

Appraiser Update

Periodic updates for residential appraisers serving Fannie Mae customers

Welcome to our first Fannie Mae Appraiser Update of 2021. As appraisal orders for mortgage lending continue at record-high volumes, we're raising the topic of whether it is time to hire a trainee to capture more of that volume for your business. Also in this edition, we highlight a variety of resources for appraisers, including our new appraisal risk management lender letter, recent videos and reference guides about ratings for property condition and quality of construction, and a video about the Uniform Appraisal Dataset (UAD) Redesign initiative. Plus, we provide answers to questions from appraisers about time adjustments and about our requirements for disclosing the lender/client on appraisal management company (AMC) orders.

Since our first publication in April 2017, more than 17,000 appraisers and mortgage professionals have signed up to receive the latest industry insights and policy updates from Fannie Mae. Thank you for your commitment to excellence!

Collateral Policy Team
Fannie Mae

In this issue

- 2 Is it time to take on an appraiser trainee?
- 3 Appraiser Q&A: Positive time adjustments, yes or no?
- 4 Lenders are responsible for appraisal review and AIR compliance
- 5 What goes in lender/client fields when an AMC is involved?
- 6 *Selling Guide* updates — manufactured homes
- 6 The UAD redesign vision
- 6 Clearing confusion on condition and quality ratings



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Is it time to take on an appraiser trainee?

The numbers are in! Appraisers had a prolific year in 2020, with over 8.6 million appraisals completed and submitted to the Uniform Collateral Data Portal® (UCDP®) — the most in a single year since UCDP was launched in 2011. That is 65% higher than the long-term average of 5.2 million appraisals annually and 39% higher than the previous peak of 6.2 million in 2019. Appraisers in many areas of the country are experiencing significant backlogs in fulfillment of orders. Fannie Mae’s Chief Economist Doug Duncan has predicted that while the housing market may slow a bit, he still expects another very strong year in 2021.

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Is now the time to think about growing your business by hiring a trainee appraiser? Fannie Mae strongly encourages lenders, AMCs, and appraisal businesses to utilize trainees, and our *Selling Guide* policy allows trainees “to perform a significant amount of the appraisal (or the entire appraisal if he or she is qualified to do so).” (See [Selling Guide B4-1.1-03, Appraiser Selection Criteria.](#))



Fannie Mae is doing more than just encouraging others to employ trainees. In fact, we have partnered with the Appraisal Institute and the National Urban League to create the [Appraiser Diversity Initiative \(ADI\)](#) to attract new entrants to the residential appraisal field, overcome barriers to entry (such as education, training, and experience requirements), and foster diversity. See one of our ADI scholarship winners talk about her experience [here](#), and reach out to us at ADPI_team@FannieMae.com if you’d like to get in touch with potential trainees.

ADI is certainly not the only way to identify potential trainees. Regardless of how you would go about it, we encourage you to give serious consideration to growing your business by hiring a trainee.



Appraiser Q&A: Positive time adjustments, yes or no?

We recently received a question from an appraiser regarding making positive time adjustments:

“I have been asked, as an appraiser, to make positive time adjustments in my appraisals due to the increasing market. I have always been informed by Fannie Mae that positive time adjustments are not acceptable. What is Fannie Mae’s policy?”



The short answer is that positive or negative time adjustments are allowed, as long as there is an explanation of the adjustment within the report. Below is an excerpt from the Date of Sale and Time Adjustments section of [Selling Guide B4-1.3-09, Adjustments to Comparable Sales](#).

“The date of sale and the time adjustment (market conditions) are critical elements in determining an

accurate value because the appraisal is based on a specific date in time (effective date of appraisal). The comparable sales being considered must be analyzed by the appraiser to determine if there have been any changes in market conditions from the time the comparable went under contract to the effective date of the appraisal. This analysis will determine whether a time adjustment is warranted. Adjustments may be either positive or negative depending on the market changes over the time period analyzed. Time adjustments should be supported by other comparables (such as sales, contracts) whenever possible; however, in all instances the appraiser must provide an explanation for the time adjustment in the appraisal report.”

Considering the abundance of market trend data available today, a time adjustment may be more precise and easier to derive than adjustments for physical differences.

