



August 19, 2023

Honorable Rohit Chopra  
Director  
Consumer Financial Protection Bureau

Honorable Martin J. Gruenberg  
Chairman, Board of Directors  
Federal Deposit Insurance Corporation

Honorable Michael J. Hsu  
Acting Comptroller  
Office of the Comptroller of the Currency

Honorable Jerome Powell  
Chairman, Board of Governors  
Federal Reserve System

Honorable Todd M. Harper  
Chairman  
National Credit Union Administration

Dear Director Chopra, Chairman Gruenberg, Acting Comptroller Hsu, Chairman Powell, and Chairman Harper:

The National Association of REALTORS® (NAR) thanks you for your commitment to improve the reconsideration of value (ROV) process for homebuyers seeking to finance their home purchase. Credible and fair valuations are key to sustainable financing and REALTORS® commend the Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, National Credit Union Administration, and Office of the Comptroller of the Currency, together the Agencies, for your proposed updates in its draft *Interagency Guidance on Reconsiderations of Value of Residential Real Estate Valuations*.

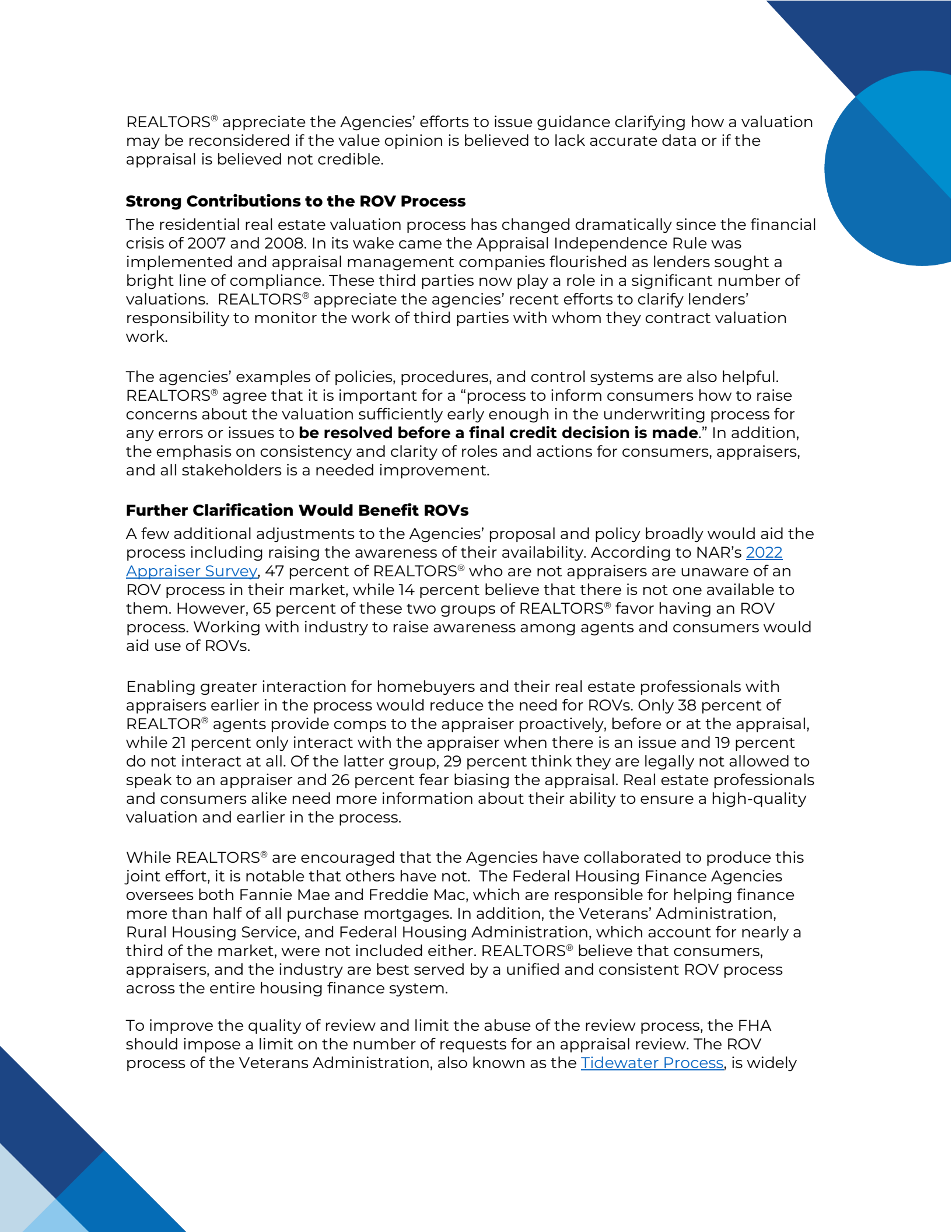
The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,200 local associations or boards, and 54 state and territory associations of REALTORS®. NAR represents a wide variety of housing industry professionals, including approximately 25,000 licensed and certified appraisers, committed to the development and preservation of the nation's housing stock, along with its availability to the widest range of potential homebuyers.

Homeownership is a central part of the American dream, and accurate and credible valuations are critical to attaining mortgage financing. To this end the valuation process must be precise, reliable, and include a process for redressing errors.

### **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 high quality and free from bias or 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 Agencies' efforts to issue guidance clarifying how a valuation may be reconsidered if the value opinion is believed to lack accurate data or if the appraisal is believed not credible.

### **Strong Contributions to the ROV Process**

The residential real estate valuation process has changed dramatically since the financial crisis of 2007 and 2008. In its wake came the Appraisal Independence Rule was implemented and appraisal management companies flourished as lenders sought a bright line of compliance. These third parties now play a role in a significant number of valuations. REALTORS® appreciate the agencies' recent efforts to clarify lenders' responsibility to monitor the work of third parties with whom they contract valuation work.

The agencies' examples of policies, procedures, and control systems are also helpful. REALTORS® agree that it is important for a “process to inform consumers how to raise concerns about the valuation sufficiently early enough in the underwriting process for any errors or issues to **be resolved before a final credit decision is made.**” In addition, the emphasis on consistency and clarity of roles and actions for consumers, appraisers, and all stakeholders is a needed improvement.

### **Further Clarification Would Benefit ROVs**

A few additional adjustments to the Agencies' proposal 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.

While REALTORS® are encouraged that the Agencies have collaborated to produce this joint effort, it is notable that others have not. The Federal Housing Finance Agencies oversees both Fannie Mae and Freddie Mac, which are responsible for helping finance more than half of all purchase mortgages. In addition, the Veterans' Administration, Rural Housing Service, and Federal Housing Administration, which account for nearly a third of the market, were not included either. REALTORS® believe that consumers, appraisers, and the industry are best served by a unified and consistent ROV process across the entire housing finance system.

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

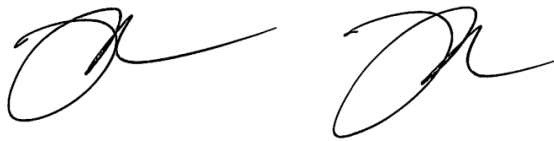
viewed as a successful process and limits the review to no more than three comparable sales. This limit allows the appraiser to focus on a creditable review.

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, suggesting a stronger market-wide vetting and quality control process for appraisers would be helpful.

### **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](mailto:KFears@NAR.REALTOR). Thank you once again and we look forward to our next meeting.

Sincerely,

A handwritten signature in black ink, appearing to be 'TK' or similar initials, written in a cursive style.

Tracey Kasper  
2023-2024 President, National Association of REALTORS®