

Appraiser Update

March 2019

Periodic updates for residential appraisers serving Fannie Mae lender customers

As we hinted in the last edition of this newsletter, Fannie Mae has begun testing new processes and technologies in the collateral risk management space. You may have heard some buzz about a “1004P” form or a desktop appraisal process. In this edition, we share an overview of what we’re working on and what those terms mean to us.

We also update you on the appraiser training resources available for MH Advantage® and give a real-life example of a question received through our appraiser mailbox.

Our team will be at several upcoming appraisal industry events, including the Valuation Expo in Chicago in March, ACTS in Salt Lake City in April, AARO in Denver in May, and NAR in Washington, DC in May, and the Appraisal Institute Annual Conference in Denver in July. We hope to see many of you in the coming months at one or more of these events!

Collateral Policy & Strategy Team
Fannie Mae

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What appraisers need to know about property data collection

Lately, you may have heard buzz about modernizing the appraisal process or related terms such as property data collection (PDC), desktop appraisals, form 1004P, and disclosures of significant professional assistance. We're going to give you the inside scoop on what Fannie Mae is testing in the appraisal space and what these terms mean to us.

Appraisal Modernization

Each year, the Federal Housing Finance Agency (FHFA) creates a "scorecard" that lays out key objectives they expect us to accomplish during the year. Since 2018, our scorecard objectives have included appraisal modernization, with two areas of focus. First, we are to collaborate with Freddie Mac on updating the Uniform Appraisal Dataset (UAD) and the appraisal forms. Second, we're directed to work independently on modernization of the appraisal process. To achieve the scorecard objective, we have been testing a variety of technologies and methodologies that could enhance our ability to manage collateral risk and make the process more efficient for lenders, borrowers, appraisers, and investors.

Property Data Collection (PDC)

The first thing we're testing consists of new ways to obtain descriptive data for properties that secure the loans we acquire. The test includes mobile apps that guide a property data collector to generate a robust

and accurate set of data elements, photos, and floor plan. This descriptive data and supporting exhibits are delivered to Fannie Mae. We use it to analyze the collateral risk associated with the loan application and then issue a message to the lender prescribing the level of collateral validation needed for the loan to be eligible for delivery to us. Additional aspects of this test include experimentation around what data elements are most important for measuring collateral risk and who does the best job of collecting accurate data.

Desktop Appraisal

In many cases, our analysis determines that an appraisal is the necessary level of collateral validation needed from the lender. We are testing the performance of a desktop appraisal informed by the photos, measurements, and other facts about the subject property that were previously collected. The scope of work, limiting conditions, and certifications in the existing URAR appraisal form (1004) are not suited to these desktop appraisals, so for our test we created a modified version of the 1004 that we call a "1004P."

Scope of Work and USPAP

Since the appraiser is using data collected by someone else to perform the desktop appraisal, one question that we've heard is whether this requires disclosure of significant appraisal assistance as described in USPAP (see Standards Rule 2-2). While this is ultimately a decision the appraiser must make, we share a bit of our perspective below.

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The important thing to keep in mind is that the property data collection happens prior to, and completely independent of, the appraisal assignment. In fact, the property data collection is finished and delivered to Fannie Mae before we determine if an appraisal is required. Also important to recognize is that the information provided to the appraiser from the PDC is purely factual data. The PDC does not involve formation of any opinions. It is in the same class with other third-party data sources that appraisers routinely rely on (e.g., survey, flood map, MLS record, blueprint, zoning map, public record).

We've also considered this new process in light of USPAP Advisory Opinion 31. It says, “[a]n appraiser often uses assistance that does not constitute significant appraisal assistance. Although it is the appraiser’s responsibility to determine the role of any individual providing assistance, tasks such as, but not limited to, writing down measurements the appraiser provides when measuring a structure, taking photographs of the subject property, and providing clerical duties are not considered significant appraisal assistance.”

As we see it, surveyors, FEMA flood engineers, listing agents, architects, zoning officers, tax assessors, etc., are not disclosed as providing significant appraisal assistance in the scope of work because (1) they work completely independently of the appraiser,

and (2) they do not participate in developing the appraiser’s opinion of value. Property data provided to the appraiser works exactly the same way: it is strictly observation, measurement, and fact. The collector of the data does not participate in the development of the professional opinion of value, so the appraiser would not need to identify the person who collected the property data as having provided professional assistance. However, the appraiser would need to disclose the use of the property data and does need to disclose any extraordinary assumptions necessary to support that usage.

Again, the assigned appraiser must make the ultimate decision here. But as we see it, the PDC process should work well within the existing USPAP requirements. This video from the Appraisal Foundation, [Inspections & Hybrid Appraisal Assignments Q&As](#), is a great resource on this topic.

Learn how to appraise MH Advantage homes

Have you heard about MH Advantage®? It’s an innovative new homeownership option that pairs affordable financing with specially designated manufactured housing having characteristics typical of site-built homes. Our [December 2018 newsletter](#) reviewed some of the appraisal requirements for MH Advantage. To find out more, view this new [MH Advantage eLearning course](#) and get a quick view of the appraisal requirements with [this overview](#).

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Responding to your questions

Did you know there is a “Contact Us” option on the [Fannie Mae Appraisers page](#)? We want to hear from you.

Here is a question we received from an appraiser with our response below:

“I've been asked to appraise a new manufactured home, which has just been completed on a 13-acre parcel. The lender wants an appraisal on just the manufactured home, purchased by the borrower. The lender has asked that the 13-acre lot (owned by the borrower free and clear for years) not be included in the appraisal. The lender insists this is a purchase and not a refinance. Please advise.”

Fannie Mae Response: Since the subject is a new manufactured home, our manufactured home guidelines in *Selling Guide* [B4-1.4-01](#) apply. This requires the appraiser to develop an opinion of value on the characteristics of the subject property (home), site, and any other site improvements. To develop the cost approach, the appraiser needs to know the site value. Further, *Selling Guide* [B5-2-02](#), Manufactured Housing Loan Eligibility (06/15/2018), states that the mortgage loan must be secured by both the manufactured home and the land on which it is situated, and both the manufactured home and the land must be legally classified as real property under applicable state law. So, the appraisal must include both the home and the land as a package.

Purchase money transactions are those in which the mortgage proceeds are used to finance the purchase of the manufactured home or the manufactured home and the land. The land may be previously owned by the borrower, either free of any mortgage or subject to a mortgage that will be paid off with the proceeds of the new purchase money mortgage. The borrower does not receive any cash back with a purchase money transaction. A refinance is used to pay off existing liens on the home and land.



Contact Fannie Mae about Appraisal Topics

Use the "[Contact Us](#)" form to share what's on your mind and submit feedback and questions on appraisal topics.

Connect with us! We'll be at

Valuation Expo
Chicago • March

ACTS
Salt Lake City • April

**Appraisal Institute
Annual Conference**
Denver • July

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