



# FEDERAL HOUSING FINANCE AGENCY

## Office of the Director

June 26, 2023

Mr. Kenny Parcell  
President  
National Association of REALTORS® (NAR)  
500 New Jersey Avenue NW  
Washington, DC 20001

Dear Mr. Parcell:

Thank you for your letter dated May 3, 2023, urging the Federal Housing Finance Agency (FHFA) to encourage competition, transparency, responsibility, and accountability in Fannie Mae and Freddie Mac's (the Enterprises) collateral valuation modernization initiatives. Specifically, you outlined concerns over the use of automated valuation models (AVMs), appraisal waivers, third-party data collectors, and market competition within Enterprise pilots.

FHFA agrees that AVMs should be thoroughly reviewed to ensure they meet quality control standards, including when they are used in connection with appraisal waiver offers. On June 1, 2023, FHFA and five other federal regulatory agencies requested public comment on a proposed rule designed to ensure the credibility and integrity of AVMs used in real estate valuations.<sup>1</sup> I encourage NAR to provide feedback on this proposal.

Appraisal waivers accompanied by third-party property data collection, among other alternate valuation methods, have shown positive results since testing began in 2018. The inclusion of granular, standardized property data mitigates property condition risks when a loan would have otherwise already qualified for an appraisal waiver. In March 2022, Freddie Mac announced that certain refinance transactions would be eligible for Automated Collateral Evaluation + Property Data Report (ACE + PDR),<sup>2</sup> and Fannie Mae recently announced a similar offering, Value Acceptance + Property Data.<sup>3</sup> Both Enterprises have published their respective property data standards and loan requirements.<sup>4</sup> All loans delivered using these processes are subject to rigorous testing, monitoring, and reporting to ensure accuracy.

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<sup>1</sup> [Agencies Request Comment on Quality Control Standards for Automated Valuation Models Proposed Rule | FHFA](#)

<sup>2</sup> [Automated Collateral Evaluation \(ACE\) Eligibility | Freddie Mac](#)

<sup>3</sup> [Value Acceptance + Property Data | Fannie Mae](#)

<sup>4</sup> [Property Data Resources | Fannie Mae](#) and [PDR Data Elements | Freddie Mac](#)

FHFA believes that property data collectors (PDCs) should be unbiased, qualified, and monitored. To meet this standard, the Enterprises require lenders to ensure that PDCs are background-checked, trained, have no interest in the transaction, submit work that meets Enterprise-defined quality control standards, and comply with local, state, and federal laws. Each Enterprise establishes its own methodology, which considers many of the important factors noted in your letter.

Fannie Mae published a list of approved PDC and technology solution providers to aid lenders in identifying vendors that have met the basic requirements for the Value Acceptance + Property Data program. Your letter noted six approved Appraisal Management Companies (AMCs), and I am pleased to report that, as of June 15, 2023, there are 17 Fannie Mae-approved full-service providers. This list will continue to grow as Fannie Mae evaluates technology integration applications.<sup>5</sup>

A common misconception is that the Enterprises prohibit appraisers and/or trainees from completing property data collection orders. In fact, Fannie Mae and Freddie Mac have acknowledged that appraisers and trainees possess the necessary transferable skillset needed to be a successful PDC, once they have been trained on the technology. Appraisers, trainees, and others may apply to the approved vendors that provide PDC services.

FHFA agrees that the work of property data collection should be considered in the experience requirements set by the Appraisal Qualifications Board (AQB) of The Appraisal Foundation (TAF). Accordingly, we have encouraged interested stakeholders to provide questions and comments on the Second Exposure Draft of Proposed Changes to Appraisal Qualification Criteria.

Due to the proprietary and confidential nature of test-and-learn programs, such as hybrid appraisals, the Enterprises have published high-level information on their pilot transparency websites.<sup>6</sup> FHFA will continue reviewing the Enterprises' appraisal-related activities under its regulatory, supervisory, and conservatorship authorities to ensure their safety and soundness. FHFA also carefully considers consumer privacy and security protections when reviewing proposed policies, pilot programs, and the use of emerging technologies.

Technological solutions such as those described in this letter facilitate, but do not replace, valuation determinations by appraisers. The Enterprises continue to value and rely upon the expertise of appraisers to provide property values. The Enterprise pilots allow loan originators to *offer* valuation options to loan applicants. However, the Enterprises' decisions to allow use of appraisal technology do not preclude consumers' ability to obtain full traditional appraisals if they prefer.

I appreciate your interest in this matter. If you have any questions or further input, please contact Maria Fernandez, Senior Associate Director in the Office of Housing and Regulatory Policy, at [Maria.Fernandez@fhfa.gov](mailto:Maria.Fernandez@fhfa.gov).

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<sup>5</sup> [Value Acceptance + Property Data Service Providers | fanniemae.com](#)

<sup>6</sup> [Pilot Transparency | Fannie Mae](#) and [Pilot Transparency - Freddie Mac](#)

Sincerely,

A handwritten signature in blue ink that reads "S. Thompson". The signature is written in a cursive style with a large, looped initial "S" and a stylized "Thompson".

Sandra L. Thompson

