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The consumer and the appraiser's business relationship

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By Frank O'Neill

Long, long ago (until 2009) residential mortgage lenders typically provided a copy of the appraisal to a borrower only IF it was requested in writing, and then it was provided within 30 days. That usually meant that if the borrower received a copy at all, it wouldn't be until after the closing. Then regulatory shift happened. In 2009, HVCC included a provision that the borrower must be provided a copy of the appraisal at least three days before the closing. And, now that HVCC is "gone", Fannie Mae, Freddie Mac, and the Dodd-Frank Act all have provisions that continue and expand that requirement.

The result is that borrowers are taking the time to look at the appraisal report more often. This means that they are more likely to raise questions about the appraisal - especially if the loan was denied on the basis of value. The Appraiser Independence language in Dodd-Frank Act and the resulting changes in the Truth in Lending Act (TILA) and the Equal Credit Opportunity Act (ECOA), says that the borrower, the real estate broker, the mortgage broker or loan origination officer, and other parties to the transaction are forbidden from exerting pressure on the appraiser BEFORE the appraisal is completed.

But Dodd-Frank also says that AFTER the appraisal is completed all those same parties have the right to "question" the appraisal.

The result is an increase in appraisal appeals or "requests for reconsideration". It is also creating new customer service challenges for the lenders, AMCs, and appraisers. The USPAP confidentiality requirements mean that the appraiser cannot communicate directly with the borrower. And, the lender will want to "own" the relationship with the borrower and be in control of the communication with them to be sure to maximize the customer service levels. Communication with the appraiser will be through the lender's appraisal department or through an appraisal management company. Again, the communication will need to be controlled to maintain quality customer service. And, of course the appraiser will be in a position to make or break their own client relationships based on the way they respond to the appeals.

The more "Requests for Reconsideration" that come through, the greater the workload for the lender, for their appraisal department or AMC, and for the appraiser. At the same time, opportunities present themselves to demonstrate superior customer service in the handling of difficult situations.

Lenders and their appraisal management companies will find they are much more effective if they have a well defined reconsideration process with forms designed to support it. The Request for Reconsideration forms should make it clear that simply complaining won't accomplish anything. The reconsideration process has the best chance of achieving a change in the appraisal if the borrower is able to identify incorrect information, or provide new information the appraiser may not have been

aware of or may have missed related to the subject property or the comparable properties. That information should be written down on the Request for Reconsideration forms provided.

The lender should then review the written request to determine whether it consists of what appears to be valid concerns and information that needs to go to the appraiser for consideration, or whether a simple response back from the lender will answer the questions or address the objection. If the request appears to need to be forwarded to the appraiser, the written Request for Reconsideration should be delivered with a request for a response that either a) makes changes in the appraisal as appropriate, along with explanation, or b) provides an analysis of the information provided and an explanation for why that information did not result in any change in the value.

The format of the response will be important as well. Remember that this will discuss the analysis and value conclusions of the appraisal. Which mean that USPAP reporting requirements are going to apply. One way to handle it would be to add a new page to the existing report, perhaps right up at the beginning and label it "Response to Request for Reconsideration". Explain that questions and issues were raised and they will be addressed here. Be sure to indicate that the response is to be considered an addendum to the appraisal report and that all elements of the appraisal report are included by attachment. Maintain the original effective date of the value opinion, but add a new current date of the report which helps to distinguish this latest revising of the appraisal report from the original. Alternatively a new response document might be produced to respond to the Request for Reconsideration that is not attached to the appraisal report. In that case, the original appraisal should be cited and a statement added to indicate that all elements of the original appraisal report are included by reference.

The appraiser must provide a response that is professional in both content and tone. They will often need to overlook or walk around any emotional aspects or accusations that may be included in the Request for Reconsideration. The best approach is to just stick to the facts. Here is the issue that was raised; here is how that information relates to the appraisal. If, in fact, there was an error or important relevant information was missed and is now pointed out in the appeal, the appraiser should quickly and graciously acknowledge that the new information does in fact make a difference, and here is the revised appraisal.

The goal should always be to provide as accurate an appraisal as is possible. If that means making a change, and explaining that change, so be it.

Experience, though, indicates that many of the appeals will include information that is incorrect, out of date, not applicable, or based on logic that is not supported by the facts. In those cases, the points that are made in the Request for Reconsideration should be acknowledged, discussed and explained in a professional, businesslike manner. Show respect, even if the complaint didn't seem to. It is your client who is relying on you to provide a professional response to their customer. Appraisers may find themselves looking for another client if they are unable or unwilling to provide professional well thought out responses.

Appraisers who handle Requests for Consideration in a positive and professional manner will earn new respect from their clients and help to ensure a long and mutually profitable business relationship.

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