Considering the abundance of market trend data available today, a time adjustment may be more precise and easier to derive than adjustments for physical differences. Using comparable sales that are the most like the subject property in terms of physical characteristics can result in a more credible appraisal with fewer adjustments overall, even when those sales require time adjustments.

Check out the link to the *Selling Guide* above for more information, and please reach out to us with your questions or comments using the “Contact us” button at the end of this newsletter, or from the Fannie Mae Appraisers page.



Lenders are responsible for appraisal review and AIR compliance



We issued a [Lender Letter](#) in January to remind lenders of our requirements for appraisal review, alert them to the top appraisal findings and defects, and reiterate their responsibility for compliance with [Appraiser Independence Requirements](#) (AIR). Key takeaways for appraisers include:

- Lenders must review appraisals for both value and accuracy. Common examples of inaccurate data that may be double-checked by lenders include the dwelling size, dwelling condition, unobserved encroachments, and undisclosed external influences.
- The top defects that we see on appraisals for loans sold to Fannie Mae relate to comparables, including comp selection and adjustments. Appraisers can minimize back and forth with their clients by explaining selection of comps that are physically distant from the subject and double-checking adjustments.
- The purpose of AIR is to ensure that lenders do not interfere in the professional judgment of the appraiser. Appraisers are not responsible for AIR compliance — in fact, lenders are the responsible party for AIR compliance. AIR should protect the appraiser from pressure from the lender.



What goes in lender/client fields when an AMC is involved?

Have you ever received a revision request to clarify the lender/client information in the appraisal report relating to an AMC? We've noticed some confusion about how to disclose when the order for a lender comes through an AMC.

Instructions for the lender/client fields can be found in [Appendix D](#) of the UAD for both the Subject and the Appraiser Certification sections.

- **Subject section:** The appraiser must enter the name of the lender. Any applicable AMC name should only be entered in the Appraiser Certification section.
- **Appraiser Certification section:** The appraiser must enter the name of the AMC in this field if the appraisal is ordered through an AMC. If no AMC is involved, 'No AMC' must be entered.



Our requirement exceeds (but does not conflict with) the minimum standard established by the Uniform Standards of Professional Appraisal Practice (USPAP). For example, FAQ 129 in the 2020 – 2021 edition of USPAP states, “If the AMC is acting as a duly authorized agent for a lender, identifying only the lender as your client is acceptable.”

To summarize, in the situation where an AMC is ordering the appraisal as an agent for the lender, Fannie Mae requires the name of the lender in the Subject section and the name of the AMC in the Appraiser Certification section. This fulfills the USPAP minimum standard while also complying with the Fannie Mae UAD standard.



Selling Guide updates — manufactured homes

Find out about single-width manufactured home (MH) eligibility and updates to photo requirements for all MH appraisals. [Learn more here.](#)

The UAD redesign vision

Have you heard about the Uniform Appraisal Dataset (UAD) and Forms Redesign initiative? Fannie Mae and Freddie Mac are collaborating to build on the success of the UAD to improve appraisal data quality and consistency, and we want to share our vision across the industry.



The UAD redesign is focused on retiring the existing appraisal forms and redesigning the Uniform Residential Appraisal Report (URAR) to reflect current value and market drivers. This is a multi-year undertaking and an industry collaborative effort involving many appraisers, lenders, and other industry stakeholders. With thanks to all who have contributed so far to developing the future state concept, Fannie Mae and Freddie Mac are pleased to share our vision through a new video.

View the video and other resources at www.fanniemae.com/UAD.

Clearing confusion on condition and quality ratings

Do you ever feel like it's hard to see the forest for the trees when it comes to property condition and quality of construction ratings? It's a longstanding myth that condition and quality ratings are interdependent or change based on location. That myth has now been vanquished by the Noble Appraiser, who is spreading the word that condition and quality ratings should be based solely on UAD standardized definitions and must reflect a holistic view of the property improvements.

Watch the Noble Appraiser clear the cloud of confusion around condition ratings and disentangle the trees of turmoil around quality of construction ratings in our two new videos. And for ongoing reference, download the two new reference guides on these topics with examples of each rating, all available on our [Appraisers page](#).

[View “The Quality Rating Trees of Turmoil” video](#)



[View “The Condition Rating Cloud of Confusion” video](#)





For more info



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