



**Testimony of Dean Kelker
Senior Vice President- Chief Risk Officer
SingleSource Property Solutions**

**On Behalf of the
Real Estate Valuation Advocacy Association (REVA)**

**Before the
House Committee on Financial Services**

**Hearing on
*“Devalued, Denied, and Disrespected: How Home Appraisal Bias and
Discrimination Are Hurting Homeowners and Communities of Color.”***

Tuesday, March 29, 2022

Introduction

Good morning Chairwoman Waters, Ranking Member McHenry, and distinguished Committee members. Thank you for the privilege to share with you the perspective of appraisal management companies (AMC) at this hearing.

Since the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) nearly a decade ago, the appraisal industry has changed significantly as Congress intended to protect safety and soundness.

The following submitted testimony from the Real Estate Valuation Advocacy Association (REVAA) seeks to provide insight into the appraisal industry from the perspective of AMCs, many of which also serve as a lender valuation provider beyond residential appraisals. Specifically, this testimony addresses the items below:

- An overview of the role of AMCs in the residential mortgage process;
- The AMC state regulatory structure post Dodd-Frank Act;
- Valuation bias and the undervaluation of properties in minority neighborhoods;
- Support for the recruitment and training of the next generation of residential real estate appraisers;
- Integrating human capital, data and technological innovation as the appraisal industry modernizes,
- Support for the promulgation of Automated Valuation Model (AVM) quality control standards

About Appraisal Management Companies

AMCs are third party service providers engaged by bank/non-bank lenders to collaborate with appraisers on residential appraisals in compliance with federal appraisal independence requirements. AMCs have existed since the 1960's and were primarily utilized by the largest US financial institutions to reduce consumer costs by outsourcing the expenses that would be incurred through their internal management of the valuation process. AMCs grew in popularity among smaller and mid-size lenders following the 2007-08 financial crisis as their attention to efficiency, compliance and regulatory responsibilities helped ensure consumer protection. The outsourcing of the valuation process continued, extending to the largest financial institutions, who now rely upon AMCs for the valuations of residential mortgages. Today, there are an estimated 200-300 AMCs in the nation, ranging from small local businesses to large national corporations.

AMCs benefit consumers by ensuring that the residential property they are purchasing, refinancing, or otherwise using as collateral is properly evaluated and that the lender they are working with to secure their residential mortgage transaction will receive a quality, timely appraisal that is reasonably priced based on current market conditions, free from undue influence, and compliant with the *Uniform Standards of Professional Appraisal Practice* (USPAP). Among an AMC's core functions include:

- Maintaining a panel of qualified appraisers ready to execute lender valuation assignments.
- Ensuring appraiser independence by safeguarding against fraud and undue influence.
- Providing quality assurance processes in the delivery of final appraisal and valuation products.
- Supporting a smooth, timely and responsive mortgage process for consumers and lenders.
- Ensuring lender compliance with federal and state banking and mortgage regulations.

AMCs invest significantly in technology to support the above functions, including but not limited to developing proprietary ordering processes that can integrate with appraisal form provides and other real estate technology solutions and implementing automated quality control rule sets. It is important to underscore that the AMC's lender customer sets the expectations for how an AMC must manage its appraisal orders – this is critical as there is a misunderstanding amongst appraisers that AMCs set appraisal order turn times, delivery requirements, and other obligations.

In addition, many AMCs are more appropriately described as valuation providers that offer customers with a variety of valuation-related products and management services, including but not limited to evaluations, broker price opinions, automated valuation models, property data collection products, post-disaster property

reviews, and data analytics. While a business may meet the definition of an AMC, they often provide many other services - this business model is beneficial to customers, borrowers, and helps to support a more healthy and cohesive process.

AMCs play a critical role in developing and supporting innovation that allows non-traditional valuation services to augment traditional appraisals. New and emerging technology places mobile tools in the hands of both appraisers and non-appraisers to perform onsite data collection, including obtaining photographs, video, floor plans, square footage calculations, 3D scanning, virtual property tours to obtain digital GLA measurements.

