

The Computer takes over in the appraisers profession

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Residential appraisers are moving into 2014 with a new Sword of Damocles looming overhead. It's not enough that each appraisal is scrutinized by multiple sets of eyes looking for the tiniest of flaws or feeding requests for more and more information. Now, appraisers are dealing with the ultimate examination conducted by The Computer. The housing agencies, Fannie Mae and Freddie Mac, launched the Uniform Appraisal Dataset (UAD) a couple of years ago. UAD moved us away from subjective words like good, average and fair by substituting an intricate code of supposedly objective Cs and Qs. Never mind A, B and N. This coding described everything from a property's condition and quality of construction to its location and view.

An UAD appraisal is transmitted in both paper (PDF) and digital (XML) formats. Humans read the paper forms while The Computer reads the digital file. The Computer catalogues in its bowels every appraisal performed by an individual appraiser. It compares one appraisal performed by an appraiser against others performed by the same appraiser, all the time looking for the smallest of discrepancies or errors. It finds instances when multiple appraisers used the same sales as comps and searches for inconsistencies between appraisers. One can only image the digital delight that flows across The Computer's chips when human error, or maybe judgment, is discovered.

This January, according to Fannie Mae, lenders will start to receive access to an Appraisal Quality Monitoring list. On the list will be the names of appraisers whose work will leave the lender facing either a 100% post-purchase loan review or the inability to sell the loan into the secondary market. In other words, an appraiser whose name is on the Appraisal Quality Monitoring list most likely will never again receive an assignment when the loan is destined for sale.

Fannie Mae says it will be communicating with appraisers about the quality of their work prior to inclusion on the list. No one knows what form that communication will take or at what stage in the process it will occur. Worst case, the communication could say, "Dear Appraiser, This is to inform you that your name has been added to the Appraisal Quality Monitoring list. Sincerely, Fannie Mae." While Fannie Mae's announcement described these new "processes" it omitted perhaps one of the most fundamental, the right to due process. Nowhere is there a process to appeal your inclusion on the list.

How do you beat The Computer? By doing exactly what Fannie Mae demands. Be consistent and accurate in every detail on every report. While that already is the goal of every appraiser for every report, unlike The Computer, people do make mistakes and exercise informed judgment that end up in a report. You will find examples of what Fannie Mae expects included in their announcement.

There is a hidden benefit to this story. The supply of appraisers, which is becoming tighter by the day, will shrink even further and faster with the publication of the AQM list. That means the appraisers who are left practicing will be able to insist on higher fees and improved conditions for future assignments.

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