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The long awaited collateral underwriter has arrived

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The long awaited or perhaps dreaded lender letter from Fannie Mae regarding the collateral underwriter (CU) was sent out to lenders last week (on February 4). Please see the online article by Stephen Sousa, executive vice president relating to this release that was distributed by the MBREA list serve on February 5. This release can be either good news or bad news depending on how, one looks at it. It definitely means that reports produced for Fannie Mae will receive more scrutiny and your client, the lender, will be given more tools to call into question the appropriateness of comparables used and adjustments made. Whether this is proper or warranted at this juncture is moot. Someone got caught doing things that they should not have been doing and as a result greater accountability and transparency is being viewed as what is needed to keep any wrong doings from occurring again.

The CU is being touted as a voluntary tool for the lenders to use at no cost to the lender.

It is being presented as a "risk management tool."

It is not meant to allow the lender to make a decision regarding risk.

It is not meant to allow lenders to accept or reject appraisal reports furthermore it does not provide the lender with an opinion of value.

The CU provides a risk assessment from 1 (lowest risk) to 5 (highest risk) and risk flags and messages identify "risk factors" that may require more attention.

The CU will supply a list of possible comparable sales based on "physical similarity, time and distance." The letter states that price will not be a basis for selection and that it is not an attempt lower or raise the outcome of the appraisal. Location will be a basis of selection and will rely on "Census Block Group levels" a "subset of Census Tracts."

The CU is meant for the exclusive use of the lender and is meant to assist them in having a "constructive dialogue with the appraiser". Copies of the CU or excerpts of the CU will not be made available to appraisal management companies or to the appraiser furthermore the lender can not make demands of or provide instructions to the appraiser based on the automated report and finally may not interfere with the "independent judgment" of an appraiser. Finally it is important to note that the CU is available only to approved Fannie-Mae lenders.

So it appears, for the time being, that this is a tool for the lender that is meant to open up discussion rather than co-opt the appraiser's judgment or independence. How it is used remains to be seen. Please let MBREA know how this is being implemented and any problems that you are having with your lending clients.

There are several offerings through MBREA that are connected to this subject at various locations throughout the region:

2/17/2015: Book of Adjustments Taunton, MA;

2/25/2015: Understanding and Using Comparable Transactions Ludlow, MA;

3/10/2015: Breakfast with the Experts: Residential Appraisal Update Norwood, MA;

3/11/2015: Understanding and Using Comparable Transactions Cape Cod;

3/18/2015: Book of Adjustments Danvers, MA

3/24/2015: Understanding and Using Comparable Transactions Taunton, MA;

3/25/2015: Book of Adjustments Ludlow, MA.

Please go to MBREA.org for more information.

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