



Fannie Mae®

DECEMBER  
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## In this issue

# Appraiser Update

### Periodic updates for residential appraisers serving Fannie Mae customers

Welcome to our December 2021 Fannie Mae Appraiser Update. In this edition, we tackle some tough topics that have been in the news lately.

First, we look at the results of our recent survey of appraisers about bias and share suggestions from survey respondents on how to increase your credibility.

Our profession is experiencing its own version of supply chain issues, so we review when a trainee can, and must, sign the appraisal report. We also share some analysis of the quality of work done by trainees.

Finally, we touch on recent changes to our requirements for addressing significant deferred maintenance, unsafe conditions, special assessments, and reserve requirements when appraising condos and co-ops.

Our goal is for this newsletter to be a valuable resource for you, so please [let us know](#) what topics you want to see in future newsletters.

Collateral Policy Team  
Fannie Mae

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# Thank you for responding

In our September 2021 edition, we asked for your input on the topic of appraisal bias. We sincerely thank the over 1,500 of you who took the time to provide your thoughts. Several of the survey questions allowed free-form commentary for the responses; rest assured, we have read every one. We then categorized them into themes to understand trending ideas. We'll break the survey down and provide you with some details on the results in this and future newsletter editions.

We'll start with the question, "What can appraisers do to decrease racial bias in appraisals and incidents that increase reputational risk for the profession?" More than 1,000 of you provided commentary around this question, with 49% offering suggestions for appraisers. Several themes were evident in the suggestions. The most frequent was for appraisers to stick to the facts and promote objectivity in appraisals. A close second was for appraisers to improve self-awareness of real or perceived biases. Third was for appraisers to conduct themselves with professionalism when interacting with clients and homeowners.

One appraiser commented, "Stick to the facts that relate ONLY to valuation (e.g., tenant-occupancy rates, foreclosure rates, prevalence of seller concessions) and

use statistical evidence and data reports to support value ranges for neighborhoods. And be respectful and professional in words, dress, and attitude when viewing properties."

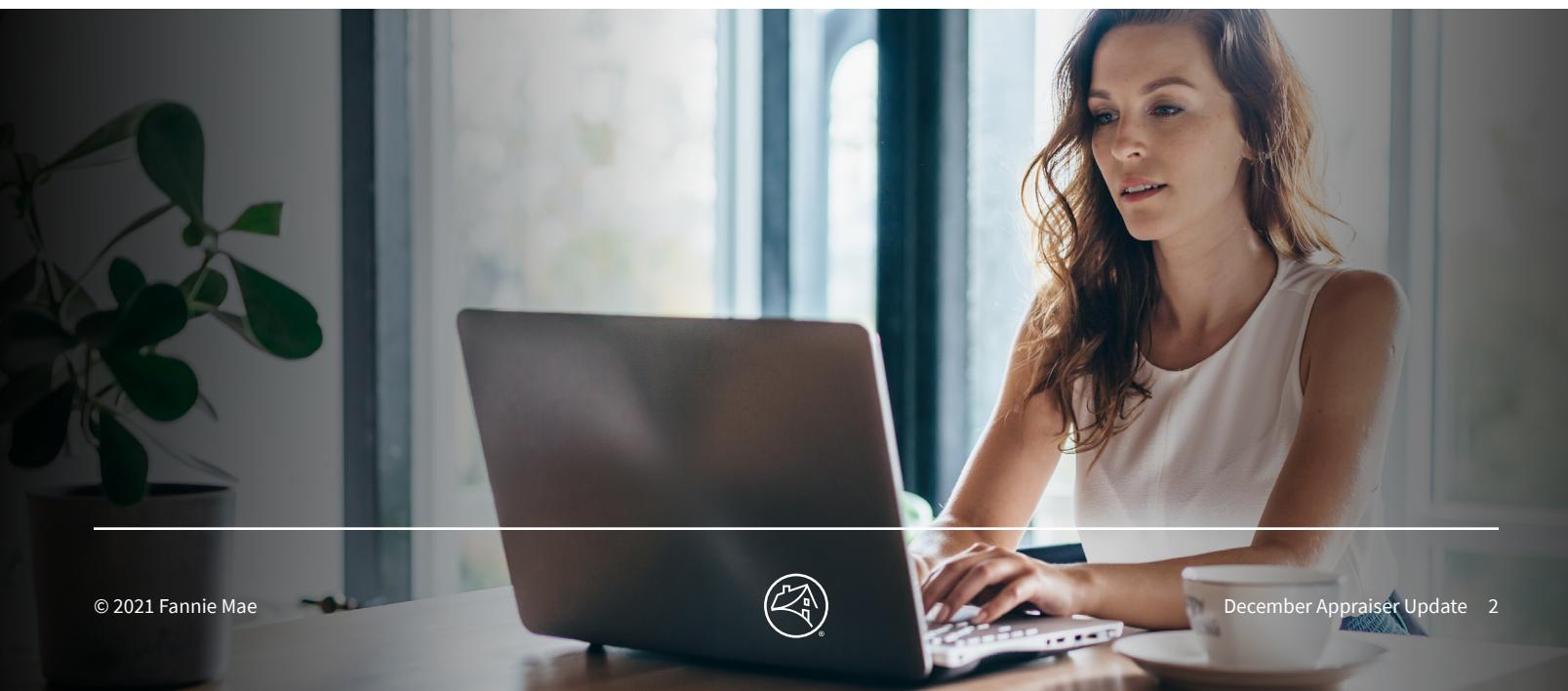
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These three themes encompassed 48% of your suggestions, with the remaining categories each comprising 15% or less of the suggestions. Other themes include seeking self-development from education and mentoring, educating the public about appraisal processes, showing proof for appraisal conclusions within appraisal reports, following the USPAP Ethics rule, and increasing diversity in hiring.