Lenders, mortgage companies, investors, government-sponsored entities and others seek different levels of service from a valuation company for several reasons, including:

- Valuation companies are experts in real estate property data. Customers seek to collaborate with companies that have expertise in all real estate collateral risk concepts.
- From a vendor management perspective, customers demand to work with one business that can support many needs, as opposed to working with an AMC, a valuation company, and data company. This helps banks and other regulated institutions more effectively provide oversight of their vendors.
- Valuation companies invest heavily in technology, product development tools, vendor panels to be able to adapt to shifts in the marketplace, which provides economies of scale and efficiencies to support customer needs for different transaction types.

Under federal law and regulation, lender clients may be held responsible for the actions or inactions of their third-party vendors, including AMCs. Therefore, AMCs are under continuous, vigorous, and extensive scrutiny by their lender clients through the lender client third-party oversight programs. AMCs are required to regularly submit to client audits to ensure compliance with federal banking regulations and lender policies and procedures. In addition, lender transactions with AMCs are regulated by state and federal banking regulators.

Fannie Mae, Freddie Mac and others have praised the role AMCs have played in improving appraisal quality and enforcing federal Appraisal Independence Requirements (AIR) since the Home Value Code of Conduct (HVCC) and Dodd-Frank were enacted. In addition, AMCs are actively involved in the non-profit and for-profit advisory councils of The Appraisal Foundation (“TAF”), many of their representatives have sat on the TAF Appraiser Qualifications Board and Appraisal Standards Board and participate in meetings hosted by The Association of Appraiser Regulatory Officials (“AARO”).

AMC Oversight Post Dodd-Frank Act

The Dodd-Frank Act was rooted in the objective to restore public trust in the safety and soundness of the financial industry. Specific to appraisal and AMCs, Dodd-Frank adopted several important consumer protections that REVAAs support, including but not limited to:

- The Truth in Lending Act (“TILA”) was amended to make it unlawful, in extending credit or in providing any services for a consumer credit transaction secured by the principal dwelling of the consumer, to engage in any act or practice that violates appraisal independence.
- The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (“FIRREA”) was amended to include AMCs within the scope of appraisal activity overseen by the Appraisal Subcommittee and applicable federal regulators.

Supporting Appraiser Independence Under TILA

- *Safeguard Appraiser Independence and Protecting Against Fraud* - AMCs help ensure that appraisals are completed in compliance with federal and state laws, as well as industry standards (USPAP), and that appraisers form their value opinions independently, without undue influence. Preventing coercion is critical to avoiding collusion in the valuation process and thereby reducing the potential for fraud.

- *Protect Public Safety* - Consumers are provided an extra layer of safety and protection as most AMCs are required to conduct background checks before appraisers are employed or empaneled. Further, AMCs continue to monitor appraisers on an ongoing basis to ensure that appraisers who are unqualified or may pose a threat to public trust or safety are removed.
- *Ensure Lender Compliance with State and Federal Banking and Mortgage Regulations* - AMCs are invaluable partners for lenders as they ensure efficiency and support lender compliance with the mortgage lending requirements of state and federal regulators (e.g., Fed, FDIC, OCC, CFPB).
- *Ensure Appraiser Independence* - Lenders (big banks, small banks, mortgage lenders, credit unions, etc.) use AMCs because they provide efficient solutions to establish and maintain the necessary firewalls to preserve appraiser independence. Lenders require that AMCs maintain processes to give appraisers a clear path to complain if they believe they are being unduly influenced.
- *Ensure Quality Essential to Consumers and the Secondary Market* - AMCs provide the quality assurance lenders need to ensure a valuation won't prevent a loan from being saleable in the secondary market. Federal agencies require lenders to provide thorough, accurate, and objective appraisal reports with reliable opinions of market value to support underwriting decisions.

