

Oversight of Appraisal Reports to Promote Fair Housing for All Veterans Obtaining Loans Backed by the Department of Veterans Affairs

1. Purpose. This Circular announces enhanced oversight procedures that will better enable the Department of Veterans Affairs (VA) to identify discriminatory bias in home loan appraisals and act against participants who illegally discriminate based on race, color, national origin, religion, sex (including gender identity and sexual orientation), age, familial status, or disability.

2. Background. VA has a longstanding escalation and appeal process to handle discrimination complaints from Veterans and other participants in VA's home loan program.¹ On June 1, 2021, the President announced the creation of the Interagency Task Force on Property Appraisal and Valuation Equity (the PAVE Task Force), a first-of-its-kind interagency collaboration to end bias in home valuation.² The PAVE Task Force's full action plan, which outlines concrete steps the government is taking to prevent discriminatory bias and ensure equity in the property valuation process, can be read at <https://pave.hud.gov/actionplan>. Consistent with the PAVE Task Force action plan, VA continues to strengthen its efforts in eliminating discriminatory practices in the appraisal process. The additional efficiency described in this circular will improve oversight efforts to protect against discriminatory bias at any stage, including the appraisal process, of the delivery of VA home loan benefits.

3. Action.

a. As of December 19, 2022, VA enhanced its oversight procedures to detect potential discriminatory bias in appraisal reports. Under the enhanced procedures, VA reviews reports submitted to VA in the home loan guaranty program. If the initial review indicates to VA a potential discriminatory bias, VA flags the file for an escalated review. If VA's escalated review confirms a discriminatory bias, the appraiser will be subject to removal as a VA-approved appraiser; and VA will refer the case to the proper enforcement agencies for further investigation.

b. VA reminds all VA Fee Panel appraisers of their certifications on the Fannie Mae Form 1004 URAR³:

I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

¹ See, for example, VA Pamphlet M26-1, Ch.5, Sec. 14

² <https://pave.hud.gov/about>

³ See Appraiser Certification 17 on page 5 of 6 at <https://singlefamily.fanniemae.com/media/12371/display>.

c. VA highly recommends that all VA Fee Panel appraisers and lender-approved staff appraisal reviewers (SARs) take training on appraisal bias, fair housing, and fair lending. This will help ensure that the appraisers participating in VA's home loan guaranty program remain the industry standard for professionalism and quality. Also, VA Fee Panel appraisers, lender-approved SARs, and lenders should be aware that, where there is evidence of potential discriminatory bias, VA and other enforcement agencies may consider a participant's unwillingness to take the training as a relevant factor in any inquiry.

d. If a lender-approved SAR identifies potential discriminatory bias, they should immediately contact VA at 1-877-827-3702.

4. Paperwork Reduction Act: The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. § 3501-3520) and assigned OMB control number 2900-0890. In accordance with the Paperwork Reduction Act, VA may not conduct or sponsor and a person is not required to respond to a collection of information unless the collection displays a currently valid OMB control number.

5. Rescission: This Circular is valid until rescinded.

By Direction of the Under Secretary for Benefits

John E. Bell, III
Executive Director
Loan Guaranty Service

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