



February 28, 2024

James Wylie
Associate Director of Fair Lending
Federal Housing Finance Administration (FHFA)

Luke Brown
Associate Director, Supervisory Policy Branch
Federal Deposit Insurance Corporation (FDIC)

Enice Thomas
Deputy Comptroller for Credit Risk Policy
Office of the Comptroller of the Currency (OCC)

Art Lindo
Deputy Director for Policy
Federal Reserve Board (FRB)

JeanMarie Mattingly
Deputy Director
National Credit Union Administration (NCUA)

The Honorable Rohit Chopra
Director
Consumer Financial Protection Bureau (CFPB)

Elizabeth Davis
Housing Program Officer
Housing and Urban Development (HUD)

Dear Associate Director Wylie, Associate Director Brown, Deputy Director Lindo, Deputy Comptroller Thomas, Deputy Director Mattingly, Director Chopra, and Program Officer Davis:

The National Association of REALTORS® (NAR) thanks you for your commitment to improving the appraisal process for all homebuyers. Credible and fair valuations are key to sustainable financing and REALTORS® commend the Appraisal Subcommittee for their ongoing efforts to eliminate discrimination in the valuation process. NAR has actively advocated for solutions that will increase diversity, reduce bias and maintain the public trust in the appraisal profession. Among those solutions are legal clarity from HUD regarding claims of appraisal discrimination as well as transparency and accountability in appraiser compensation.

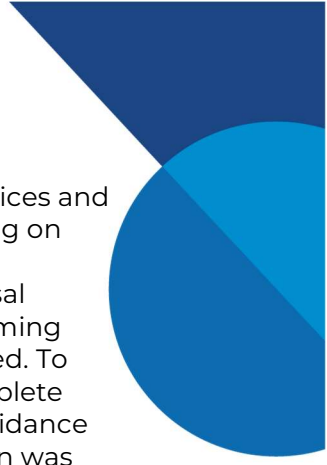
Clarity to Build the Right Tools

As NAR [previously wrote to HUD](#), section one of the PAVE Action Plan notes that, “the appraisal industry lacks clarity around its antidiscrimination obligations under current federal laws.”¹ The Action Plan indicates that the “CFPB, DOJ, VA, and HUD will issue guidance on the Fair Housing Act’s and ECOA’s application to the appraisal industry.” We continue to wait for the participating agencies to issue such guidance.

Moreover, we have seen no resolution of the appraisal bias cases under investigation by HUD. The Federal Housing Finance Agency (FHFA) has documented appraisals in which appraisers improperly noted observations of race and ethnicity for neighborhoods they analyzed.² These were referred to HUD by the FHFA. We understand there are numerous other cases of alleged appraisal bias under investigation. However, HUD has not issued its findings in any cases to date.

¹ HUD. Action Plan to Advance Property Appraisal and Valuation Equity. March 2022. pp. 23.

² *Reducing Valuation Bias by Addressing Appraiser and Property Valuation Commentary*. Federal Housing Finance Agency. December 14, 2021.



Our industry relies on legal guidance from HUD and the courts to build best practices and create training and education. Contrary to assertions made during the ASC hearing on February 13, 2024, NAR does not believe that court filings or guidance on lending discrimination provide an adequate corollary for guidance in real property appraisal practice. We lack such basic information as the elements of proof for credibly claiming that appraisal bias has occurred. Without such guidance, industry efforts are stalled. To this end, NAR requests that HUD, the CFPB, VA and other members of PAVE complete their reviews of alleged discrimination in valuation with due haste and provide guidance on both documented cases of discrimination as well as cases where discrimination was not found.

Compensation and Quality are Correlated

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, suggesting a stronger market-wide vetting and quality control process for appraisers would be helpful. Appropriate compensation is critical to attracting appraisers of high quality as well as enabling them to invest in their own skills and education.

REALTORS® believe that regulators should implement and encourage changes that will illuminate differences in appraiser compensation. The current line item in the TILA-RESPA Integrated Disclosure (TRID) form requests an aggregate appraisal fee. This aggregate bundle both the appraiser compensation as well as fees charged by third parties. Separating this field into fees received by appraisers versus those charged by third parties managing their services would be a simple and effective way to shed light on this issue.

With this change compensation could be tracked over time and relative to appraisal quality or the scope of work. This ability to monitor the health of the industry would provide important insights into incentives and disincentives for appraiser quality across various segments of the market. It might help shed light on questions of appraisal independence. Finally, regulators and the industry could track secular changes that affect the industry's ability to recruit future appraisers and for appraisers to purchase expensive technology or fund their own continuing education.

Working Together

Thank you again for your efforts to improve the valuation process and to support diverse appraisers and homeownership. We look forward to clear guidance on the application of fair housing laws to the appraisal process as well as transparency in the compensation of appraisers. 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 continued discussion.

Sincerely,



Kevin Sears
2024 President, National Association of REALTORS®

