



Appraiser Update

Periodic updates for residential appraisers serving Fannie Mae lender customers



The pace of change due to technological innovation seems to be ever increasing and is certainly impacting both Fannie Mae and the appraisal industry. Our regulator, FHFA, has tasked us in our 2018 scorecard with exploring appraisal modernization. In this edition of the *Fannie Mae Appraiser Update*, we'll talk about what that means. We'll also cover recent changes to the Appraiser Qualifications Criteria and to Fannie Mae appraisal policies. You may appreciate the insights shared in our **AQM Update**. Also be sure to check out **Rural Round Up** for tips on appraising properties with agricultural attributes, and **New in 2018** for new ways to connect with us. We view engagement and collaboration with appraisers as essential to our success at Fannie Mae and to the housing industry as a whole. We hope you find this latest newsletter edition to be informative and useful. We appreciate your commitment to quality and your dedication to the appraisal profession!

Collateral Policy & Strategy Team
Fannie Mae

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Hot Topics

Real Property Appraiser Qualification Criteria

In February 2018, the Appraiser Qualifications Board (AQB) adopted changes to the [Appraiser Qualification Criteria](#) effective May 1, 2018.

At Fannie Mae, we are encouraged by the newly provided flexibilities and alternative pathways to licensure aimed at reducing barriers to entry into the appraisal profession.

While there is no change to our Appraiser Selection Criteria policy, here are a few friendly reminders to ensure your appraisals are in compliance with Fannie Mae guidelines:

- If you are an appraiser trainee and have provided significant professional assistance toward the appraisal assignment, be sure to sign the left side of the appraiser certification as the Appraiser.
- If you are a supervisory appraiser, Fannie Mae does not require you to physically inspect the subject or the comparables, but you must sign the right side of the appraiser certification and take full responsibility for the appraisal report.
- Appraisers must have the requisite knowledge of the specific location and property type to complete a professional quality appraisal.
- Appraisers must have the requisite knowledge and access to appropriate data sources to complete an appraisal assignment.

Where to find it: [B4-1.1-03, Appraiser Selection Criteria \(01/31/2017\)](#)

Appraisal Modernization

In December 2017, FHFA published the **2018 Scorecard** to support increased access to credit and market liquidity in a safe and sound manner. Among other scorecard goals, the research and planning for appraisal process modernization was included as a key objective.

While we are only in the early planning stages of this multi-year initiative, rest assured your feedback matters! In the coming months, be on the lookout for ways you can get involved in shaping the future of the appraisal industry.

Here are some recommendations for how you can prepare to be part of the conversation:

Be Nimble

Your ability to embrace change, adapt, and learn new technologies is essential for an informed dialogue.

Keep Yourself Informed

Use resources like the [Appraiser page](#) and the *Selling Guide* to stay current on the most recent policy changes.

Make Your Voice Heard

Provide constructive feedback through appraiser trade groups or directly to Fannie Mae. (See our *Contact Us* link on page 4 of this newsletter.)

Read the full [2018 FHFA Scorecard](#) to learn more.



Appraisal Policy Updates

Second Appraisals

We have clarified our policy for when lenders order a second appraisal or a field review to better align with [Appraiser Independence Requirements](#).

Previously, when a review appraisal or a new appraisal was obtained for a loan, the lender was required to use the opinion of market value stated in the review or the new appraisal because our view was that the lender had, by ordering a new appraisal, evidenced rejection of the original appraisal.

Now, when a review appraisal or a new appraisal is obtained, the lender must document the deficiencies that are the basis for ordering the new appraisal and adhere to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value. The lender must either document the resolution of the noted deficiencies in the original appraisal or detail the reasons for relying on a second opinion of market value.

Where to find it: [B4-1.3-12: Quality Assurance \(01/30/2018\), Guidance on Addressing Appraisal Deficiencies](#)

Field Reviews for Properties \$1M+

Previously, a field review report was required on properties valued at \$1,000,000 or more when the loan-to-value (LTV), CLTV, or HCLTV ratio was greater than 75 percent.

Advancements in risk management tools such as Collateral Underwriter® (CU®) provide the data and analytics needed to reduce borrowers' costs and improve lenders' operational efficiencies while still effectively managing risk. We have simplified lender

processes by removing the field review requirement because it is no longer needed.

In 2017, this policy change would have impacted only 254 loans. On 99 percent of those appraisals, the field review supported the original opinion of value.

Where to find it: [B5-1-01, High-Balance Mortgage Loan Eligibility and Underwriting](#)

AQM Update

When persistent deficiencies are identified within an appraiser's body of work, the Appraiser Quality Monitoring (AQM) team sends training letters detailing the issues along with a list of associated appraisals. Feedback and responses are not only welcomed, but are encouraged.

After a six-month period, if the appraiser's body of work has not improved, a follow-up training letter is sent to that appraiser.

In 2017, a total of 965 initial training letters were sent and only 45 follow-up training letters were sent. ***That's a 95 percent improvement in appraisal quality!***

The collaboration and feedback between our AQM team and appraisers in the field is critical to the improvement of appraisal quality and the overall health of the housing industry.

More information on the AQM process is available on the [AQM page](#).



Rural Round Up

Properties with Agricultural Attributes

The appraiser is responsible for developing an opinion of highest and best use in the appraisal process. When agricultural attributes are present, the highest and best use analysis requires additional due diligence. The presence of a house does not make it residential, just as the presence of a barn, silos, or large acreage does not make it agricultural.

An important note to remember is that Fannie Mae does not purchase or securitize mortgages where the highest and best use is as an agricultural property, such as farms or ranches.

Limited volume of sales data in rural markets often complicates development of the highest and best use analysis by appraisers (and the understanding of it by underwriters).

Because the appraisal is for residential lending, many appraisers and underwriters rule out the use of the Income Approach as a technique for analyzing the highest and best use. However, the income approach can be a powerful, reliable (and sometimes necessary) approach for analyzing agricultural uses.

Online sources such as the USDA can provide lease and cap rate data for various land uses (e.g., crop land, irrigation type, pasture land) at the local market level. Lease and cap rate data for agricultural land may also be available from real estate brokers in the local market.

Where to find it: [B2-3-01, General Property Eligibility \(04/15/2014\)](#) / [B4-1.3-04, Site Section of the Appraisal Report \(02/23/2016\)](#)

New in 2018

Appraiser-Direct Webinars

We hosted two appraiser-direct webinars in March and April with over 2,200 registered attendees. In addition to providing a live demonstration of Collateral Underwriter, we shared observations from our analysis of appraisals we've received. Topics of discussion included the importance of appraisal quality and the future of the industry.

Sign up for [email notifications](#) (if you're not already receiving appraisal updates) to receive notifications for future offerings!

Contact Us Form

Have you seen the newest way to provide feedback to Fannie Mae? To promote more direct engagement with appraisers, we've added a **Contact Us** form on the Appraisers page.

Use this resource to ask general appraisal policy questions, report appraiser independence concerns, or to provide feedback.

[Contact Us](#)

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.