The purpose of this circular is to update and replace the 2012-21-E Fair Lending Valuation Reporting Practices circular, published on July 30, 2012. This update provides new information on photo requirements as they pertain to Fair Lending for appraisal and BPO products.

**NEW INFORMATION**

**Onsite Fair Lending Considerations**

- Photos with People – Photos with people in them must not be included in an appraisal or BPO report.
  - Interior – People should politely be asked to step aside while the photo is taken. If it is not possible to avoid including people in a photo, that image should be blurred using available digital software with a brief explanation of the reason for the alteration.

  **Note:** A photo that includes a picture or portrait of people is not a Fair Lending violation, and does not require blurring of the image within the photo.

  - Comparable Photos – Comparable photos are not to include people. This includes original color photos taken by the appraiser, or alternative/supplemental source photos.

  **Exception:** Photos including people in public areas such as Street Scene photos in a busy metropolitan area or on a residential street with a public work crew, should be avoided whenever possible, but is not considered a Fair Lending violation and would be accepted with a brief explanation.

- Religious Symbols – Capturing religious symbols within photos is not a Fair Lending violation, and does not require blurring of the image within the photo.

- Seasonal Decorations – For both interior and exterior photos; such decorations are not a Fair Lending violation, and does not require blurring of the image within the photo.
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**Additional Onsite Fair Lending Considerations with no revisions**

LandSafe-approved appraisers/reviewers, internal analysts, and BPO providers must not ignore or avoid disclosing any adverse or unfavorable physical characteristics that would affect marketability or value/price opinion solely on the basis that doing so may present a potential Fair Lending issue. The report preparer is required to recognize and disclose all property characteristics that impact value and explain how they were considered in the valuation process. If it is determined that the feature has no impact on marketability or value/price opinion, or that most neighborhood or comparable properties chosen have similar characteristics, the report preparer should consider whether inclusion/disclosure is necessary to render a credible report.

To summarize, the Uniform Standards of Professional Appraisal Practice (USPAP) requires LandSafe-approved appraisers/reviewers to perform assignments with impartiality and objectivity. The appraiser is to certify that their analyses, opinions and conclusions are their own and that they are impartial and unbiased. Additionally, the appraiser/reviewer may not illegally discriminate or contribute to illegal discrimination through subjective or stereotypical assumptions.

Refer to USPAP Advisory Opinion 16 (AO 16) – Fair Housing Laws and Appraisal Report Content for further guidance on Fair Lending in the appraisal report/process.

Additionally, the LandSafe appraisers/reviewers are responsible for completing assignments that satisfy the Fair Lending requirements of Government Sponsored Enterprises (Fannie Mae and Freddie Mac). Specifically the Fannie Mae Selling Guide (Section B4.1.2-02, Objective and Unbiased Appraisals) addresses objectivity by requiring that Appraisers/Reviewers:

- Remain objective and unbiased, and that unsupported assumptions or interjections of personal opinions or perceptions about factors not be used
- Not base the analysis and/or opinion of market value on either the prospective owners or occupants of the subject property or the present owners or occupants of the properties in the vicinity of that property based on one of the prohibited classifications such as race, color, national origin, etc.
- Not ignore factors, either positive or negative, that affect marketability and/or value as it is unacceptable and may result in a misleading report. Rather, the appraiser/reviewer must disclose such factors objectively and by using unbiased terminology. Refer to the section below labeled Unacceptable Subjective or Stereotypical Terms or Comments.