FIRREA – Guidance for State Regulation of AMCs

The Dodd-Frank amendments to FIRREA and their subsequent regulations promulgated after Dodd-Frank's enactment created the path for States to register AMCs providing appraisal management services related to a federally related transaction. The Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection (collectively, "the Federal Banking Regulators") were tasked to jointly, by rule, establish minimum requirements to be applied by a State in the registration of appraisal management companies.

These minimum rules became effective on August 10, 2015. FIRREA provides that no appraisal management company may perform services related to a federally related transaction in a State after the date that is 36 months after their rules' effective date, unless such company is registered with such State or subject to oversight by a Federal financial institution regulatory agency. There was also an opportunity for States to obtain a one-year extension from the Appraisal Subcommittee - the firm deadline was August 10, 2019.

Pursuant to the minimum rules, at minimum a State registration program must include a requirement that AMCs:

- register with and be subject to supervision by a State appraiser certifying and licensing agency in each State in which such company operates;
- verify that only licensed or certified appraisers are used for federally related transactions;
- require that appraisals coordinated by an appraisal management company comply with the Uniform Standards of Professional Appraisal Practice; and
- require that appraisals be conducted independently and free from inappropriate influence and coercion pursuant to the appraisal independence standards established under section 129E of the Truth in Lending Act.

The Appraisal Subcommittee is authorized to review State AMC program compliance with the above requirements.

Seeking to ensure that there was appropriate oversight over AMCs, many States passed AMC registration programs – REVAA has been actively engaged in supporting the registration and oversight of AMCs in all States.

All 50 states and the District of Columbia have implemented AMC registration programs consistent with federal law and rules. The only U.S. jurisdictions to opt-out of enacting these important Dodd-Frank consumer protections are Puerto Rico, Guam, Virgin Islands and the Northern Marianas Islands.

As a result, AMCs are now state regulated and under significant regulatory scrutiny. They must comply with several important requirements, including but not limited to:

- Only engaging with appraisers who have an active appraiser credential in good standing;
- Requiring disclosure of its registration number to appraisers when ordering appraisals;
- Not employing persons who have had appraiser credentials revoked;
- Disclosing to customers fee information about completed appraisals;
- Maintaining a process to require that an appraiser comply with USPAP and state law;
- Paying appraisers within a defined period of time;
- Maintaining a process for reviewing the work of appraisers;
- Informing regulators of address changes or material changes in ownership
- Maintaining a surety bond;
- Being subject to audit by state regulators

Violations of any of these requirements may result in disciplinary action by the state regulators.

REVA A supports the Dodd-Frank amendments to FIRREA and believes that proper oversight by federal and state regulators over AMCs is critical to supporting a health valuation marketplace and ensuring safety and soundness of financial institutions. Therefore, we continue to support AMC registration by all 50 states and the five U.S. territories to strengthen and ensure consistent appraiser independence and consumer protections across the entire United States.

Industry Priorities

Appraisal Bias / Undervaluation of Properties in Minority Neighborhoods– REVA A condemns bias and discrimination. We've been an active participant in important industry discussions led by the Interagency Task Force on Property Appraisal & Valuation Equity (PAVE), the Appraisal Subcommittee (including the CLEAR report commissioned by the ASC to review appraisal standards and qualifications), Congress, The Appraisal Foundation, and other industry stakeholders. It is our intention to be an active part of the collective solution as the recommendations of the PAVE Task Force Final Report are further discussed and new policy revisions implemented.

AMCs are required to follow federal Fair Housing Law in its internal and external business practices (i.e., how it recruits staff appraisers, how assignments are placed, etc.). They must communicate Fair Housing rules and expectations to their vendor workforce, independent fee appraisers and real estate agents/brokers.

Furthermore, AMCs must manage complaints related to appraisal bias or discrimination. These complaints typically come from homebuyers through the lender, and AMCs are often directed not to communicate with a consumer directly regarding their concerns with a report. If an AMC is contacted by a consumer, the AMC typically refers them back to their lender. This is important because the consumer likely received the appraisal from the lender who may have engaged in our QC or review that the AMC has not seen.

