



June 18, 2019

Honorable William Lacy Clay, Chairman
Subcommittee on Housing, Community Development and Insurance
U.S. House Committee on Financial Services
2129 Rayburn House Office Building
Washington DC 20515

Dear Chairman Clay and Members of the U.S. House Financial Services Committee, Subcommittee on Housing, Community Development and Insurance:

The National Society of Real Estate Appraisers (NSREA), an affiliate of the National Association of Real Estate Brokers (NAREB), was established in 1956 and is the oldest historically black real estate appraisal trade organization in America. While the majority of its members are Black Americans, membership is open to all interested parties. NSREA is one of the founding members of The Appraisal Foundation (TAF). NSREA has members who have served and currently serve on the Trustee Board of TAF and is actively represented on The Appraisal Foundation Advisory Council. NSREA offers annual training for the practicing appraiser as well as mentorship for those desirous of a career in real estate valuation.

Please include this letter for consideration on the subcommittee meeting "What's your home worth? A review of the Appraisal Industry" which was set for June 20, 2019 at 2:00 pm EDT in Washington DC. It is our desire to give meaningful insight from appraisers who serve the underserved minority communities throughout the country as independent, objective, unbiased, knowledgeable valuation professionals.

We find a large number of those who use appraisal services are insensitive to the Black Appraisers' plight. When HUD disbanded their Fee Panel of Appraisers, in an effort to streamline the loan process, there was a disparate impact on the Black Appraiser and many were effectively put out of business. Now the VA has agreed, per House-Bill/299 of the 115 Congress, to allow Hybrid appraisals in an effort to save the veteran a few dollars. Neither the unsuspecting minority communities nor the veteran will benefit from removing the local market valuation professional, who will never enter the home for inspection or the subject neighborhood. If VA goes the way of HUD by disbanding its Fee Panel of Appraisals, that will be the nail in the coffin for the Black Appraiser. These hybrid or bifurcated appraisals put the home buying consumer at risk and put their financial wellbeing in jeopardy! The Historically minority community is disproportionately affected by such policies and we see the lingering disastrous effects from the last housing crash. It is our desire to shield not only the minority community but all communities from a repeat of the last housing crash which decimated their net worth and opportunities to rebuild it through home ownership.

HUD and VA were never set up to compete with Corporate America for conventional financing. In fact, they were set up to serve the Underserved and Disadvantaged. I assure you the borrower will not be the beneficiary of any of this fast shuffle of the deck under the guise of saving money.

To the users of appraisal services, what NSREA members want is access to business opportunities and an opportunity to demonstrate their expertise. Since the housing crash and the subsequent implementation of Dodd/Frank and its appraisal independence requirements, appraisal management companies (AMCs) have mushroomed and the role of formal valuations in the home buying process is under attack by those seeking to profit from the ordering process. The push for



“hybrid” or “bifurcated” appraisals actually makes the home buying process more hazardous for the consumer, does nothing to improve the quality of appraisals and distances the credentialed appraiser from critical aspects of appraisal development. Many lenders will not even accept reports by licensed appraiser trainees, asserting such trainees have not the necessary competency despite the regulated individual having to complete a minimum of 75 hours of specialized education and oversight by a certified supervisor. GSEs, however, will utilize “hybrid” appraisals where inspections are performed by unsupervised, unregulated individuals. The GSEs admonish and even ban appraisers if the data in the appraiser’s report doesn’t match the predominant data in their database of prior appraisals on the same properties. However, the GSEs have refused to make that same data available to appraisers for consideration in preparing their appraisal reports.

What is the rationale behind this drive to reverse course and replace the well-informed opinions of a highly trained, regulated professional with exhaustive local market knowledge, only to put the unsuspecting consumer in the hands of untrained and unregulated individuals and AMCs to manage their work-flow? The integrity of the housing industry and maintenance of public trust is being put at great risk.

We welcome the opportunity to provide input to the subcommittee on this subject and other pertinent matters affecting the appraisal industry and the need for diversity within the appraisal profession.

Respectfully submitted,

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