



## Appraiser Update

*Periodic updates for residential appraisers serving Fannie Mae lender customers*



Welcome to the second edition of the *Fannie Mae Appraiser Update*. Since our first publication in April, more than 9,000 appraisers and mortgage professionals have signed up to receive the latest industry insights and policy updates from Fannie Mae. As 2018 is fast approaching, it's important to review the progress we've made in 2017 and also look at what the future of the appraisal industry holds. Embracing technology and analytics not only improves the field appraiser's operational efficiency, but increases transparency and produces more reliable results.

A big **Thank You** for your commitment to arming yourself with the latest information and providing your clients with the best in appraisal quality! My Fannie Mae colleagues and I wish you a happy holiday season and a successful 2018.

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## Hot Topics

### Collateral Disaster Relief Policies

Natural disasters such as recent hurricanes and the California wildfires have prompted increased questions about Fannie Mae’s disaster policies. Here are two of the most common appraisal-related questions:

**Q. If the property sustained minor damage and the borrower chooses not to replace or repair the item(s), is the loan eligible for delivery to Fannie Mae?**

A. Yes. So long as the repair item(s) do not impact the value and/or soundness, safety, or structural integrity of the property.

**Q. Is it acceptable for appraisers to use the Catastrophic Disaster Area Inspection Report (CDAIR) for re-inspections?**

A. We are not prescriptive as to which mechanism the appraiser uses to determine the property condition. It needs to be sufficient for the lender to warrant “that the property is not damaged by fire, wind, or other cause of loss.”

For additional information and resources, see the full [Disaster Relief FAQs](#).

### Property Inspection Waiver (PIW) – UPDATE

Effective August 19, 2017, we responded to market changes by allowing PIW offers on certain purchase transactions to complement our existing PIW offer for refinance transactions.

As expected, the mortgage industry at large has been focused on the potential business impact to appraisers.

#### So, what are the facts?

Let’s focus on purchase transactions. An estimated 5% of one-unit attached, detached, and condominium

purchase transactions underwritten in Desktop Underwriter® receive a PIW offer. Based on historical analysis, we expect roughly half or less of those offers on purchase transactions to be accepted.

Buying a home is often the biggest decision a person will make in their lifetime. Naturally, many buyers include an appraisal contingency in the purchase contract. Fannie Mae will always support the buyer’s right to obtain an appraisal.

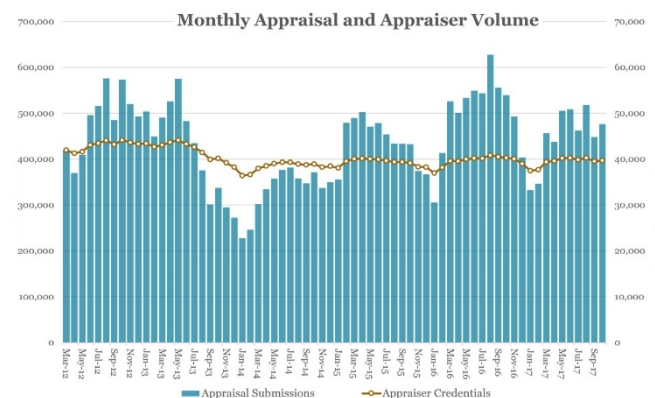
Remember, PIWs aren’t new. We have offered this time and cost savings to lenders and borrowers for over 15 years. After a model change in December 2016, the PIW solution leverages prior appraisal data and the power of CU™ to make PIWs available to a broader geographic and borrower profile.

Learn more about [Property Inspection Waivers](#).

### Is there an Appraiser Shortage?

You don’t have to search long to find an abundance of blogs and articles relating to waning appraiser volumes across the United States. In the summer of 2016, lenders and borrowers reported extended turn-times and rising appraisal fees, so we took an in-depth look.

The chart below shows appraisal volumes peaked in August 2016 with more than 627,000 CU appraisal submissions – a 44% increase from the year prior.





However, the number of appraisers submitting those appraisals only increased roughly 4% for the same time period.

Overall, the number of active appraisers has been steady for several years, suggesting that there is not necessarily an appraiser shortage at a national level but rather highly variable demand for their appraisal services which can create volatility in turn-around times and costs for their client.

While we don't see an immediate shortage, the aging appraiser population and lack of new entrants may become a problem – and Fannie Mae is committed to helping the industry solve it. We will continue to partner with our lender customers, trade organizations, and other appraisal industry stakeholders to monitor volumes and offer alternative solutions – like PIWs – where appropriate.