AMC Quality Control (QC)

Any Appraisal Management Company (AMC) QC process must comply with two important components of appraiser independence under the Truth in Lending Act:

1. Ensure AMC complies with federal and state appraiser independence requirements, including not attempting to directly or indirectly causing an opinion of value to be influenced based on any factor other than the independent judgment of the person preparing the valuation.

2. Performing quality assurance review in compliance with appraiser independence which permits an AMC to ask an appraiser to:
 - a. Consider additional, appropriate property information, including the consideration of additional comparable properties to make or support a valuation.
 - b. Provide further detail, substantiation, or explanation for the valuation provider's value conclusion.
 - c. Correct errors in the appraisal report.

FIRREA expects appraisals to be subject to appropriate review for compliance with USPAP. October 2019 federal banking regulators adopted regulations implementing this requirement, stating the Interagency Appraisal and Evaluation Guidelines provide more information to assist financial institutions in the appropriate review of appraisals.

AMCs have robust Quality Control (QC) programs in place to examine appraisal reports after the initial delivery by the appraiser. QC processes vary by AMC and client requirements. QC is a service provided by AMCs to aid their clients. These reviews are done to ensure compliance before the appraisal report or valuation is delivered to the lender and are not used to determine a lending decision.

- **AMC Quality Control Programs:** To best serve its lender clients, most AMCs have a quality control program built internally to review each appraisal and valuation before it is forwarded to the client as completed.
- **Lender Quality Control Requirements:** Federal Interagency Appraisal and Evaluation Guidelines mandate that lenders are responsible for safety and soundness of property valuations.

XV. Reviewing Appraisals and Evaluations

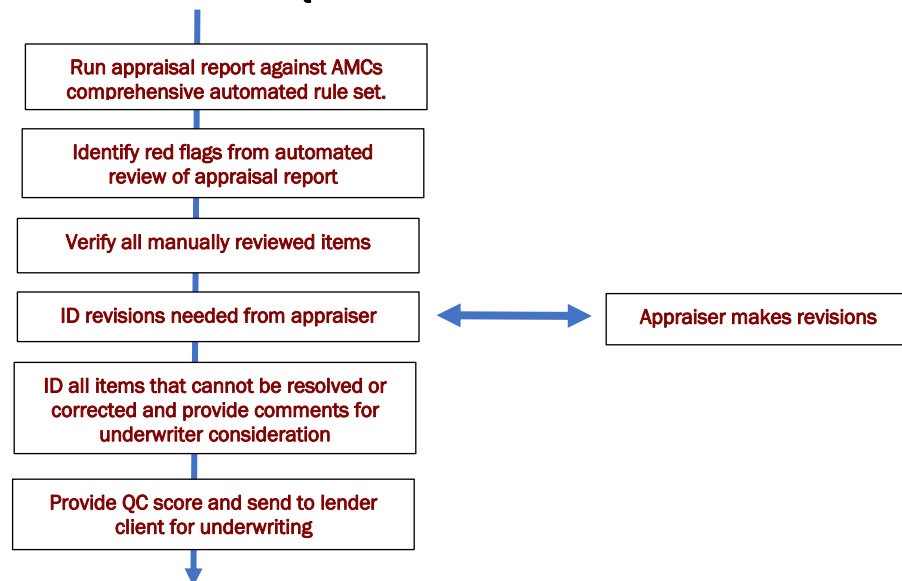
The Agencies' appraisal regulations specify that appraisals for federally related transactions must contain sufficient information and analysis to support an institution's decision to engage in the credit transaction. For certain transactions that do not require an appraisal, the Agencies' regulations require an institution to obtain an appropriate evaluation of real property collateral that is consistent with safe and sound banking practices. As part of the credit approval process and prior to a final credit decision, an institution should review appraisals and evaluations to ensure that they comply with the Agencies' appraisal regulations and are consistent with supervisory guidance and its own internal policies. This review also should ensure that an appraisal or evaluation contains sufficient information and analysis to support the decision to engage in the transaction. Through the review process, the institution should be able to assess the reasonableness of the appraisal or evaluation, including whether the valuation methods, assumptions, and data sources are appropriate and well-supported. An institution may use the review findings to monitor and evaluate the competency and ongoing performance of appraisers and persons who perform evaluations.

