



Appraiser Update

June 2019

Periodic updates for residential appraisers serving Fannie Mae lender customers

In this issue, we continue our focus on the future with articles about careers in the appraisal profession and our policy regarding trainees. We also have an update on the progress of the Uniform Appraisal Dataset (UAD)/Forms Redesign project. Our article from last time about property data collection generated questions from our readers, so we answer some of those questions here. Look for us at the Appraisal Institute annual conference in July, Appraisal Summit in September, and the Val Expo from September-October – we hope to see you there!

Collateral Policy Team
Fannie Mae

IN THIS ISSUE

Highlighting residential appraiser careers	2
UAD and appraisal form redesign update	2
Appraisers play an important role in property data collection	3
Appraiser quality monitoring and the use of appraiser trainees	5
Value representation and warranty relief	6

Interested in receiving this newsletter and other periodic appraisal-related updates? [Sign up now!](#)



Highlighting residential appraiser careers



It's an exciting time to be a real estate appraiser, and we continue to collaborate with the appraiser community to encourage new entrants into the profession. Fannie Mae has been working with industry stakeholders, including the National Urban League, Altisource, and McKissock Learning, to spread the word to promising future appraisers about appraisal career opportunities.

Appraisers are investigators: diligent experts who form professional opinions about the market value of a property. With new technology in use and future innovations in development, individual appraisers have job flexibility that allows them to work the way that best fits them. As a result, one appraiser's career path may look very different from another's — what is yours like? Take a moment to watch [this video](#), which highlights two different, yet equally rewarding options, and see where your current career fits in (or where else it can go!).

Consider taking on a talented new trainee and spreading the word yourself — the future is only as bright as the light you shine on the next generation.

UAD and appraisal form redesign update



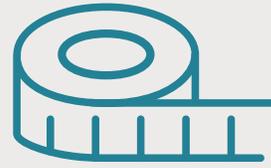
As you may have heard, Fannie Mae and Freddie Mac are collaborating, with the help of industry insiders like you, to update the appraisal dataset and overhaul our appraisal forms to establish a more flexible, dynamic structure for residential appraisal reporting.

In 2018, we conducted preliminary data gathering from key industry stakeholders — including appraisers, lenders, appraisal management companies (AMCs), government agencies, and trade organizations — to identify pain points, gather requirements, and gain insights from industry.

In May we conducted a survey to get input from a larger pool of industry stakeholders that will help us further refine our plans for updating the dataset and forms. Many thanks to the 3,000+ people who took the time to complete the survey. We value your insights and appreciate your assistance. For more information on this initiative, visit the [UAD web page](#).



Appraisers play an important role in property data collection



Our March *Appraiser Update* described how we are modernizing the appraisal process by updating the Uniform Appraisal Dataset and testing new ways of collecting data. We received many responses and would like to address some of the top questions.

Q. How do I become a property data collector?

Appraisers are a natural fit for property data collectors. Let's be clear: in our testing, appraisers are the primary providers of property data collection services, and we anticipate that will continue. Our process requires new technologies (e.g., mobile apps, QC platforms, API connections) so appraisers need to have a technology partner.

Several industry service providers have built the technology and are participating in the test. The best way to get involved is to affiliate with these companies. They are actively recruiting appraisers to provide property data collection services. We will release a list of participating service providers in a future communication.

Q. As the appraiser, am I accountable if the property data collector doesn't accurately capture data?

As a risk management company, accurate property data is of utmost importance to us. It leads to better risk management decisions and business performance. With that in mind, we've developed a robust property data standard and collection process. We require service providers not only to ensure that property data collectors are sufficiently trained, but also to perform loan-level quality assurance before submitting data to us.

All new service providers go through an initial trial period. We work closely with them during the trial to enhance their training, technology, and quality assurance process to ensure they meet our standards. During the trial, our REO appraisal team reviews a large portion of their new property data submissions daily. Within 24 hours, we give them feedback on any issues with the expectation they will be passed on. This enables the property data collector to incorporate feedback while the assignment is still fresh. ►



So far, the property data we see is generally consistent with the quality of data that appraisers provide in appraisal reports. Still, no human process is infallible. The desktop appraiser should use any available resources, including the photos provided, to fill in gaps, correct errors, or reconcile inconsistencies. This is certainly not a new problem for appraisers—you see contradictions between data sources such as MLS and public records every day, and you exercise professional judgment in determining which data is most reliable. The task here is the same: if a data source conflicts with property data collection, we expect you to ascertain which source is more credible and rely on that. Naturally, you'll need to disclose and support that decision with factual, logical arguments in the appraisal report.

