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Appraisal quality monitoring: A positive step for the industry

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In November of 2013 Fannie Mae issued Lender Letter LL-2013-10 which announced a new process they were implementing to identify and monitor individual appraisers. The goal of the program is to improve the quality of appraisals submitted to Fannie Mae through training and education and if the appraisals are consistently egregious by no longer accepting loans with appraisals from the identified individual.

When an appraiser's work exhibits a pattern of minor inconsistencies, inaccuracies, or data anomalies they will be contacted to point out the issue with the goal of hopefully improving future reports. Future reports will be monitored for improvement. Appraisers should view this as a positive learning experience that will only improve their work.

This is something appraisers are already experiencing. Increasingly lenders are providing underwriters with training on how to review and appraisal. They are then able to communicate informed questions to the appraisers. This is steadily resulting in better reports since the most common issue is reports did not provide adequate analysis and support in other words a communication rather than an appraisal issue.

When reports exhibit repeated egregious issues the appraiser and lender will be informed that either 100% of the loans that are submitted with appraisals from the identified appraiser will be reviewed by Fannie Mae or those loans with appraisals from the appraiser will no longer be accepted by Fannie Mae. This would result from repeated reports containing significant errors of competency resulting in over stated reports or the reports indicate intentional actions to overstate the value. In these situations both the appraiser and the lender will be notified and the appraiser will be able to rebut the decision. From the stand point of a lender the 100% reviews means that even if future reports are found not to have any appraisal problems other underwriting issues could be found.

Issues that have been identified by Fannie Mae include issues such as changing the quality or condition rating of a comparable from one report to another or changes of the comparable size in different reports. Other issues would be improper selection of comparable sales. These could be minor inconsistencies and inaccuracies or a pattern of egregious behavior. Which it is would depend on the frequency and the impact on value.

The Fannie Mae Website contains significant information for the appraiser as well as providing information on the AQM as well as an FAQ relating to it. This is a site all appraisers should have bookmarked <https://www.fanniemae.com/singlefamily/appraiser-quality-monitoring>.

These Fannie Mae changes represent a positive departure from the previous policy of not communicating with the appraiser. It is a transparent program that will improve appraisal reports in the future and it will help to address a common complaint of appraisers that they have to compete with competitors who get the work because they always find a way to bring the appraisal in at a value the client wants. It is not a cure-all but it is a positive step for the appraisal industry.

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