As a result, most lender clients outline requirements for the AMCs they have hired to perform QC as part of the overall services performed on their behalf. These requirements vary by lender client and can range from nominal review to intensive review. In addition, some lenders have their own QC programs beyond or in lieu of what may be provided by the AMC. So while AMCs may have a base set of QC processes, they can be enhanced or changed by customers - most AMCs typically do not have the same QC process for all customers.

- **AMC QC Review of Independent Appraisers:** AMCs review their panel of independent fee appraisers to grade appraiser performance on past assignments, research state boards to determine if there is any disciplinary history, require background checks to determine if there is any criminal history. Their work is reviewed for quality, on-time delivery, customer service and professionalism, conformance with appraiser independence requirements, and USPAP compliance. Independent appraisers also need to agree to terms of use/agreement/code of conduct which outline specific expectations of the relationship, including compliance with applicable laws (i.e. fair lending requirements), and individual assignments include a letter of engagement that outlines assignment-specific criteria required by a client.
- **AMC QC Requirements Under Federal Law:** Federal law imposes requirements on lenders to implement controls to review appraisals, and AMCs as service providers work with lender customers to ensure their requirements are met.

- **AMC QC Requirements Under State Law:** State laws vary, but most have a requirement that AMCs must audit the work of appraisers on their panel, although the details of how many appraisals must be reviewed or the extent of the review can vary. Typically, AMCs are required to provide a general review for compliance with USPAP. Some have more restrictive requirements that require a detailed review in compliance with Standards 3 and 4 in USPAP, which is a full review of the appraisal and its value by another credentialed appraiser.
- **AMC Quality Control Programs Differ:** Each AMC has its own QC process that is largely dependent on the unique QC review requirements of its lender clients. Lender contracts with AMCs dictate the level of QC and specific guidelines for what is to be reviewed by the AMC. Often, AMCs will have their own unique branded QC to separate itself from competitors.
- **There are Different Levels of AMC QC Reviews:** AMCs review all appraisal reports for a base level of items as dictated by state and/or lender requirements.
 - Detailed (Big R) Review = <1% of reviews (USPAP Standards 3 and 4 full review of an appraisers work). In most cases, a detailed (Big R) review by an AMC would treat this like an appraisal assignment and use their appraiser panel to identify a geographically competent appraiser in the market in question to perform the review.
 - General (Little R) Review = 99% of reviews (QC for correct names and address, use of proper forms, report completion, compliance with standards such USPAP, Uniform Appraisal Dataset (UAD), the Uniform Collateral Data Portal (UCDP)). These reviews ensure compliance before the appraisal report or valuation is delivered to the lender and are not used to determine a lending decision.
 - Automated reviews utilize logic software with defined business rules to review text used in the appraisal report. The number of business rules used varies AMC to AMC based on lender client or state requirements (e.g., 100+ including USPAP, UAD, UCDP, FHA, USDA, etc. and lender-specific overlays). In addition, for some AMCs this may include a key word search to identify those words shared by Fannie Mae, Freddie Mac and other institutions which can be perceived as bias or discriminatory in nature. Flagged words would be sent back to the appraiser for removal.
 - There are some states that require AMCs to review a percentage (e.g. 2%) of appraisals each month that were performed in the state for quality control purposes. Typically, this requires a general review for compliance with USPAP. However, there are a few states that do require this review to be a more detailed Standards 3 and 4 review.

Overview of the General AMC QC Process



Lenders may request additional information after an appraisal has been submitted for a lending decision. The AMC would facilitate the information request with the appraiser who performed the assignment, within the guidelines of federal appraisal independence requirements.