**BPO Provider and Closing Services Valuations Analyst Responsibilities**

While BPO providers (e.g., brokers/agents) are not legally bound by the Uniform Standards of Professional Appraisal Practice (USPAP) or Government Sponsored Enterprises (Fannie Mae and Freddie Mac) Fair Lending requirements as are licensed and certified appraisers/reviewers, they must comply with Fair Lending laws (e.g., the federal Fair Housing Act, federal Equal Credit Opportunity Act and fair lending laws of state and local jurisdictions as they evolve from time to time) when preparing BPO reports. This is required because BPO reports are utilized in connection with mortgage lending and servicing activities. Therefore, BPO providers completing BPO reports and LandSafe associates analyzing BPO reports (e.g., analysts) are expected to comply with all applicable Fair Lending responsibilities, as identified in the Appraiser/Reviewer Responsibilities section above, and in applicable Fair Lending laws, regulations, etc.
The Fannie Mae Selling Guide, Section B4-1.1-01, General Information on Appraisal Requirements includes Examples of Unacceptable Appraisal Practices. Those examples that pertain to Fair Lending are summarized below:

- Development of a valuation conclusion based either partially or completely on the sex, race, color, religion, handicap, national origin, familial status, or other protected classes of either the prospective or present owners or occupants of the subject property or properties in the vicinity of the subject property.
- Development of a valuation conclusion based on factors that local, state, or federal law designate as discriminatory, and thus, prohibited.
- Use of unsupported descriptive comments, assumptions, perceptions, or drawing unsupported conclusions from subjective observations may have a discriminatory effect.
- Use of unacceptable terminology, including but not limited to:
  - “Pride of ownership”, “no pride of ownership” and “lack of pride of ownership”
  - “Poor neighborhood” and “good neighborhood”
  - “Crime-ridden area”
  - “Desirable neighborhood” or location, “undesirable neighborhood” or location

Following are examples of unacceptable terminology and unsupported assumptions taken from actual appraisal and/or BPO reports.

A. Use of unacceptable terminology, as follows.

![Example of unacceptable terminology]

Note: The use of unacceptable terminology, as identified by Fannie Mae, is systematically identified upon submission of the report and corrections will be required for potential Fair Lending violations. Descriptions must be based on factual information.
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In the section of the BPO report where the comparables are documented and analyzed, the form is asking the provider to explain how each comparable is superior/inferior or similar to the subject property and include the sales history analysis for the subject and comparables. Inclusion of subjective terms (highlighted below) does not address either of the requested/intended issues, and therefore, serves no purpose in the report other than to offer opinion.

B. Below is another similar situation that would require correction, as the commentary should be about how this sale compares to the subject.

C. In the following example, the first sentence has comments that discuss superior features this sale has in comparison to the subject. The rest of the comments appear to be comments from the listing of this comparable. Again, correction is still required as the comments do not fully address how this property compares to the subject.

D. Other subjective terminology that can result in unsubstantiated conclusions based on prohibited classifications are equally unacceptable. As an example, the use of “church” under the assumption that the term is representative of all religions potentially reflects bias as this term is specific to one religious group. Proper valuation reporting practice would be to use terms such as “religious facility” or “house of worship” that are non-religion specific.

E. A descriptive term or phrase does not have to be an exact match with those cited by Fannie Mae to be unacceptable. Avoid the use of subjective or stereotypical terms or phrases, such as “great”, “excellent”, or “executive” when describing a location, in any part of the appraisal or BPO Report.

If the provider is able to document that value/price opinion and marketability are adversely affected by an influence, include the information and supporting documentation in the appraisal or BPO report.
Market Stigma

If the subject is experiencing a market stigma, the appraiser or BPO provider should research and document the actual results of the stigma in factual terms, discussing the effects on value/price opinion, market/exposure times, inventory, etc.

Examples of market stigma might include a property where a death occurred, a property that experienced well-publicized soils or structural problems that were repaired, or a property that was previously owned by a celebrity.

The appraiser/reviewer or BPO provider should not impose his or her own bias or what he or she would expect the typical reaction to the stigma to be in the market, nor should he or she adopt a reaction speculated by a third-party, such as a news article. The appraiser/reviewer or BPO provider must verify and document that there has been a supported reaction, and discuss the evidence and extent of the reaction in the report.

Questions

Please contact the LandSafe Resolution and Customer Service Team at 1.800.341.6033.