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Uniform Mortgage Data Program - One year review

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By Rey Archambault,

Archambault & Associates Slightly over one year ago, the residential real estate appraisal industry became immersed in a program which represented likely the greatest change in valuation reporting and communication since the inception of standardized forms. With much anticipation and equal trepidation on the part of the appraisal profession, the Uniform Mortgage Data Program (UMDP), a joint effort of secondary market giants Fannie Mae and Freddie Mac, was launched with the intent of standardizing and improving appraisal data quality and consistency and promoting the collection of electronic appraisal data. The Uniform Appraisal Dataset (UAD) and Uniform Collateral Data Portal (UCDP), components of the UMDP became the industry norm for investors participating in secondary market lending transactions for package and resale to investors. My focus today is to shed light on how this process has impacted the appraiser's day to day function in reporting and transmitting credible findings to the lender/client.

Four specific appraisal forms were affected initially by the program launched on September 1, 2011 - the single family and condominium interior and exterior inspection forms, each of which have been in use in their present format since 2005. The 2-4 family residential income property form was not included initially, though likely to be brought under the UAD umbrella in the future. Though the look and content of the forms remains unchanged, specific required responses from the appraiser have been targeted within various sections of the reports. Using the single family interior form as an example, roughly 60 of 200 potential data fields associated with the form were affected (or became "hot"). These deal with specific responses required for address, site description, overall physical condition, construction quality, bath counts, basement area and finish, etc., and fields within the comparable sales grid dealing with these same reporting components as well as citing sources of data verification and sale date. Appraisers need to address all of these issues as part of their due diligence - always have, always will. So far, so good. So what's the big deal?

In addition to the tremendous learning curve appraiser's faced initially in adapting to the new system, required input responses have left many appraisers with the feeling the pen has been taken out of their hands. Much information typically included in form reports can no longer be included. If a subject property has not sold within the past 3 years (or comparable within the past year), inclusion of prior sale data will invalidate the report for submission. Wouldn't further trend analysis be of benefit to the reader? Due to narrow parameters established for quality and condition ratings, appraisers have less flexibility in interpolating condition and quality factors and adjusting accordingly.

Such condition and quality ratings don't always fall within neatly arranged patterns in reality. Subtle variations exist, particularly in cases involving 20-30 year old homes which have begun to show their age and had various components updated, or homes with some degrees of superior fit-up vs.

neighborhood norms which can and do affect value, but which don't necessarily propel a property into the next classification. Dare to adjust for 2 properties with the same overall rating and face the wrath of the underwriter, although I have used line item adjustments intended for functional utility to make my case in such instances, generally without too much confrontation. Similarly, site view and topographical features can vary widely among two properties similar in size, yet the required input field does not lend itself readily for variation. Have you priced landscaping components lately? Think the yard with the steep slope down from the street might negatively impact value? Parcel size and view are the only data inputs requested within the specific constraints of the UAD fields. Again, it is possible to manually expand some response fields with drop downs entries or minimal verbal comments, but I am willing to bet that these factors are being ignored or forgotten in some instances - all in the name of standardization. Too many additional narrative addenda comments within a form report are frowned upon by some lenders and underwriters.

Condos require specific input of address and unit number, sometimes difficult to determine in cases where common addresses and unit numbers do not correspond with original condo declarations. There is nothing more frustrating than submitting a factual appraisal only to have it rejected due to a glitch in semantics over legal address (UAD requires legal postal address, which may differ from the address found in land records). Technical glitches have also been found in transmitting reports where errors are not readily apparent, to the point where various software providers need to be consulted to resolve complex data input issues. This is particularly true for multifamily forms which are required to be sent through the transmission portal, but are not supported by enhanced software to detect subtle input errors. A recent case in point involved a report submitted four months earlier, which was just returned to a lender for correction, allowing only a narrow window of time for the appraiser to address and correct, which ultimately required significant man hours on the part of the appraiser, the lender's staff and software support at both ends to fix, lest the lender face significant financial consequences - very frustrating to the appraiser who had produced a perfectly credible report.

It has been my observation, as well as a common criticism and frustration among appraiser colleagues, that the narrow restrictions within the response format have had the effect of "dumbing down" the data within the standard residential appraisal report to conform to response field parameters. Sadly, this is consistent with a pattern that has emerged over the years since the secondary market has grown in strength and individual participating lenders have taken a back seat to underwriting directives, rendering the appraiser as an important resource not always revered for truth and integrity when his or her opinions go contrary to what is intended to fit neatly into a check box or fall outside of an acceptable property condition parameter. Quite a paradox for a profession populated by independent thinkers of integrity who strive to provide their clients with an honest work product!

One can only hope this data capture and reporting process will evolve in time into a better tool for appraisers to present their thoughts and conclusions, with collaboration among the GSEs, lenders and the appraisal profession. I have my doubts.

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