- **Escalation.** If a red flag is identified through an automated or manual review of an appraisal, the concern is escalated to a more intensive review based on severity, including one or all of the tools outlined below. Any questions or issues identified are addressed with the appraiser who completed the appraisal.
 - Manual desk reviews are performed as required by AMC lender client contracts. It allows or consideration of unique attributes to the property and its potential impact on value.
 - AMCs may seek to evaluate an opinion of value via an automated valuation model (AVM) or other valuation tool) to determine if over or under value.
 - AMCs must manage complaints related to appraisal bias or discrimination. These complaints come from homebuyers through the lender, there is no direct contact between the consumer and AMC.
 - Reconsideration of value at the request of lender or borrower. Any questions or issues identified are addressed with the appraiser who completed the appraisal. It is important to note again that reconsiderations are routed through the lender because they may have conducted other QC or review for that file that the AMC has not been exposed to. A lender may opt not to forward a ROV to an AMC if they believe it doesn't have merit. An AMCs responsibility in the ROV process is to communicate the request to the appraiser, review the response to confirm it addresses the request, determine if there are any outstanding QC issues, and return to the lender for its review.

Alternatives for an Aging Appraiser Workforce / Trainees – REVAA supports a vibrant and diverse appraiser industry. The future of appraisal needs to retain a human component, which is why we support the recruitment of new appraisers to help revitalize the professional for the next generation. The reliance on appraisers and appraisal products creates an important need to help ensure the sustainability of the profession, and the safety and soundness of financial institutions. Consumers, residential mortgage lenders, secondary markets and AMCs rely on a plentiful supply of qualified appraisers to meet anticipated demand.

However, demographic data indicates there is a lack of appraisers to meet the future demand for traditional appraisals. According to the Bureau of Labor Statistics the median age of an appraiser in 2020 was 52. Further, 96.5% of appraisers are Caucasian and 70% are male.

Furthermore, the current experience and educational requirements of becoming an appraiser are overly burdensome, creating a roadblock for the recruitment and training of new appraisers. There is a shortage of young adults, graduates and those in career transition seeking to become appraisers. Supervisory appraisers are hesitant to take on the responsibility or economic burden of training. And, because trainees are not on the National Registry, many lender risk-management policies and procedures restrict, limit or prohibit the use of trainees.

REVAA supports immediately removing barriers in the recruitment and training of new appraisers. Modernization should incorporate innovative technologies and learning techniques to recruit and train future appraisers, just as they are used for other industries. This includes the nationwide adoption of innovative initiatives such as the Practical Applications of Real Estate Appraisal (PAREA) or other alternatives that are created to make it easier to recruit, train and retain a diverse future generation of appraisers at scale.

Valuation Modernization – The real estate valuation industry continues to innovate with modern technologies and products that meet the needs of America's consumers and lenders. Federal regulatory agencies are updating valuation-related policies to address concerns related to appraiser demographics and the rapidly evolving technology landscape (e.g., GSE move to desktop and hybrid appraisals to augment traditional appraisals). There were positive lessons learned during the COVID-19 pandemic when federal regulators enacted appraisal flexibilities to protect public health while not hindering the collection of property valuation information for the surge in lending volume.

REVAA strongly believes there is a need for new valuation solutions and/or increased use of existing alternative valuation solutions rooted in alternative labor forces and the use of innovative technologies to help make the collection of property data efficient, credible, consistent, and accurate.

AMCs play a critical role in developing and supporting innovation that allows non-traditional valuation services to augment traditional appraisals. REVAA members and others are developing innovative technologies that supports the appraiser and valuation profession. New and emerging technology places mobile tools in the hands of both appraisers and non-appraisers to perform onsite data collection, including obtaining photographs, video, floor plans, square footage calculations, 3D scanning, virtual property tours to obtain digital GLA measurements.

As stated by the Bureau of Labor Statistics, the expectation of greater use in mobile technology will improve efficiencies and productivity.¹ REVAA members believe their investments in technology will transform the profession into a true 21st century expertise. For example:

- Mobile applications that allow an appraiser to more accurately measure property and develop a sketch of a residence;
- Scheduling applications that give the borrower better command over scheduling their appraiser/inspector visit which can reduce delays and improve communications between the appraiser and lender; and
- Continued integration of third-party real estate data available at an appraiser's fingertips.

