



September 2, 2014

Office of General Counsel
Regulations Division
U.S. Department of Housing & Urban Development
451 7th Street, S.W.
Room 10276
Washington, DC 20410

RE: Single Family Draft Handbook Appraiser Requirements

To Whom It May Concern:

On behalf of Home Innovation Research Labs, please accept these comments in response to the Department of Housing and Urban Development's (HUD's) Single Family Draft Handbook Appraiser Requirements. Specifically, our comments are related to the Energy Efficiency and Competency Requirements included in the draft handbook. We will submit comments in the response worksheet that is required, but we also wanted to share some "high level" comments directly with the agency.

Home Innovation Labs is a 50-year old, internationally-recognized, accredited product testing and certification laboratory located in Upper Marlboro, Maryland. Our work is solely focused on the residential construction industry and our mission is to improve the affordability, performance, and durability of housing by helping overcome barriers to innovation. Our core competency is as an independent, third-party product testing and certification lab. Home Innovation serves as Adopting Entity and provides certification services to the ICC 700 National Green Building Standard™ (NGBS.)

Overall, Home Innovation commends FHA on recognizing the need to address the value of higher-performing, energy efficient homes and the effort that has been taken to develop this draft handbook. Too often, the value of "green" features are either underestimated or overlooked altogether during the appraisal and lending processes.

Home Innovation Research Labs supports appraisal practices that accurately reflect the value of investment in energy efficiency, as well as appraisals that account for the full value and reduced operating costs of these investments. For builders and developers who have made the commitment to third-party performance standards, like the NGBS, fair appraisal of green features is critical for market differentiation and continued business activity.

Need for Expanded Scope

Home Innovation encourages FHA to expand its guidance for appraisers beyond energy efficiency to address other features that are included in high-performing green homes. Building products that are more durable or offer improved water efficiency, for example, certainly impact a homebuyer's operating costs and should be reflected in the appraisal.

A home can be green in a number of categories, and a holistic, or “whole-home” approach to design and construction is the best strategy for reducing operating costs, reducing long-term maintenance, and maintaining a healthy living indoor environment. For a home to be certified to the NGBS, for example, minimum point thresholds must be met in every category of green building practices, which include: Lot Design & Construction, Resource Efficiency, Energy Efficiency, Water Efficiency, Indoor Environmental Quality, and Homeowner Education/Maintenance.

Role of Third-Party Certifications in Appraisal Process

To maximize the relevance and utility of this handbook, Home Innovation encourages FHA to offer guidance on acceptable and valid evidence of energy efficiency building components. In particular, we encourage FHA to incorporate information about the role of third-party verification and certifications as a measure of energy efficiency and contribution of value. Third-party green home certifications offer verified assurance of green practices, a common definition of green, and consistent label for the marketplace.

For a home to be certified to the NGBS, for example, it is subject to two independent, third-party verifications. Builders must hire an independent, accredited verifier who is responsible for visual inspection of every green building practice in the home or dwelling unit. The verifier must perform a rough inspection before the drywall is installed in order to observe the wall cavities, and a final inspection once the project is complete. The required verification imbues a high level of rigor and quality assurance to the program and to the projects that are certified.

Recording & Analyzing the Local Market Acceptance of Energy-Related Building Components

Home Innovation encourages FHA to recognize a consistent method for recoding available information related to analyzing and reporting the local market acceptance of special energy-related building components and equipment. An example in use today is the Appraisal Institute’s Green & Energy Efficiency Appraisal Addendum¹, which offers a consistent worksheet for capturing efficiency information which exceeds the “energy efficiency” field available on Fannie Mae form 1004. This worksheet can be completed by the builder, remodeler, verifier/rater, certification agency, homeowner, etc., as an overview of available information known about the property as input to the appraisal with final collection, verification, and analysis of information to be completed by the appraiser.

A consistent method for capturing green home features would provide a clearer pathway for certification agencies, like Home Innovation, to aggregate and communicate energy efficiency information to be considered during the appraisal process. A form like the Appraisal Addendum could be auto-populated with information about all known green features, including NGBS Green certification level, and be sent to the participating builder, who could then submit to the contracted appraiser for verification and analysis.

Furthermore, a consistent method for recording green home features would help appraisers more accurately value these green home features across different homes as well as potentially help builders more thoughtfully select which green home features consumers value most.

¹ Available at <http://www.appraisalinstitute.org/education/education-resources/green-building-resources/>

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Credibility and Rigor

While the draft handbook rightly requires FHA appraisers who evaluate energy efficient homes to be knowledgeable of FHA appraisal reporting guidelines and USPAP, but it does not fully address competency prior to accepting such assignments. The current wording suggests an appraiser can accept the assignment as long as they become competent prior to completing a report. Home Innovation is concerned that appraisers may accept assignments for which they are underqualified with the intention of becoming competent prior to performing the evaluation. The time period between these two events may only be a couple of days, and it would be a challenge for one to become legitimately competent on a topic as broad as sustainable construction in such a short period.

Home Innovation recommends that FHA require upfront competency of appraisers on the FHA Appraiser Roster. This amendment would benefit all FHA stakeholders and help ensure that green home features are recognized and fairly valued during the appraisal process.

Thank you for the opportunity to comment. Please contact Michelle Desiderio, Vice President of Innovation Services at 301.430.6205 or mdesiderio@homeinnovation.com, should you have any questions or feedback.

Sincerely,

Home Innovation Research Labs