We don't expect appraisers to be accountable for someone else's property data collection, but USPAP does require appraisers to be accountable for appraisal development and reporting.

Q. Some state regulators have expressed concerns about appraisers relying on property data collected by others. What do I need to do to be compliant?

The Appraisal Foundation video, [“Inspections & Hybrid Appraisal Assignments Q&As,”](#) provides great insights into this. One key is to recognize that, in our test process, property data collection is not part of the appraisal assignment. At the time of the property data collection, it is not yet known if an appraisal will be needed. The purpose of the property data collection is to inform the Desktop Underwriter® (DU®) decision logic. The property data collector is not assisting in an appraisal assignment any more than a real estate professional creating an MLS listing or an engineer creating a flood map.

After receipt of a completed property data file, if DU determines that an appraisal is needed, then we require the lender to share the property data with the appraiser. This is consistent with our *Selling Guide* [B4-1.1-05](#) that states: “Any and all information about the subject property that the lender is aware of must be disclosed to the appraiser.”

USPAP states that “Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work...The scope of work is acceptable when it meets or exceeds: the expectations of parties who are regularly intended users for similar assignments; and what an appraiser's peers' actions would be in performing the same or a similar assignment.”

Since the lender is a sophisticated intended user already in possession of the property data, it makes sense to incorporate the property data into the scope of work. And, rest assured, thousands of other appraisers have performed tens of thousands of similar assignments. ►



Part of what makes an appraisal credible is transparency — honest acknowledgement of the scope of work and limiting conditions. All appraisals have some limiting conditions; appraisers can't possibly know everything about a property or market. USPAP gives you tools like the scope of work rule and the extraordinary assumption that enable you to produce credible results in a world full of unknowns.

Appraiser quality monitoring and the use of appraiser trainees



Did you know that Fannie Mae allows the use of appraiser trainees? Using trainees is a recognized practice that can enable appraisers to expand their business; however, Fannie Mae's Appraiser Quality Monitoring (AQM) team has found these common mistakes by appraisers employing trainees:

- Failure to disclose professional assistance
- Comments on professional assistance that do not fully meet Fannie Mae's documentation requirements

Over the past six months, 52% of cases reviewed by the AQM team involved improper disclosures of professional assistance. We notify appraisers of the deficiencies and give them a time frame to demonstrate improvement. If we do not see improvement, escalations are possible, including subjecting the appraiser's work to 100% QC review by Fannie Mae.

Our *Selling Guide* requires that an appraiser trainee (or similar classification) sign the left side of the certification if:

- he or she performs a significant amount of the appraisal (or the entirety, if qualified)
- he or she is working under the supervision of a state-licensed or state-certified appraiser as an employee or subcontractor, and
- it is acceptable under state law.

If all these conditions are met, the supervisory appraiser must sign the right side of the report but does not need to physically inspect the subject property or comparables. Alternative methods of disclosure (e.g., a comment in the body of the appraisal) may be used as a supplement to the appraiser trainee signing the certification; however, supplemental disclosures cannot be used as an alternative to signing the left side of the appraisal.

See these additional resources to help you comply with our *Selling Guide* requirements:

- [Fannie Mae Selling Guide B4-1.1-3, Appraiser Selection Criteria](#)
- [Appraisers page](#)
- [Appraisal and Property-Related FAQs – Q7](#)



This summary is intended for reference only. All criteria are subject to the formal terms and conditions of the Fannie Mae *Selling Guide*. In the event of any conflict with this document, the *Selling Guide* will govern.



Value representation and warranty relief



You probably know that Collateral Underwriter® (CU®) is our automated appraisal risk management tool. As part of our Day 1 Certainty® initiative, appraisals with CU risk scores of 2.5 or less qualify for representation and warranty (rep and warrant) relief on appraised value; lenders remain responsible for the subject property description (including condition and quality ratings) and property eligibility.

The reason we grant relief on value but not on property description and eligibility is that CU

depends on the appraisal for its description of the subject property (see *Selling Guide* [B4-1.3-06](#)). This includes items of damage or deferred maintenance that could affect safety, soundness, or structural integrity. Some examples are damaged roofs, evidence of foundation settlement, infestation, and dampness. If the description of the subject property in the appraisal report is inaccurate or neglects to call attention to eligibility issues, it could impact the CU risk score, invalidate the rep and warrant relief, and expose the appraiser's client (the lender) to repurchase risk.



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!

Appraisal Institute Annual Conference
Denver • July

Appraisal Summit
Las Vegas • September

Val Expo
Las Vegas • September-October

This summary is intended for reference only. All criteria are subject to the formal terms and conditions of the Fannie Mae *Selling Guide*. In the event of any conflict with this document, the *Selling Guide* will govern.