Automated Valuation Model (AVM) Rulemaking - An automated valuation model ("AVM") is defined in FIRREA as "any computerized model used by mortgage originators and secondary market issuers to determine the collateral worth of a mortgage secured by a consumer's principal dwelling."²

AVMs are used in several different contexts, including but not limited, to: (1) assess collateral value before deciding what type of additional valuation is required; (2) valuing a portfolio; and (3) for lending decisions where an appraisal is not required (i.e., for home equity lending purposes). Federal guidelines define how an AVM can be used in lieu of an appraisal as prescribed by the Interagency Appraisal and Evaluation Guidelines.

Importantly, not all AVMs built the same. There are consumer-facing AVMs that provide value estimates for various non-lending purposes, and lending-grade AVMs that have sufficient data and analysis to support lending use.³ Testing of AVMs can also vary.⁴

Federal Banking Regulators were tasked under the Dodd-Frank Act amendments to FIRREA to promulgate regulations to implement AVM quality control standards. The PAVE Task Force has prioritized passage of these quality control rules. REVAA welcomes AVM guidance that gives the rules of the road but still promotes competition, innovation and empowers users to tailor AVM use to their risk management practices consistent with current guidelines.

We are currently reviewing the CFPB's recent outline of proposals for its small business advisory review panel (SBREFA) for AVM rulemaking and intend to provide comment. Proposed AVM quality control standards are anticipated to be available in Summer 2022.

Conclusion

The Dodd-Frank Act enacted statutory and regulatory changes to implement new consumer protections. REVAA believes that the systems and structures that have been put in place across the country have largely helped achieve the goal of protecting safety and soundness. But the work isn't done. Despite the considerable progress that has been made in some areas but there continues to be a need for industry-wide focus on improvement regarding bias and diversity.

Congress, federal regulators and industry stakeholders must continue to have constructive dialogue to discuss the future of the industry including appraisal bias and diversity, the recruitment and training of a diverse future generation of appraisers and the appropriate role of modern technologies and data on residential appraisal and lender valuations.

¹ Bureau of Labor Statistics, "Appraisers and Assessors of Real Estate: Occupational Outlook Handbook," <https://www.bls.gov/ooh/business-and-financial/appraisers-and-assessors-of-real-estate.htm#tab-6>.

² 12 U.S.C. 3354(c).

³ Mortgage Bankers Association, "Real Estate Appraisals [RIN: 1557-AE57; 3064-AE87; 7100-AF30]," [https://www.mba.org/Documents/MBA_Real_Estate_Appraisals_\(0\).pdf](https://www.mba.org/Documents/MBA_Real_Estate_Appraisals_(0).pdf)

⁴ "A Lender's Guide to the Top 3 AVM Testing Methods," ClearCapital.com, Inc, June 06, 2019, <https://www.clearcapital.com/blog-avm-testing-guide/>.

Beyond additional dialogue and collaboration, and the action plan items from the PAVE Task Force report, REVAA believes that there are immediate activities that will foster more robust action related to the appraisal industry

More Data and Information is Essential – While there has recently been data released to show the occurrence and impact of appraisal bias, REVAA believes that more data is required to give a clearer understanding of the problem so cogent, targeted and impactful solutions can be implemented. The mortgage and appraisal industry can't fix this problem without understanding what is happening in the marketplace. Recently released data is interesting and concerning, but there are legitimate challenges to this data that raises questions. We believe this needs more review with a bipartisan commitment for collaboration.

Automated Valuation Model (AVM) Rulemaking - Federal Banking Regulators were tasked under the Dodd-Frank amendments to FIRREA to promulgate important AVM quality control standards. The PAVE Task Force report has reiterated the importance of these quality control standards.

