



Appraiser Update

Periodic updates for residential appraisers serving Fannie Mae lender customers



Welcome to the first edition of the *Fannie Mae Appraiser Update*. Appraisers play a vital role in managing collateral risk and supporting the health of our housing finance system. Keeping up to date on policy updates, technology changes, and other industry trends is critical to operating a successful appraisal practice and serving your clients.

This periodic outreach is intended to promote more proactive communication with the appraisal industry and ensure alignment between appraisers, appraisal management companies, lenders, and Fannie Mae.

This newsletter is just your first stop in learning more about Fannie Mae and how our policies and technology may impact your business, whether you work in a lender organization, in the field, or at an appraisal management company, or function in another capacity serving the mortgage industry. Bookmark the links provided, sign up for updates, and access the *Selling Guide* to stay on top of the latest Fannie Mae news and policies.

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Hot Topics

DAY 1 CERTAINTY™

In December 2016, we implemented the Day 1 Certainty™ initiative. Two components are certainty on the appraised property value for many loans and property inspection waivers for certain refinance transactions. Read below for details on how this may impact your business.

Property Inspection Waiver (PIW)

Fannie Mae has offered PIWs on a limited basis for many years, but previously it was driven by the borrower’s credit profile. Using data from over 24 million appraisals in Collateral Underwriter® (CU™), PIWs are now value-driven and offered on eligible limited cash-out and cash-out refinances. PIWs streamline the mortgage process and eliminate costs and time for borrowers. While PIWs provide welcome time and cost efficiencies for lenders and borrowers, the incremental impact of our expansion on each of the 50,000 appraisers from whom we see submissions each year should not be significant.

Certainty on Appraised Value

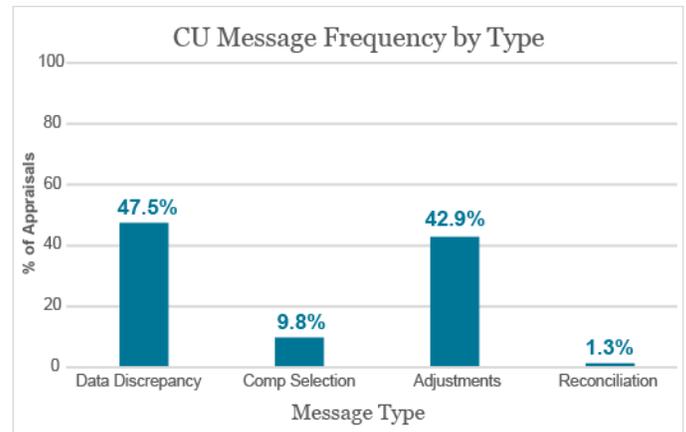
Harnessing the power of Collateral Underwriter, Fannie Mae now offers freedom from representations and warranties related to the property value for eligible loans. If the appraisal receives a CU risk score of 2.5 or lower, the loan is eligible for relief. Lenders remain responsible for the description of the subject property, as well as the accuracy and completeness of all data on the appraisal that pertains to the property and project (if applicable), including the subject property’s condition and quality ratings.

In February 2017, approximately 64 percent of all appraisals received a score of 2.5 or lower. Historically, resubmission rates have been steady; however, a significant decline in resubmissions was noted among appraisals receiving relief in our pilot program. Additionally, we work closely with lenders each day to train them on other effective uses of Collateral Underwriter, which includes interpreting the scores, flags, and messages populated in the application. What does this mean to appraisers? With Day 1 Certainty and our education efforts combined, it could mean fewer revision requests.

Learn more about [Day 1 Certainty](#).

Collateral Underwriter Stats

Collateral Underwriter contains an extensive database of appraisal quality messages that contribute to risk flags and may increase the overall risk score of an appraisal. These messages fall into four categories: data discrepancy, comparable selection, adjustments, and appraisal reconciliation.

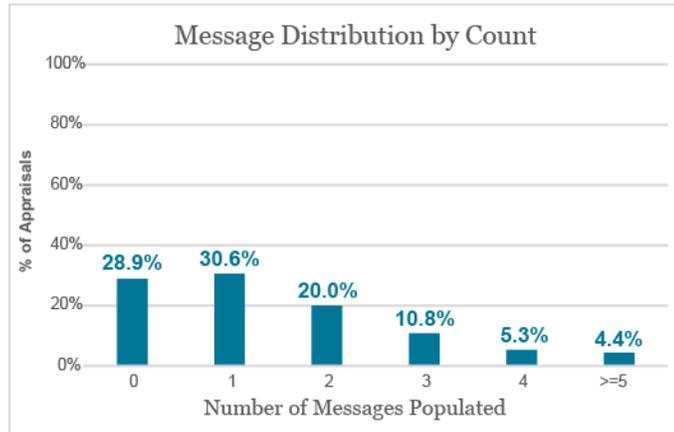


*Stats from Fourth Quarter of 2016

Data Discrepancy and Adjustments are the most common message types. Data discrepancy messages occur when the reported property characteristics or transaction data of the subject or the comparables are



inconsistent with the appraiser’s previously submitted reports or with his/her peers’ reports. Similarly, adjustment messages are populated when the subject appraiser’s adjustments are significantly different than model adjustments and adjustments made by his/her peers.



