



November 8, 2024

The Honorable Sandra L. Thompson
Director
Federal Housing Finance Agency
Constitution Center
400 7th Street, SW,
Washington, DC 20219

Dear Director Thompson:

The undersigned professional appraisal organizations are writing to express our deep disappointment and significant concerns regarding the Federal Housing Finance Agency’s (“FHFA”) recent decision, announced on October 28th, to expand eligibility for appraisal waivers on purchase loans by increasing the maximum loan-to-value (LTV) ratio to 97%. This policy change disregards key consumer protections, threatens progress in diversifying the appraisal profession, and exposes the enterprises you oversee to substantial financial risk.

Allowing appraisal waivers—particularly without property inspections—for loans with up to 97% LTV means that borrowers could finance nearly the entire cost of a home without truly knowing the property’s value, exposing consumers to an alarming risk of financial loss, especially in a market downturn. For instance, a modest five-percent drop in home values would leave these homeowners underwater, with mortgage balances exceeding their property’s worth¹. The risk intensifies if the initial “value” estimate underlying the waiver was overinflated, further compromising the borrower’s financial stability.

The new policy starkly undermines efforts to attract a fresh, diverse generation to the appraisal profession. By raising the maximum LTV to 97% for appraisal waivers, the FHFA effectively diminishes the earning potential for residential appraisers, making it harder for current and prospective professionals to see a viable, rewarding future in this field. This shift toward expanded appraisal waivers sends a disheartening message that appraisal work is undervalued and offers limited financial security. As a result, this policy risks deterring new talent from entering the profession precisely when the industry needs to build a more resilient, diverse workforce for the future. The absence of any accounting for this foreseeable outcome by FHFA and the GSEs is deeply troubling.

Granting appraisal waivers for high LTV loans, especially those with 97% LTV, introduces serious and unnecessary risk into the mortgage market. High LTV ratios are well-known predictors of foreclosure, and continued reliance on waivers in these cases could result in disastrous consequences for both borrowers and the stability of our financial system. While we acknowledge that some transactions may not require traditional appraisals, effective risk management demands proactive oversight from the FHFA. We are gravely concerned that the current waiver policy could lead to a “race to the bottom” in risk standards. Now more than ever, we urge greater transparency and a clear commitment to risk-based decision-making in this critical area.

It is troubling that such a critical policy change has been made without a public comment period, depriving stakeholders of the opportunity to voice their concerns. Engaging the public and relevant industry participants is essential for informed policymaking, particularly when the decisions made can have far-reaching implications for the stability of the mortgage

¹ By comparison, the average homeowner lost 11.6% of home value in the aftermath of the housing bubble burst in 2008-09. See [Americans Lose \\$1.4 Trillion in Home Values in Q4; More Than was Lost in All of 2007 - Feb 03, 2009 \(mediaroom.com\)](#). This illustrates the peril of allowing consumers to take on high-LTV mortgages without affording them transparency into the value of their home.

market. The FHFA's decision-making process must reflect the principles of accountability and transparency, especially during its conservatorship. The absence of public discourse on such a consequential policy shift not only undermines stakeholder trust but also raises concerns about the agency's commitment to maintaining stability in the housing finance system.

Purchasing a home is one of the most consequential financial decisions a consumer can make, and FHFA's endorsement of appraisal waivers undermines this process by bypassing a credible, objective valuation. In doing so, the FHFA is failing to uphold its responsibility to safeguard both consumers and the broader housing market. This policy represents an unacceptable shift away from standards that protect homebuyers, promote equity in valuation, and ensure sound financial oversight.

We urge the FHFA to reconsider this policy to preserve the integrity and stability of the housing finance system. If you have any questions, or would like to discuss our views further, please contact:

- Scott Dibiasio, Director, Government Affairs for the Appraisal Institute, at 202-298-5597 or by email at sdibiasio@appraisalinstitute.org;
- Adrian Gonzalez, International President of the American Society of Appraisers, at agonzalezandassociates@gmail.com;
- Stephen Frerichs, Government Relations Consultant for the American Society of Farm Managers and Rural Appraisers (ASFMRA), at 703-212-9416 or by email at sfrerichs8@comcast.net; or,
- Stephen Sousa, Executive Vice President of MBREA, at 617-830-4530 or by email at steve@mbrea.org;
- Malinda Griffin, President of the National Association of Appraisers, at naapresident@naappraisers.org
- Lawrence Netteville, Executive Vice President of the National Society of Real Estate Appraisers, at lnetteville11@gmail.com

Sincerely,

Appraisal Institute
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