Next time, we'll dive into your advice for Fannie Mae and report back to you on how we are working to implement your ideas. Thank you again for the many detailed and insightful comments. Your feedback is always valued, so please let us know your thoughts using the contact us button on the Appraisers page and in every newsletter.



# When can a trainee sign on the left?

Although Fannie Mae requires appraisals to be performed by state-licensed or state-certified appraisers, did you know we allow an unlicensed or uncertified appraiser, trainee, or other similar classification (for simplicity, we'll refer to them as the "trainee") to perform the entire appraisal if they are qualified to do so (if it is acceptable under state law)?

The key to reconciling these seemingly contradictory policies is, of course, that two appraisers participate: the trainee is supervised by a state-licensed or -certified supervisory appraiser in accordance with state laws.

So when can a trainee sign on the left as the appraiser? The answer is in [\*\*Selling Guide B4-1.1-03, Appraiser Selection Criteria\*\*](#). It explains that the person who signs on the left as the appraiser is the person who:

1. Personally inspected the property being appraised,
2. Inspected the exterior of the comparables, and
3. Performed the analysis.

Note that we allow qualified trainees to inspect properties without supervision. When the trainee has done these three things, they not only can, but must, sign on the left.

The Fannie Mae *Selling Guide* explains the signature requirements (and an important limitation) for the supervisory appraiser:

"...[T]he supervisory appraiser does not need to physically inspect the subject property or comparables, but must sign the right side of the report and certify that he or she:

- Directly supervised the (trainee) appraiser that prepared the appraisal report,
- Has reviewed the appraisal report, agrees with the statements and conclusions of the (trainee) appraiser,
- Agrees to be bound by certifications as set forth in Fannie Mae's appraisal report forms, and
- Takes full responsibility for the appraisal report.

A supervisory appraiser *may not sign the left-hand side of the appraisal report unless* they have met all the requirements described above for the appraiser: personally inspected the subject property, inspected the comps, and performed the analysis. (Italics added for emphasis.)

Since it is only possible for one person to perform the analysis for a particular appraisal assignment, there should never be any uncertainty as to who must sign on the left.

## Watch: The Trainee Trepidation

Have you thought about taking on an appraiser trainee but hesitated? Watch the Noble Appraiser face some of the struggles both appraisers and lenders have on the topic of trainees.

The Noble Appraiser Series

### The Trainee Trepidation

[View The Trainee Trepidation video](#)  
[View the Noble Appraiser series](#)





## Updated condo and co-op appraisal requirements

In response to concerns about aging infrastructure and projects with significant deferred maintenance, we've issued additional requirements that impact the eligibility of condo and co-op projects. They are designed to protect borrowers from physically unsafe or financially unstable projects while prudently managing risk. The requirements address significant deferred maintenance and unsafe conditions, special assessments, and reserve requirements.

