MORTGAGE BANKERS ASSOCIATION

August 14, 2023

The Honorable Marcia Fudge
Secretary
U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410-0002

RE: Request for Input: Enhance Accessibility and Usability of Programs, Paving the Way for Improved Housing Solutions

Dear Secretary Fudge:

The Mortgage Bankers Association (MBA)[1] and our members appreciate the opportunity to offer comments to the Department of Housing and Urban Development (HUD) Request for Information (RFI) to enhance the accessibility and usability of HUD programs. MBA strongly supports HUD's recent efforts to streamline and improve its programs and boost housing supply. At a time when homeownership is growing increasingly out of reach for individuals and families, it is crucial to expand housing options to those that need it.

Q2: Are there data currently collected by HUD or HUD program administrators that could be shared with other agencies or program administrators to reduce the information collection burden of those programs?

HUD should consider sharing its appraisal report dataset with other housing agencies and the Government Sponsored Enterprises (GSEs) to aid with the potential release of loan-level datasets. The GSEs have expressed concerns that loan-level data could potentially be re-identified and threaten borrower privacy, particularly in geographies less likely to contain GSE-backed loans. Aggregating datasets across agencies and investors could potentially

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 330,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 1,700 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

assist in preventing re-identification activity, as more of the total sum of regional loan activity would be accounted for. Release of loan-level appraisal report data (aggregated with GSEs or otherwise) for research and development would greatly reduce information collection burden for HUD programs, as valuation models would be universally improved.

Q4: How can HUD use artificial intelligence, machine learning, or other advanced data science tools to automate, augment, or otherwise streamline its various information collections and the processes they support?

MBA recommends that HUD streamline the collection of property valuation data for Home Equity Conversion Mortgage (HECM) products by implementing a waterfall approach of exclusionary characteristics and allowing for modernized appraisal techniques in the fulfillment of the second appraisal quality control requirement. These approaches would lessen the burden of the quality control requirement, reduce costs for consumers and streamline loan processing time with minimal impact to the risk exposure of the Mutual Mortgage Insurance Fund (MMIF).

Second appraisals in the HECM process ensure that the Fund and borrowers are protected from misvalued collateral. However, according to MBA members, the reverse mortgage industry has rarely seen the incidence of second appraisals deviating from the first appraisal by more than 10 percent. Given this low rate of discrepancy, exceptions to the second appraisal requirements may be made with little adverse risk to the MMIF or borrowers. Targeted exemptions to the second appraisal requirement would also reduce cost to the consumer, who typically pays for the second appraisal. The cost associated with the second appraisal can also stifle the marketability of the HECM product as the product is perceived as expensive.

In the event a loan is flagged for a second appraisal, MBA proposes the following waterfall approach of risk-based waivers and alternatives to the second appraisal:

1. **Waive the requirement for a second appraisal when the appraised value is more than a certain percentage greater than the maximum claim amount.**

   Commentary: If the first appraisal report indicates the property value exceeds the maximum claim amount by over a certain percentage, there is little additional risk mitigation provided through obtaining a second appraisal. MBA proposes a 10% cushion. That way, even given a 10% deviation in the accuracy of the first appraisal, HUD would still be able to recoup the maximum claim amount.

2. **Waive the requirement for a second appraisal when a Fannie Mae Collateral Underwriter (CU) risk score is below 2.5 if required.**

   Commentary: Fannie Mae provides relief of representation and warranties for appraisal reports that obtain a CU score of 2.5 and below. Such a score indicates the appraisal has strong predictive reliability. Lenders should be able to provide CU scores to demonstrate the reliability and quality of the first appraisal. Providing documentation of a CU score of 2.5 or below should provide the basis for an exemption of a second appraisal requirement.

3. **If requirements 1 and 2 are not met, allow lenders to use alternative approaches, including AVMs, desktop appraisals, or a hybrid appraisal rather than mandating the full second appraisal.**

   Commentary: Flexibilities afforded during the COVID-19 pandemic highlighted the value and efficacy of modernized appraisal execution methods. For second appraisals required only for quality control purposes, it would be especially appropriate to allow streamlined approaches to lessen the burden of the property data collection. HUD could consider allowing for AVMs, desktop, or other hybrid appraisal models to confirm the accuracy of the first appraisal.

MBA believes that this approach will ensure an unbiased and accurate value while saving the borrower time and money. These policies would additionally help advance HUD's mission, as reducing barriers to the HECM program, including both cost and time, aids in ensuring that homeowners have access to credit that better enables them to age in place, creating robust multi-generational communities. Finally, allowing for the use of today's valuation technologies, both in modelling and data collection, has the potential to contribute to lower costs and shorter turnaround times in the development of property valuations all while ensuring the health of the MMI Fund.

Sincerely,

Pete Mills
Senior Vice President
Residential Policy and Strategic Industry Engagement
Mortgage Bankers Association