*Stats from Fourth Quarter of 2016

On average, fewer than three messages are populated per appraisal.

Selling Guide Updates

Simplifying the lending process and increasing efficiencies while managing risk is our top priority. The following updates were made in December 2016 and January 2017 to clarify existing policies and provide greater flexibility. Read on to learn how these policies can have a positive impact on your business starting today!

Appraiser Trainees

We have clarified our long-standing policy allowing an unlicensed or uncertified appraiser, or an appraiser trainee, to complete the property inspection. When the unlicensed or uncertified appraiser or appraiser trainee completes the property inspection, the supervisory appraiser is not required to also inspect the property.

What this means to you: If you’re a supervisory appraiser, it means better use of your time. Once you feel comfortable with the skill level of your trainee in the field, you can focus your attention on generating new business, completing your caseload of appraisals, and/or reviewing your trainee’s analysis. Submit your appraisals with confidence knowing that the report will meet Fannie Mae’s requirements. Lender policy overlays may still apply and appraisers should always verify and comply with state laws and regulations.

If you’re a trainee or an uncertified appraiser, this policy clarification assures lenders that we accept reports on properties you’ve inspected independently and signed as the appraiser under direct supervision of a state licensed or certified appraiser. More time in the field moves you closer to fulfilling required appraisal hours in your state.

Where to find it: [Fannie Mae Selling Guide, B4-1.1-03, Appraiser Selection Criteria \(01/31/2017\)](#)

Comparable Selection – New (or recently converted) Condos, Subdivisions, or PUDS

Previously, we required the appraiser to select at least one closed sale from the subject subdivision or project and one sale from outside the subject subdivision or project when selecting comparables for the appraisal. (The third comparable could be from inside or outside the subdivision or project.) In new subdivisions or projects, compliance with this requirement was difficult, and sometimes impossible, due to lack of closed sales.

With this update, we now accept two pending sales in lieu of one closed sale in the subject subdivision or project in the event closed sales are not yet available. When this flexibility is used, the appraiser must also provide at least three closed comparable sales from outside the subject subdivision or project.



What this means to you: Increased policy flexibility means your appraisals will meet Fannie Mae guidelines if there are no sales in the immediate neighborhood.

Where to find it: [Fannie Mae Selling Guide, B4-1.3-08, Comparable Sales \(01/31/2017\)](#)

Adjustments for Sales or Financing Concessions

Fannie Mae recognizes that the effect of sales or financing concessions on sale prices can vary with the amount of the concessions and reaction in different markets. Adjustments must reflect the difference between what the comparables actually sold for with the sales or financing concessions and what they would have sold for without the concessions so that the dollar amount of the adjustments will approximate the reaction of the market to the concessions. In some cases, that may mean no adjustment is warranted, or in other cases, the appropriate adjustment might be less than the actual dollar amount. If the appraiser's analysis determines that the market's reaction is the full amount of the financing concession, a dollar-for-dollar adjustment is acceptable.

What this means to you: We have clarified that appraisers may use dollar-for-dollar adjustments for financing or sales concessions when such an adjustment approximates the local market's response to the concessions.

Where to find it: [Fannie Mae Selling Guide, B4-1.3-09, Adjustments to Comparable Sales \(01/31/2017\)](#)

Contract Amendments after the Appraisal is Completed

Previously, we required the lender to provide the appraiser with all amendments made to a sales contract, including amendments that were made after completion of the appraisal. With this update, we clarified when the

appraiser must be given updates to the sales contract and circumstances that warrant updates to the appraisal. For example, if the contract is amended in a way that affects the description of the real property used by the appraiser after the appraisal is completed, the lender must provide the updated contract to the appraiser and the appraisal should be updated. However, minor updates to the contract, such as changes to seller-paid closing costs or changes to the contract price, do not require an updated appraisal.

We also updated the policy to require disclosure of changes to financing information (e.g., loan fees and charges, subordinate financing provided by interested parties) to the appraiser only for purchase transactions.

What this means to you: Fewer revision requests means more time spent fulfilling other appraisal assignments.

Where to find it: [Fannie Mae Selling Guide, B4-1.1-05, Disclosure of Information to Appraisers \(12/31/2016\)](#)

Fannie Mae in the News

Zach Dawson and other industry leaders provided commentary about technology and how appraisers can navigate the new data-centric landscape. Read the [article](#) and listen to the [webinar](#).



Resources

- For more appraiser-directed information, bookmark the [Fannie Mae Appraisers](#) page.
- [Sign up](#) for *Selling Guide* updates and other Fannie Mae news.