Appraisers must document any special assessments or significant deferred maintenance that may impact the unit's safety and soundness or marketability or the financial stability or physical safety of the overall project and its amenities.

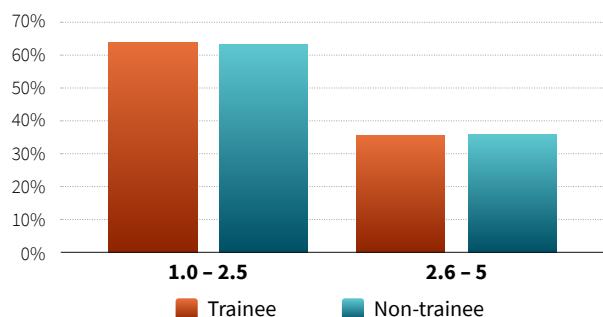
View [Appraising and underwriting condo and co-op projects](#) to see both appraiser and lender responsibilities, with links to resources. Also refer to the [September 2021 Appraiser Update](#) (p. 3) for more guidance regarding special assessments and deferred maintenance.

# Appraiser trainees by the numbers

Establishing a supervisor relationship is one of the largest hurdles for new entrants to the appraisal profession. The challenge increases when clients don't accept work from trainees. Anticipating that some lenders may have risk concerns about the quality of work performed by trainees, we've analyzed several metrics that shed light on their performance relative to licensed/certified appraisers (referred to below as "non-trainees").

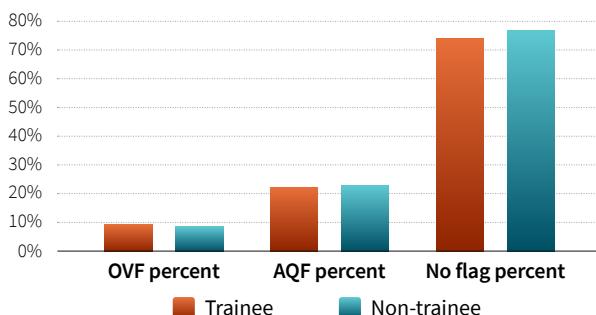
The Collateral Underwriter® (CU®) risk score provides one measure of comparison, using results for non-trainees as a benchmark. Figure 1 shows the distributions of risk scores across lower risk (1 – 2.5) and higher risk (2.5 – 5) ranges. They are nearly identical for trainees vs. non-trainees.

**FIGURE 1: TRAINEE VS. NON-TRAINEE RISK SCORE DISTRIBUTION, 2015 – 2021 (YTD)**



CU flags are another metric for comparison. The flags signal characteristics of an appraisal that contribute to higher risk scores, such as potential overvaluation (OVF) or quality concerns (AQF). Figure 2 shows the percentage of OVF is higher for trainees, while the percentage of AQF is slightly lower for trainees vs. non-trainees. In short, trainee flag rates are similar to non-trainee.

**FIGURE 2: TRAINEE VS. NON-TRAINEE CU RISK FLAGS, 2015 – 2021 (YTD)**



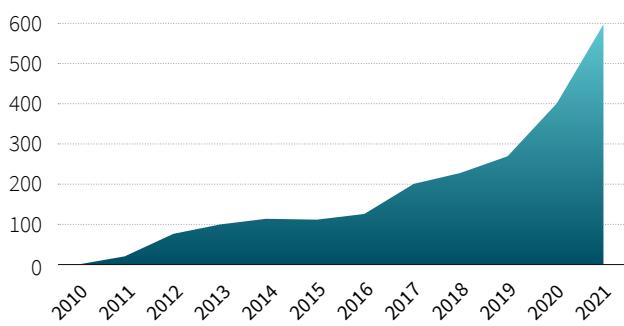
Another way we can measure quality is through Fannie Mae's post-acquisition loan review results. Table 1 shows the finding rates for trainees vs. non-trainees in our random review population are nearly equal. It is reassuring to see the data showing there is little difference in quality between trainees and non-trainees — but this shouldn't be surprising if the supervisory appraisers are serious about their role of mentoring trainees.