REVAA welcomes AVM quality control standards guidance that gives the rules of the road but still promotes innovation and empowers users to tailor AVM use to their risk management practices consistent with current guidelines. We are reviewing the Consumer Financial Protection Bureau's (CFPB) recent outline of proposals for its small business advisory review panel (SBREFA) for AVM rulemaking.

Congressional Action - Congress can and should address appraisal issues. There are several appraisal related bills that would have a significant positive impact on our industry, as listed below, but appraisal legislation has largely stalled in both the House and Senate:

H.R. 2553 - Real Estate Valuation Fairness and Improvement Act of 2021 - Creates a task force of federal agencies; an advisory group of industry stakeholders; and a grant program at the Appraisal Subcommittee that will help recruit and train diverse new appraisers. H.R. 2553 has passed the House Financial Services Committee and will next be heard by the full House. A senate version of this bill has not yet been introduced.

H.R. 3008 - Bill to Allow Licensed Appraisers to Perform FHA Assignments – Amends the National Housing Act to authorize state-licensed appraisers to conduct appraisals for mortgages insured by the FHA and requires compliance with the existing appraiser education requirement. The bill has passed the House.

H.R. 5756 - The Portal for Appraisal Licensing Act – Intended to create a cloud-based licensing portal for AMCs and appraisers within the Appraisal Subcommittee; if implemented, state adoption would be voluntary.

H.R. 4155 - Green Neighborhoods Act of 2021 – Intended to encourage energy efficiency, conservation, and development of renewable energy sources for housing, and to create sustainable communities. It includes a component on home appraisals and requirements for appraisers to consider green aspects in their report.

Senate Appraisal Bill (Not Introduced Yet) – REVAA is working with the Senate Banking Committee on legislation to add trainees to the National Registry, allow the Appraisal Subcommittee to reduce the AMC National Registry Fee, and permit licensed appraisers to perform FHA assignments.

House Appraisal Bill (Not Introduced Yet) – REVAA is working with the House Financial Services Committee on reintroduction of legislation to add trainees to the appraiser registry, allowing ASC to lower AMC National Registry fee, and add the Veteran's Administration to Appraisal Subcommittee Board. Unlike the Senate version of this legislation, the FHA component has been incorporated separately into H.R. 3008.

House Financial Services Committee Bill (Not Introduced Yet) – This bill is in proposal stage and will seek to enact a new regulatory structure for real estate appraisal and property valuations.

About Dean Kelker, Sr. Vice President -Chief Risk Officer SingleSource Property Solutions

Dean Kelker is senior vice president and chief risk officer at SingleSource Property Solutions with responsibility for managing regulatory, compliance, and financial risks for the past ten years. Additionally, he manages the valuation policy oversight for SingleSource.

Prior to joining SingleSource, Dean has had diverse executive experience over the past 30 years in a wide range of real estate finance areas including real estate appraiser, managing collateral, credit and compliance risks for lenders, credit risks for a mortgage insurer, and mortgage default investigations for a due diligence firm.

Currently Dean serves on the Board of Directors of the Real Estate Valuation Advocacy Association (REVAA) and was the 2019 Treasurer and 2020 President. He has also worked as a volunteer and board member of Habitat for Humanity of Greater Pittsburgh.

About REVAA

REVAA is a trade association whose membership includes Appraisal Management Companies (AMC) and valuation providers that collectively provide residential real estate appraisals nationwide for mortgage lenders.

In addition, many REVAA members also create innovative technologies and provide other important lender valuation services such as Evaluations, Broker Price Opinions (BPO) and Automated Valuation Models (AVM).

Accurate Group
Amrock
Applied Valuation Services
Appraiservendor.com
Axis AMC

Class Valuation
Clear Capital
Core Logic
Equity Solutions
First American

Frisco Lender Services
LRES
MountainSeed
Nations Valuation
Nationwide

Opteon
PCV Murcor
Pro Teck
Service 1st
ServiceLink

SingleSource
SWBC Lender Services
Valuation Connect
Valustrust
Voxtur Valuation
Wells Fargo REVS