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## Impact of new FannieMae and FreddieMac policy

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The agreement between N.Y. attorney general Andrew Cuomo and FannieMae and FreddieMac has far-reaching consequences for the appraisal profession, addressing issues that have long concerned appraisers. Zaio Inc. applauds the parties involved for taking aggressive action to assure appraiser independence and support quality appraisals.

Zaio CEO Thomas Inserra, MAI, SRA, points out five major aspects of the Home Valuation Code of Conduct, and how Zaio is working with our appraiser partners and fee panel members to support the code:

1) Large lenders are no longer allowed to use staff appraisers, appraisal subsidiaries with an ownership stake above 20%, or appraisers employed by title insurers or other settlement service providers. Lenders are not staffed or equipped to interact with 100,000 separate licensed appraisers across America. Given centralized processing platforms to handle large volumes of work, major lenders will increase the work sent to independent appraisal services companies like Zaio that are capable of processing large volumes of orders nationally.

Zaio Inc. recently released data showing the growth of business it has brought to Zaio zone owners and fee panel members over the past twelve months. Over 2,300 appraisal firms and nearly 500 lenders in 50 states are now benefiting from Zaio Technology.

2) The policy makes it inappropriate for "any act or practice that impairs or attempts to impair an appraiser's independence, objectivity, or impartiality" and also requires that the "lender shall certify, warrant, and represent that the appraisal report was obtained in a manner consistent with the code of conduct" and that appraiser independence was not compromised.

A lender now faces serious liability in cases where a loan officer inappropriately contacts or attempts to influence an appraiser. Thus, lenders will likely increase their use of independent companies like Zaio to reduce and better manage this risk. Also, lenders will seek out new technical solutions that will help protect appraiser independence and reduce risk.

3) Mortgage brokers can no longer order appraisals directly. Consequently, brokers will seek the services of firms like Zaio to place appraisal orders on their behalf, as well as review those appraisals for USPAP compliance prior to forwarding on to the loan funding source.

4) There is a clear shift in focus to improved quality, and lenders are intensely reviewing appraisals to ensure objectivity and accuracy. The Zaio concept, with our Zaio zone appraisers, serve these lenders well; we expect more appraisal and review appraisal work will come to firms like Zaio to help ensure that higher quality appraisals are delivered.

5) Lenders are increasingly focused on standardization, and requiring that all appraisals be prepared to their specifications, submitted electronically over specific electronic gateways and websites, like the systems that Zaio is implementing for our zone appraisers and fee panelists.

Steps appraisers can take to adapt and benefit from these policy changes include:

- \* Appraisers should seek out partnerships with independent appraisal management companies to maximize revenue opportunities and expand the number and types of clients they can serve;
- \* Appraisers should seek out technology that helps to preserve their independence; and
- \* Appraisers need to produce "real time" valuations, so portfolios can be revalued more quickly, and thus appraisers should invest in technology to gain efficiencies and improve speed of delivery without sacrificing quality.

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