**TABLE 1**

CATEGORY	TRAINEE	NON-TRAINEE
Finding rate	14.3%	15.2%

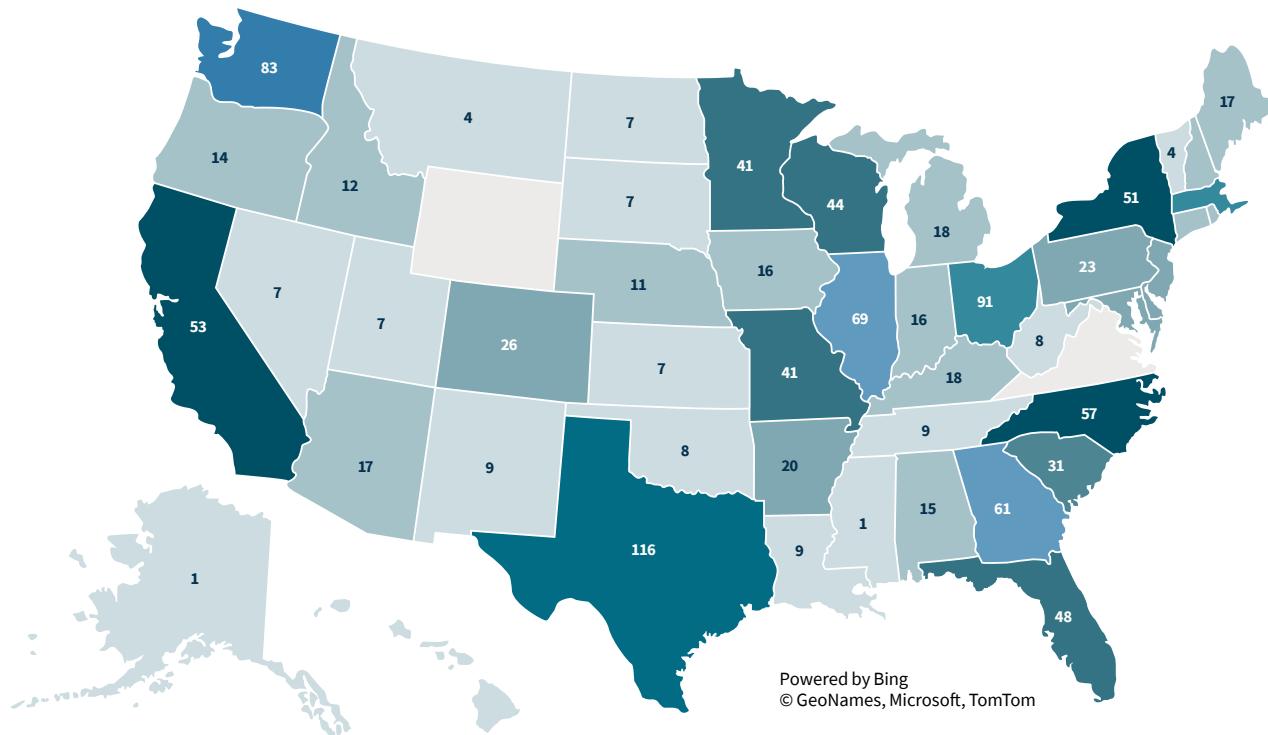
Also encouraging, the number of trainees observed in Uniform Collateral Data Portal® (UCDP®) submissions has increased year over year since 2010 (Figure 3). It grew by ~150%, from 399 in 2020 to 594 in 2021, an increase of 195 new trainees. That said, there is room for a lot more growth; presently, trainees complete just one-half percent of all the appraisals received in UCDP.

**FIGURE 3: APPRAISER TRAINEE TREND BY YEAR, 2010 – 2021 (YTD)**



Texas, Ohio, and Washington have produced the largest number of trainees since 2010 (Figure 4), with Texas leading all other states in volume of trainee appraisals submitted since 2020.

**FIGURE 4: TRAINEE COUNTS BY STATES UCDP SUBMISSIONS, 2010 – 2021 (YTD)**



In summary, our analysis indicates that supervisory appraisers are doing a good job of mentoring trainees, resulting in appraisal quality that is on par with the overall profession. These findings should help alleviate fears of appraisers looking to hire a trainee as well as lenders who are apprehensive about allowing trainees to perform appraisals.

## For more info



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