

Appraiser Quality Monitoring (AQM)

Frequently Asked Questions

As part of Fannie Mae’s efforts to promote quality in the loan origination process, Appraiser Quality Monitoring (AQM) was developed to provide appraisers and industry partners with actionable feedback to improve consistency, manage risk, and increase confidence in the appraisal process.

These FAQs relate to the AQM process, which includes AQM letters, the AQM list, and state regulatory agency referrals.

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Overview

Q1. What is the goal of AQM?

The goal of AQM is to improve appraisal quality and strengthen the appraisal profession by identifying patterns of quality issues in appraisal reports and providing feedback directly to individual appraisers.

Q2. What types of monitoring does AQM conduct?

The AQM process identifies appraisers whose appraisal reports exhibit a pattern of inconsistencies, inaccuracies, or data anomalies. The intent and expectation of communicating these issues to appraisers is for training and educational purposes, and to provide them with an opportunity to improve their work. Future appraisal reports from those appraisers are then monitored to assess improvement.

The AQM process can also identify appraisers whose appraisal reports exhibit a pattern of more egregious issues. In those cases, Fannie Mae will contact the appraiser and our lending partners informing them that either 100% of the loans submitted with appraisals from the identified appraiser will be reviewed in the post-acquisition file review process, or that Fannie Mae will no longer accept loans with appraisals completed by the specific appraiser.

Q3. Does AQM report appraisal findings to state regulatory agencies?

In cases when a loan is repurchased by a lender due to an appraisal-related issue that appraisal may be referred to the relevant state regulatory agency. Also, state referrals may be made for cases such as fraud or improbable volume.

Q4. Are Collateral Underwriter® (CU®) risk scores and Appraiser Quality Monitoring the same thing?



No. Although information from CU's analysis of appraisals is one tool that Fannie Mae uses in the AQM process, there is no direct connection between the CU risk score and AQM. High CU risk scores do not automatically trigger AQM reviews, or state referrals. AQM identifies appraisers whose appraisal reports exhibit patterns of appraisal quality issues for the purposes of training and education.

AQM Letters

Q5. Why does AQM correspond directly with appraisers without notifying lenders?

The primary AQM objective is to improve the quality of appraisal data submissions. Training and educating the appraiser through targeted correspondence has proven to be an effective way to improve data quality.

Q6. What should an appraiser do after receiving an AQM letter?

Initial communications are intended to be instructional, except in cases where egregious issues were identified. An appraiser who receives an AQM letter should review the information provided in the letter, consult the Fannie Mae *Selling Guide* for additional information if needed, and make appropriate changes to avoid making similar mistakes in future assignments.

Q7. Do appraisers have the opportunity to appeal or offer a rebuttal to an AQM letter?

Yes. Since the letters sent to appraisers for reports that exhibit a pattern of inconsistencies, inaccuracies, or data anomalies are intended for educational purposes, there is not a formal rebuttal process, but letter recipients may choose to respond if they disagree with the findings outlined in the letter. Fannie Mae offers a formal rebuttal process for appraisers whose work has been identified as requiring 100% post-acquisition review or whose work product is no longer acceptable to Fannie Mae. Rebuttals should address the issues cited in the letter and may include documentation to support the rebuttal.

Q8. What should an appraiser do if he or she believes that the rebuttal would violate the Confidentiality section of the Ethics Rule as set forth in the Uniform Standards of Professional Appraisal Practice (USPAP)?

Fannie Mae expects that appraisers will be able to respond to most, if not all, AQM correspondence using publicly available information. Moreover, USPAP specifically authorizes an appraiser to disclose confidential information to "persons specifically authorized by the client [the lender]." Fannie Mae's *Selling Guide*, which forms part of a lender's contract with Fannie Mae, states:

"All records related to loans (including all data and materials representing, based on, or compiled from such records) sold to or serviced for Fannie Mae are Fannie Mae's property and any other owner of a participation interest in the loan regardless of their physical form or characteristics or whether they are developed or originated by the loan seller, servicer, or others." (See the Ownership of the Loan File section of [Selling Guide A2-4.1-02, Ownership and Retention of Loan Files and Records](#)). The property appraisal is included as a loan-related record.

