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September 19, 2023

Hon. Michael S. Barr
Vice Chair for Supervision
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue NW
Washington, DC 20551

Hon. Martin J. Gruenberg
Chairman
Federal Deposit Insurance
Corporation
550 17th Street, SW
Washington, DC 20429-9990

Hon. Michael J. Hsu
Acting Comptroller of the Currency
Office of the Comptroller of the Currency
Constitution Center
400 Seventh Street, SW
Washington, DC 20219

Hon. Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

RE: Interagency Guidance on Reconsiderations of Value of Residential Real Estate Valuations

Dear Vice Chair Barr, Acting Comptroller Hsu, Chairman Gruenberg, and Director Chopra,

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to provide feedback to the Office of the Comptroller of the Currency (OCC); Board of Governors of

¹ The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services. With nearly 50,000 locations nationwide, community banks employ nearly 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding \$5.8 trillion in assets, \$4.8 trillion in deposits, and \$3.8 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local

the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); and Consumer Financial Protection Bureau (CFPB), the Agencies, regarding their proposed guidance that would underscore the risks associated with deficient residential real estate valuations and outline how financial institutions may integrate reconsiderations of value (ROV) processes and controls into established risk management functions.

ICBA welcomes all guidance that clearly outlines and defines existing safety and soundness standards regarding the ROV process and provides general best practices to financial institutions. ICBA also appreciates that the Agencies recognize that ongoing stakeholder outreach is necessary to address industry concerns while preserving the integrity of the real estate lending and appraisal process.

While this is a good first step, ICBA continues to have concerns that the current discourse or guidance will result in excessive or unwarranted use of ROVs. The Agencies should clarify that ROVs alone may not be the most effective way to address alleged bias and discrimination, and their unnecessary use will likely result in unintended negative consequences. Furthermore, it is critical that the Agencies reaffirm that this guidance will not eventually evolve into an additional set of regulatory requirements beyond applicable laws and regulations, safety and soundness standards, and standards that preserve appraisal independence.

ICBA Feedback

Earlier this year, ICBA had the opportunity to comment on the Department of Housing and Urban Development's (HUD) draft mortgagee letter that was designed to improve the process of requesting ROVs.² In our response we emphasized that appraisal bias and discrimination is unacceptable. We also argued that it is critical that there is a clear and efficient process for mortgagees to submit an ROV and ample resources that clearly define terms and provide examples of material deficiencies that may make an ROV request appropriate for a borrower.

ICBA asks the Agencies to work with all stakeholders as it continues to develop these guidelines. It is important to understand how ROVs function operationally within a financial institution and how the resulting costs and time expenditure to process an ROV – particularly the costs and inefficiencies of requesting an appraisal review or a second appraisal – may result in delayed closings. The costs of submitting ROVs with no apparent discrepancies become problematic if

deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

² <https://www.icba.org/newsroom/news-and-articles/2023/02/06/icba-requests-clarity-on-hud-appraisal-guidance>

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either the borrower or lender mistakenly understands it to be their best or only course of action to resolve a dispute.

In addition to increased costs and potential closing delays, there may be instances in which properties are overvalued. If lenders are unsure of their potential legal liabilities regarding valuations and it is unclear when an ROV is appropriate, mortgagees may submit an ROV to the appraiser even when there is no obvious discrepancy or even when it is not explicitly requested by the borrower. This is why appraiser independence is key – an influx of ROV requests from borrowers promotes an environment where there may be undue pressure on appraisers to overvalue properties. When the goal is to achieve accurate and unbiased appraisals, it is important to consider how additional or unclear regulatory requirements might result in a slippery slope leading to inflated property values.

ICBA therefore urges the Agencies to continue outreach to all stakeholders and provide guidance to lenders on how to navigate questions of bias, their legal obligations following a valuation dispute, and a list of other options that help determine if there are meaningful deficiencies in an appraisal. It would also be helpful to work with the Federal Housing Finance Agency (FHFA) and Fannie Mae and Freddie Mac to reach consumers and raise awareness of their options and explain how the ROV process is initiated and under what circumstances it is an appropriate course of action. Additionally, the Agencies should work with lenders and allow them the discretion to determine the appropriateness of a borrower's request. A standardized process that prioritizes consumer/lender education while providing clear guidelines that reflect existing rules and regulations would be very beneficial.

ICBA appreciates the opportunity to comment on this proposed guidance and looks forward to working with the Agencies on this issue in the coming months. Please contact the undersigned if you have any questions regarding this letter.

Sincerely,

Tim Roy
AVP – Housing Finance Policy