



Appraiser Quality Monitoring (AQM)

Frequently Asked Questions

Fannie Mae began collecting appraisal data in 2011 through the Uniform Collateral Data Portal® (UCDP®). Millions of appraisals have been submitted by lenders and their authorized agents, enabling Fannie Mae to monitor and evaluate appraisals for data accuracy and consistency. Leveraging the availability of standardized appraisal data, Fannie Mae issued [Lender Letter LL-2013-10, Appraisal Quality](#) to remind lenders of Fannie Mae's appraiser selection requirements, highlight several data quality issues, and describe new processes that Fannie Mae has implemented to identify and monitor individual appraisers. These FAQs relate to the Appraiser Quality Monitoring (AQM) process.

Q1. What is the goal of AQM?

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

Q2. What types of quality monitoring does Fannie Mae 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 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. 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. Appraiser Quality Monitoring identifies appraisers whose appraisal reports exhibit patterns of appraisal quality issues for the purposes of training and education.

Q4. Why does Fannie Mae 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 in many instances.

Q5. 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.

Q6. Do appraisers have the opportunity to appeal or offer a rebuttal?

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.

Q7. 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.” ([Selling Guide A2-5.1-02](#)). The property appraisal is included as a loan-related record.

Q8. Does Fannie Mae report to state regulatory boards and/or law enforcement?

When an appraisal is found to have deficiencies that are severe enough to impact eligibility of the loan for delivery, Fannie Mae may at its discretion share that appraisal with the applicable state agency after we have completed multiple layers of due diligence to validate the findings. The resulting volume of notifications is a very small fraction of the total number of appraisals we receive.

Q9. 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.

Lenders are responsible for selecting appraisers who have the requisite qualifications and knowledge required to perform a professional-quality appraisal. The quality of an appraiser’s work is a key criterion that must be used in determining which appraisers the lender or its authorized agent uses for its assignments. 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.

Fannie Mae also conducts an initial loan eligibility assessment on all acquisitions using loan-level assessment tools, including technology and proprietary analytical models, to identify loan files that may merit further review. Based on the assessment, Fannie Mae may choose to conduct further review of any aspects of loan eligibility, including the appraisal. These selections are made regardless of whether the appraiser’s work is subject to 100% post-acquisition review.

Q10. 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 within 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.

Q11. What will happen if a lender submits an appraisal from an appraiser for whom Fannie Mae has invoked its right to refuse to accept appraisals?

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 UCDP stating “Fannie Mae will not accept appraisals from this appraiser.”

As provided in the [Selling Guide B4-1.3-12](#), “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. Does Fannie Mae’s appraiser monitoring alter lenders’ obligations related to appraisers and appraisal quality?

No. Lenders remain directly responsible for the selection and management of appraisers and appraisal quality, as described in the *Selling Guide*. Appraiser monitoring 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.*

Q13. How will a lender know if an appraiser is selected for 100% post-acquisition reviews or if their appraisals are no longer accepted?

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 web page](#).

Q14. How frequently is the AQM list updated?

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

Q15. If only approved seller/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.

Q16. Would it conflict with Appraiser Independence Requirements (AIR) for a lender to notify an AMC that Fannie Mae has invoked our right to refuse to accept appraisals from a specific appraiser?



In Fannie Mae's view, no. Section I.B.(8) of the [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.

Q17. 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.

Q18. Are all appraisers who receive an AQM letter placed on the 100% post acquisition review list? Are the lenders notified?

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 100% post-acquisition review list, and the lenders are not notified. If the quality of the appraiser's work continues to exhibit significant discrepancies without improvement, Fannie Mae may consider adding the appraiser to the 100% post-acquisition review list, notifying lenders, and reporting to the appropriate state regulatory boards.

Q19. How does an appraiser know if they are on the "100% review" list?

AQM letters include statements indicating they are for educational purposes and 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 he or she can demonstrate a significant improvement in appraisal quality.

Q20. 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](#).