

April 6, 2020

The Honorable Mark A. Calabria
Director
Federal Housing Finance Agency
400 7th Street SW, Eighth Floor
Washington, DC 20219

Re: Refinance Appraisals During COVID-19 Pandemic

Dear Director Calabria,

The undersigned professional appraisal organizations write today to thank you for FHFA's recent directive to Fannie Mae and Freddie Mac providing appraisers the temporary flexibility to provide exterior-only or desktop appraisals during the COVID-19 pandemic for purchase mortgages, and certain refinance transactions. The swift decision to provide flexibility to appraisers will be helpful to homebuyers, homeowners, and appraisers during these uncertain times.

However, our organizations ask that you expand the temporary flexibility to a broader range of refinance transactions. As you know, the existing flexibility for refinance transactions is restricted to loans currently owed by Fannie Mae and Freddie Mac. The balance of refinance transactions still requires a full interior inspection as part of an appraisal, putting the appraiser and everyone in the home at risk of either contracting or transmitting coronavirus. Further, loan sellers have also expressed concern about rep and warranty provisions that lean against the use of exterior-only appraisal assignments, favoring two extreme options – the interior-inspection appraisal or desktop appraisal. Our members report a natural gravitation to the interior-inspection assignment request as lenders seek cover from repurchase risk.

With more of the country ordered to shelter in place, we are hearing from our membership they are increasingly not being allowed to enter the house by the homeowner or are declining to enter the house out of an abundance of caution. While most states have treated appraisers as essential workers under stay-at-home orders, some have issued guidance that is unclear and may not allow in-person business operations, including inspections. This may deprive homeowners from entire states of opportunities to refinance their mortgage into a lower rate and reduce monthly housing costs, consolidate debt, or tap into equity that might tide them over during this crisis.

We recognize there is a concern about loan sellers transferring balance sheet risk to the GSEs at a time FHFA is seeking to release the GSEs from conservatorship. However, we do not believe it is appropriate to utilize interior inspection appraisals as a policy tool to help blunt this concern. There are reasonable enhancements that can be made to the exterior-only inspection appraisal to give additional comfort to the GSEs in purchasing new balance sheet refinance loans. With virtual inspection technological tools now widely available, appraisers and homeowners can work together to provide an interior view of the property without putting anyone at risk, leaving fewer unable to refinance their homes. Other enhanced protocols could be developed by the GSEs to further help illuminate the interior quality and condition. For example, the Veterans Administration requires enhanced assignment conditions for exterior inspection appraisals in their COVID-19 protocol. We recognize the VA has a different risk profile than the GSEs, but this illustrates a range of options exists.

Thank you in advance for your consideration of this request. Representatives from our organizations will reach out to your staff to arrange further discussions of our concerns. If you have any immediate questions, please contact please contact Bill Garber, AI, 202-298-5586, bgarber@appraisalinstitute.org, John Russell, ASA, 703-733-2103, jrussell@appraisers.org, Stephen Frerichs, AFMRA, 703- 212-9416, sfrerichs8@comcast.net, or Steve Sousa, 617-830-4530, steve@mbrea.org.

Regards,

Appraisal Institute
American Society of Appraisers
American Society of Farm Managers and Rural Appraisers
Massachusetts Board of Real Estate Appraisers (MBREA)