## Collateral Underwriter Stats

### CU Messages

In the first appraiser newsletter, we reported Q4 2016 results for various discrepancy messages in Collateral Underwriter® (CU™). Most notably, 47.5% of appraisals had one or more data discrepancy message(s), and 42.9% of appraisals had one or more adjustment message(s). While Q4 2017 has not come to a close, our preliminary analysis shows a 5.2% drop in data discrepancy messages and a 2.1% drop in adjustment messages from Q4 2016.

Correct and complete data is essential to establishing a credible opinion of value. Do your part by taking the necessary steps to ensure the data in your reports is accurate and consistent.

For more information on CU scoring, messages, and functionality, visit the [Fannie Mae CU page](#).

### Resubmission Rates

Appraisals with a CU risk score of 2.5 or lower have remained steady throughout 2017. Approximately 64% of appraisals analyzed by CU were eligible for value representation and warranty relief. As previously reported, we observed a decline in resubmissions when we piloted value representation and warranty relief, and we've seen similar results since Certainty on Appraised Value was implemented. In April 2017, resubmission trends peaked for appraisals with a CU risk score of 2.5 or lower at a rate of 35%. As of November 2017, that rate dropped 3 points to 32%.

**What this means to you:** That's an additional 342,162 appraisals with no revision requests in one month alone!

Learn more about [Certainty on Appraised Value](#).

## Tips for Appraisers

### Permitted vs Allowable

We sometimes see the word "permitted" used to describe whether an existing use is allowable by the local zoning board. Yet, other times we see it used in reference to a building permit for an addition or modifications made to a home.

This mixed usage of the same word can result in tremendous difficulty for your client who is trying to determine whether a subject property meets the property eligibility criteria set forth in the [Fannie Mae Selling Guide](#).

**Knowing the difference:** If the current use of a property is not allowable within the property's specific zoning district, the use is considered illegal and ineligible for delivery to Fannie Mae. However, the mere absence of a building permit does not render the property ineligible for delivery and only requires the appraiser to comment on the quality and appearance of the work and its impact on the market value.



**What you can do:** Use the word “permit” or “permitted” carefully in the proper context in your appraisal report.

**Where to find it in the *Selling Guide*:**

[B4-1.3-05: Improvements Section of the Appraisal Report \(10/24/2016\): Additions without Permits](#)

[B4-1.3-04: Site Section of the Appraisal Report \(02/23/2016\): Subject Property Zoning](#)

[B4-1.3-04: Site Section of the Appraisal Report \(02/23/2016\): Highest and Best Use](#)

**Unit Number Field on Condo Form 1073**

In 2017, our team has observed many instances of the condo unit number entered incorrectly on form 1073. We commonly see the condo unit number field completed with “0”, “N/A.” or left blank. Appendix D: Field-Specific Standardization Requirements states:

*“During the appraisal process if an appraiser determines that a unit number is not available for a property known to be a condominium, the appraiser must put a “-“ in the unit number field.”*

**What this means to you:** Entering the unit number incorrectly may have unintended consequences such as a higher CU risk score. As a best practice, double-check that you have entered all UAD standardized fields correctly in your appraisal report. This saves you and your client time and money in the long run!

**Where to find it:** [Field-Specific Standardization Requirements](#)

## Coming in 2018

### Direct Appraiser Webinars

You asked, and we are delivering! Get a demo of Collateral Underwriter and learn how we train lenders on using the application to increase transparency and improve efficiencies in their appraisal review process.

*Sign up for [email notifications](#) (if you're not already receiving appraisal updates) to get an invitation!*

### Duty to Serve

As part of the Duty to Serve Underserved Markets rule issued by the Federal Housing Finance Agency (FHFA), we are doing more to improve access to mortgage financing for low-income households. Two of the three housing markets that pose persistent challenges are manufactured housing and rural housing. Here are some things we're working on for 2018:

- Updates to our Appraising Rural Properties online tutorial
- An *Appraiser Update* section devoted to addressing appraisal concerns in rural markets
- Lender-partnered webinars geared towards rural markets and manufactured housing
- An enhanced manufactured housing loan product

Learn more about Fannie Mae's [Duty to Serve](#) plan.

## Connect with Us!



## Resources

- For more appraiser-directed information, bookmark the [Fannie Mae Appraisers](#) page.
- Find answers to your appraisal policy questions in the [Selling Guide](#).
- [Sign up](#) for *Selling Guide* updates and other Fannie Mae news.