AQM List

Q9. What is the AQM list?

The AQM list, accessible to approved Fannie Mae sellers and servicers, includes appraisers whose work is subject to 100% post-acquisition review or is no longer accepted by Fannie Mae.



Q10. What are the implications of 100% post-acquisition review for egregious issues?

Fannie Mae will accept loans that include an appraisal by an appraiser whose work product is subject to 100% post-acquisition review. These acquisitions are selected for a quality control review, which may involve an in-depth review of the appraisal and other aspects of loan eligibility. If a loan is found in the post-acquisition review to be ineligible for delivery to Fannie Mae for any reason, it will be subject to the standard remedies per the *Selling Guide*, including repurchase.

Q11. What are the implications of using an appraiser on the no longer accepted list?

If a lender submits an appraisal report prepared by an appraiser from whom Fannie Mae will not accept appraisals, the lender will receive a message in the Uniform Collateral Data Portal® (UCDP®) stating “Fannie Mae will not accept appraisals from this appraiser.” and the loan will not be deliverable to Fannie Mae with that appraisal.

As provided in the [Selling Guide B4-1.3-12, Quality Assurance](#), “Fannie Mae may refuse to accept appraisals prepared by specific appraisers, or Fannie Mae may notify a lender that appraisals prepared by a given appraiser are no longer accepted. When a lender is notified that appraisals from specific appraisers are no longer accepted, the lender is prohibited from delivering mortgages to Fannie Mae secured by properties appraised by that individual immediately following its receipt of Fannie Mae’s notice.”

Fannie Mae retains its ability to seek appropriate remedies, including repurchase, in the event Fannie Mae does acquire the loan.

Q12. Are all appraisers who receive an AQM letter placed on the AQM list?

No. Because the purpose of AQM is to improve appraisal quality through training and education, appraisers receiving AQM letters for issues involving data integrity or that receive an initial notification involving more severe issues such as unacceptable appraisal practices, are not placed on the AQM list (either 100% post-acquisition review list or the no longer accepted list). If the quality of the appraiser’s work continues to exhibit significant deficiencies without improvement, Fannie Mae may consider adding the appraiser to the AQM list, notifying lenders, and/or reporting to the appropriate state regulatory agencies.

Q13. Are lenders notified when an appraiser receives an AQM letter?

Lenders are not notified when appraisers are sent an AQM letter for issues involving data integrity or that receive an initial notification involving more severe issues such as unacceptable appraisal practices. If the appraiser is placed on the AQM list, the lenders will be notified.

Q14. How does an appraiser know if they are on the AQM list?

AQM letters include statements indicating they are for feedback/educational purposes and/or provide the appraiser an opportunity to improve their work. If the quality of the work does not improve and Fannie Mae deems the pattern of appraisal quality issues to be egregious enough that 100% post-acquisition review is warranted, the appraiser will be notified of this decision via certified letter and given the opportunity to respond.

Fannie Mae may consider removing an appraiser from the 100% post-acquisition review list if they can demonstrate a significant improvement in appraisal quality.

Appraisers who are added to the no longer accepted list are also notified via certified letter and given the opportunity to respond.



Q15. Could the 100% post-acquisition review apply to appraisals submitted before the effective date of the 100% review list?

Yes. Because Fannie Mae conducts post-purchase reviews at different times after loan acquisition, the selection of a specific appraiser for 100% post-acquisition review could trigger reviews of appraisals on loans that were delivered several months earlier.

For example: An appraisal is submitted to UCDP in mid-September, and the loan is delivered to Fannie Mae a week later. In early October, the appraiser becomes subject to 100% review. The loan goes through discretionary post-purchase review with other September acquisitions in January; because the appraiser is on the 100% quality control list, it is selected for appraisal review regardless of any other factors.

Lenders should not consider placement of an appraiser on the 100% review list as the only trigger for further review of loans with appraisal concerns and must be mindful of their responsibilities under the provisions of the [Selling Guide B4-1.1-03, Appraiser Selection](#). If patterns of egregious issues are discovered in an appraiser's work, there is a high probability that loans delivered to Fannie Mae with appraisals by that appraiser will be selected for additional review even if the appraiser has not been placed on the 100% review list.

