustments to the FHA's mortgagee letter and policy broadly would aid the process including raising the awareness of their availability. According to NAR's [2022 Appraiser Survey](#), 47 percent of REALTORS® who are not appraisers are unaware of an ROV process in their market, while 14 percent believe that there is not one available to them. However, 65 percent of these two groups of REALTORS® favor having an ROV process. Working with industry to raise awareness among agents and consumers would aid use of ROVs.

Enabling greater interaction for homebuyers and their real estate professionals with appraisers earlier in the process would reduce the need for ROVs. Only 38 percent of REALTOR® agents provide comps to the appraiser proactively, before or at the appraisal, while 21 percent only interact with the appraiser when there is an issue and 19 percent do not interact at all. Of the latter group, 29 percent think they are legally not allowed to speak to an appraiser and 26 percent fear biasing the appraisal. Real estate professionals and consumers alike need more information about their ability to ensure a high-quality valuation and earlier in the process.

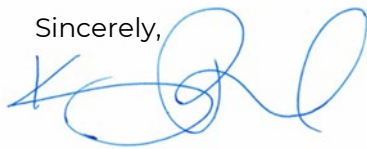
To improve the quality of review and limit the abuse of the review process, the FHA should impose a limit on the number of requests for an appraisal review. The ROV process of the Veterans Administration, also known as the [Tidewater Process](#), is widely viewed as a successful process and limits the review to no more than three comparable sales. This limit allows the appraiser to focus on a creditable review.

Finally, a predicate for an accurate and credible appraisal is the competency of the appraiser in both the knowledge and experience of real property valuation and the process of developing and communicating an appraisal. The manner of appraiser selection and retention must prioritize competency. The FHA should avoid fundamental changes to its appraisal board selection that could impact the quality of appraisers resulting in greater need for ROVs.

Working Together

Thank you again for taking the time to hear the concerns of REALTORS®. We appreciate your efforts to improve the valuation process and to support diverse homeownership. If you have any questions or comments, please feel free to reach out to Ken Fears, NAR's Director of Conventional Housing Finance and Valuation Policy at (202)383-1066 or KFears@NAR.REALTOR. Thank you once again and we look forward to our next meeting.

Sincerely,



Kenny Parcell
2023 President, National Association of REALTORS®