# Loan Guaranty Conference 2023

## Property Appraisal and Valuation Equity (PAVE)

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VA | U.S. Department of Veterans Affairs

# Overview

- Objective

- Property Appraisal and Valuation Equity (PAVE) Initiative Basics

- VA involvement

- PAVE Initiative Outcomes

- Q&A Discussion/Closing

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# PAVE Initiative Basics

PAVE is a first-of-its-kind interagency task force dedicated to ending the potential bias in home valuation.

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# PAVE Initiative Basics, Continued


PAVE INTERAGENCY TASK FORCE ON PROPERTY APPRAISAL AND VALUATION EQUITY

► The PAVE Task Force was directed to evaluate the causes, extent, and consequences of appraisal bias and to establish a transformative set of recommendations to root out racial and ethnic bias in home valuations.

https://pave.hud.gov/about

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# PAVE Task Force Commitments

The Task Force has outlined the following commitments:

- ▶ Strengthening guardrails against unlawful discrimination in all stages of residential valuation.
- ▶ Enhancing fair housing / fair lending enforcement and driving accountability in the industry.
- ▶ Building a well-trained, accessible, and diverse appraiser workforce.
- ▶ Empowering consumers to take action.
- ▶ Giving researchers and enforcement agencies better data to study and monitor valuation bias.

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# Strengthening guardrails against unlawful discrimination in all stages of residential valuation

► Clarify the application of the Fair Housing Act and ECOA to the appraisal industry to ensure appraisers have clear guidance on antidiscrimination obligations under current federal laws.

► Update agencies' and Enterprises' appraisal-specific policies and guidance to reflect how nondiscrimination requirements apply to appraisers within these agencies' and Enterprises' programs.

► Issue guidance and implement new policies to improve the processes by which a valuation may be reconsidered if the initial valuation is lower than expected.

► Strengthen the standard appraisal dataset and data collection forms to reduce opportunities for appraisers to apply subjective criteria.

► Address potential bias in the use of technology-based valuation tools through rulemaking related to Automated Valuation Models (AVMs).

► Develop a legislative proposal that modernizes the governance structure of the appraisal industry to improve transparency and public participation in the establishment of appraisal standards and appraiser qualification criteria, and to advance diversity in the profession.

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# Enhancing fair housing / fair lending enforcement and driving accountability in the industry.

▶ Strengthen coordination among supervisory and enforcement agencies to identify discrimination in appraisals and other valuation processes.

▶ Revise existing agreements between agencies involved in the enforcement of and compliance with fair lending and fair housing laws, as necessary, to increase collaboration among the agencies regarding appraisal discrimination.

▶ Expand regulatory agency examination procedures of mortgage lenders to include identification of patterns of appraisal bias.

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# Building a well-trained, accessible, and diverse appraiser workforce.

► Update appraiser qualification criteria related to appraiser education, experience, and examination requirements to lower barriers to entry in the appraiser profession.

► Increase engagement with states' appraisal regulatory agencies to help remove barriers to entry and advance diversity in the appraiser workforce.

► Require appraisal anti-bias, fair housing, and fair lending training for all appraisers who conduct appraisals for federal programs and work with the appraisal industry to require such trainings for all appraisers.

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# Empowering consumers to take action.

▶ Update and clarify government resources for consumers who believe they may have experienced appraisal bias.

▶ Incorporate appraisal bias information into first-time homebuyer education courses.

▶ Train housing counselors to empower them to assist potential victims of appraisal bias as part of pre- and post-purchase homeownership counseling.

▶ Provide funding opportunities for testing, education, and outreach pertaining to appraisal bias and discrimination.

▶ Execute a coordinated public awareness campaign to inform consumers of their rights, as well as to disseminate the new resources that will be available to them.

▶ Inform FHA borrowers about the process to request a reconsideration of a valuation when the initial valuation is lower than expected.

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# Giving researchers and enforcement agencies better data to study and monitor valuation bias

► Develop data-sharing arrangements among all relevant government agencies and pursue joint strategies to make appraisal-related data more widely available, foster federal research, and better enable enforcement related to appraisal bias.

► Launch a standing interagency effort to identify and fill gaps in the current state of research and help inform future policy and enforcement priorities.

► Define metrics that can help to identify and measure patterns of mis-valuation in the property valuation process.

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# VA's PAVE Commitments

▶ We fully support the concept of educating and supporting the rights of the borrower (our Veterans) in the valuation process.

▶ We support the process of finding and holding accountable any persons that may be unjustifiably impacting the values of any person.