Q16. Does Fannie Mae's appraiser monitoring alter lenders' obligations related to appraisers and appraisal quality?

No. Lenders remain responsible for the selection and management of appraisers and appraisal quality, as described in the *Selling Guide*. AQM augments lenders' controls but does not replace or alter lenders' obligations.

NOTE: *The AQM process may not identify all issues that could lead to an appraisal-related repurchase request. The presence or absence of communications between Fannie Mae and an appraiser, or Fannie Mae and a lender, concerning the quality of appraisals submitted through UCDP does not imply that a lender has met its responsibilities under the Selling Guide regarding appraisals, or that a lender will not be required to repurchase a loan for reasons related to the appraisal or the performance of the appraiser.*

Q17. How will a lender know if an appraiser is selected for the AQM list?

There are two ways that lenders may become aware of appraisers whose appraisals require 100% review or whose appraisals are no longer accepted by Fannie Mae:

- Messaging in UCDP notifies lenders when they submit an appraisal from an affected appraiser.
- Approved sellers/servicers have access to the AQM list identifying appraisers whose appraisals require 100% review or whose appraisals are no longer accepted by Fannie Mae. The AQM list is protected content on our business portal, and lenders may set up access through Technology Manager. For details, refer to the [AQM webpage](#).

Q18. How frequently is the AQM list updated?

The AQM list is updated monthly (and is reposted even if there are no changes).

Q19. If only approved sellers/servicers have access to the AQM list, may the lender share that information with a service provider, such as an appraisal management company (AMC)?

Yes. Lenders may inform service providers with which they have a business relationship, including AMCs, of the presence or absence of a specific appraiser on the list. The actual AQM list may not be distributed.



Q20. Would it conflict with Appraiser Independence Requirements (AIR) for a lender to notify an AMC that Fannie Mae has invoked our right to no longer accept appraisals from a specific appraiser?

No. [AIR](#) prohibits lenders from removing an appraiser from a list of qualified appraisers in connection with influencing or attempting to influence the outcome of an appraisal, but it does not preclude lenders from managing appraiser lists for bona fide administrative reasons based on written, management-approved policies. Notifying an AMC that Fannie Mae has invoked its right to refuse to accept appraisals from an appraiser would be an instance of managing an appraisal list for bona fide administrative reasons.

Q21. Does Fannie Mae notify AMCs of actions taken with respect to appraisers?

No. Fannie Mae does not notify AMCs. It is the lender's responsibility to notify any impacted third parties.

State Regulatory Agency Referrals

Q22. Does Fannie Mae report to state regulatory agencies?

When an appraisal is found to have deficiencies severe enough to impact eligibility of the loan for delivery, Fannie Mae, at its discretion, may consider referring the appraisal to the applicable state regulatory agency after we have completed multiple layers of due diligence to validate the findings. Fannie Mae will also make referrals to the state regulatory agency when unethical activity is suspected, such as an appraiser not disclosing professional assistance. Any investigation or activity is at the discretion of the state regulatory agency. The resulting volume of notifications is a very small fraction of the total number of appraisals we receive.

The purpose of making referrals is to provide states with information to manage and improve the quality of appraisals and integrity of the appraisal profession in their state.

Q23. Does CU automatically identify appraisals to be sent to state regulatory agencies?

No. Appraisals that are shared with state regulatory agencies have been through multiple layers of due diligence.

Q24. Does Fannie Mae notify appraisers when reporting to state regulatory agencies?

No. Appraisers are expected to work directly with the state regulatory agency if contacted. It is up to the individual agency to determine what steps or actions to take, if any.

General

Q25. Who can lenders and appraisers contact with questions about appraiser quality monitoring?

Lenders should contact their Fannie Mae Customer Account Risk Managers (CARMs) with questions about appraiser monitoring. Appraisers in receipt of a notification letter from AQM can respond using the contact information provided in the letter. Appraisers should refer to [Lender Letter LL-2013-10](#) as well as the quarterly Appraiser Updates available at www.fanniemae.com/appraisers for additional information, and may also submit feedback and questions on appraisal topics [here](#).