▶ Modernize education requirements.

▶ To increase the appraiser population and make it more reflective of the communities they serve

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# Federal Appraisal Database



PROPOSED FEDERAL SHARED DATABASE: INFLOW
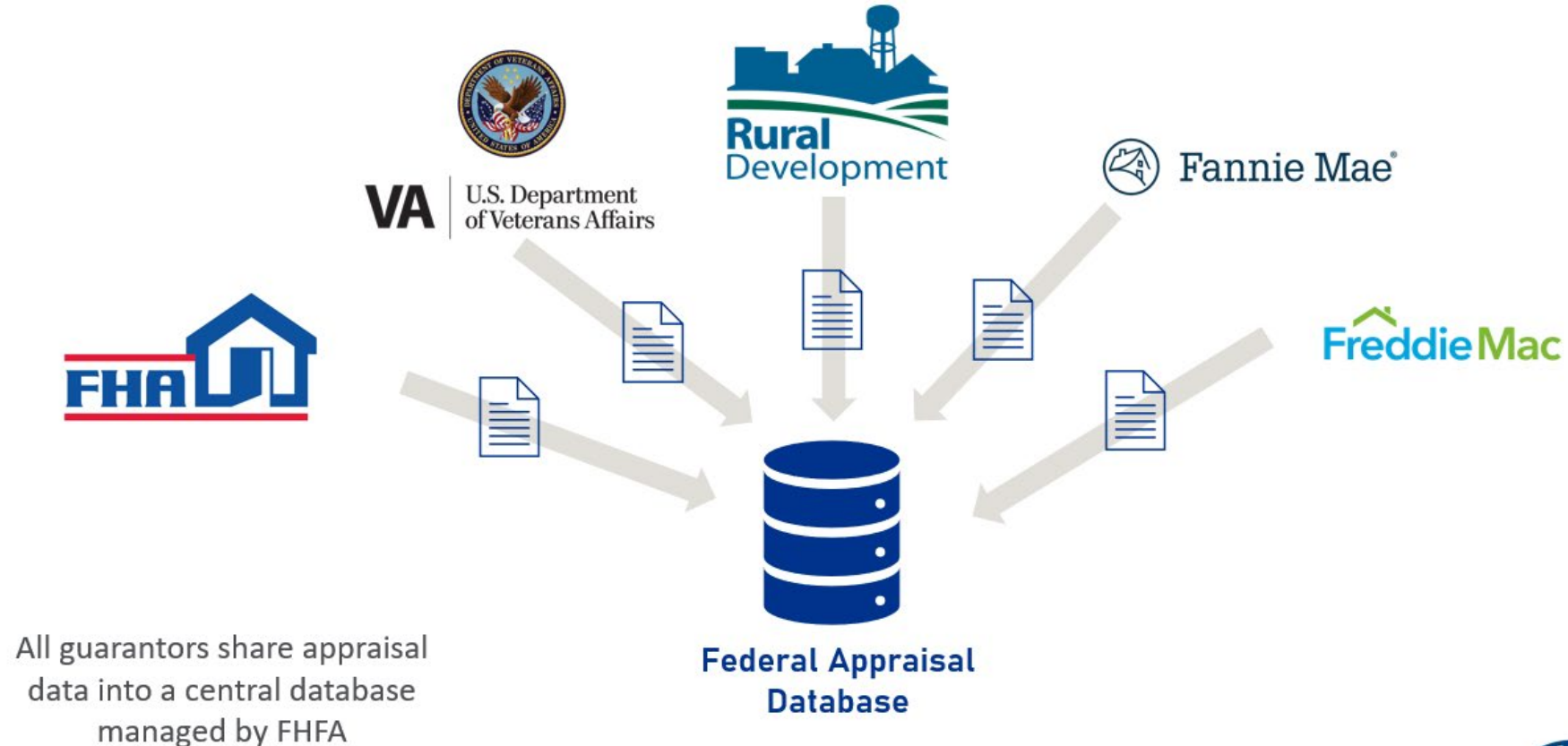
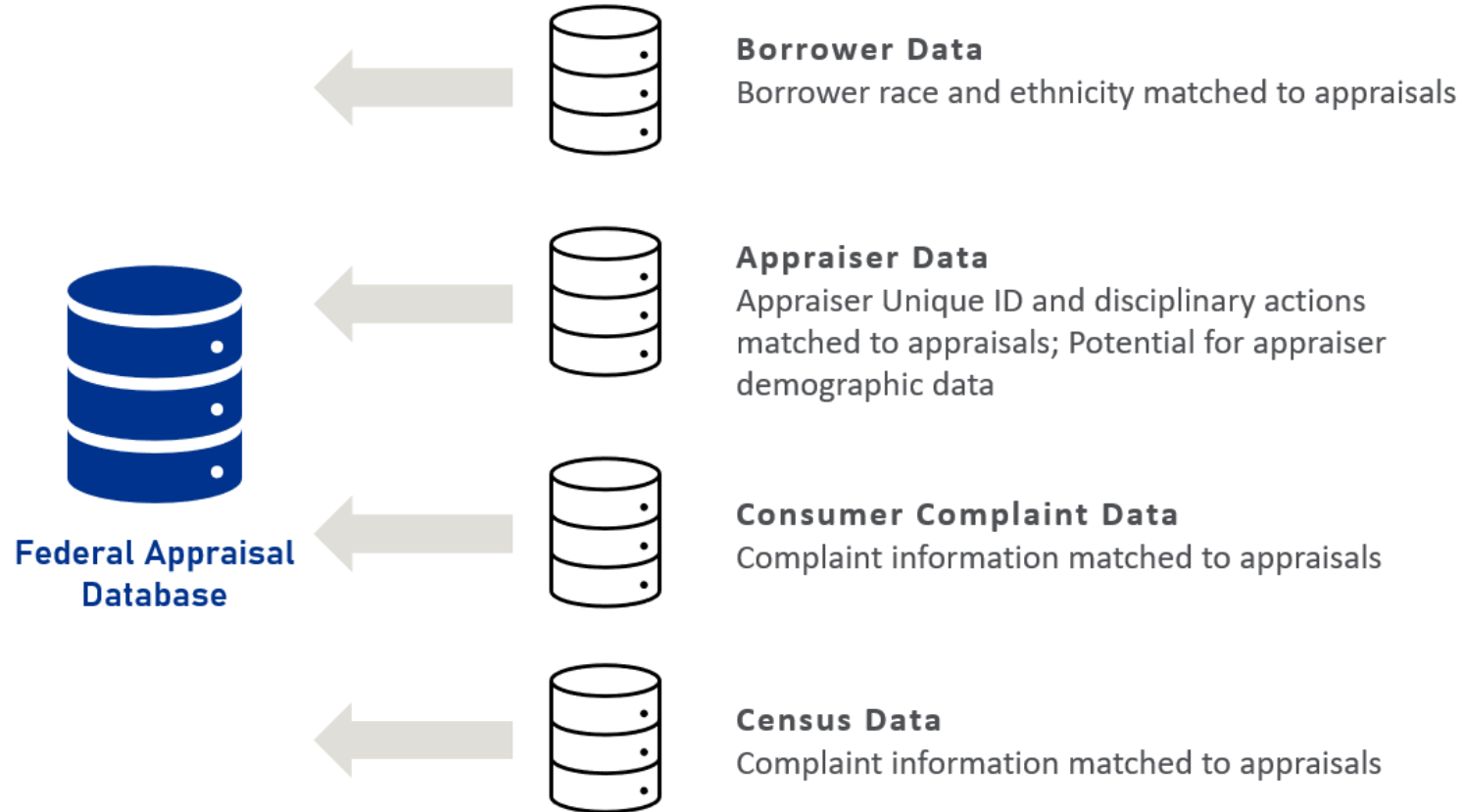All guarantors share appraisal data into a central database managed by FHFA

Federal Appraisal Database

www.fhfa.gov/DataTools/Pages/UAD-Dashboards.aspx

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# Federal Appraisal Database, Continued

## POTENTIAL SUPPLEMENTAL DATA

**Federal Appraisal Database**

**Borrower Data**
Borrower race and ethnicity matched to appraisals

**Appraiser Data**
Appraiser Unique ID and disciplinary actions matched to appraisals; Potential for appraiser demographic data

**Consumer Complaint Data**
Complaint information matched to appraisals

**Census Data**
Complaint information matched to appraisals

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# Reconsideration of Value (ROV)/Tidewater

► VA has been recognized by other agencies with our ROV and Tidewater process

► Office of Comp Controller of the Currency (OCC) and the Government Sponsored Enterprises (GSEs) are looking at how to incorporate them into the conventional space

► VA has set the bar in both of these topics

► VA is also exploring how we can improve both ROV and Tidewater and decrease timeliness.

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# Questions

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