



VALUATION REVIEW

There is no comparable

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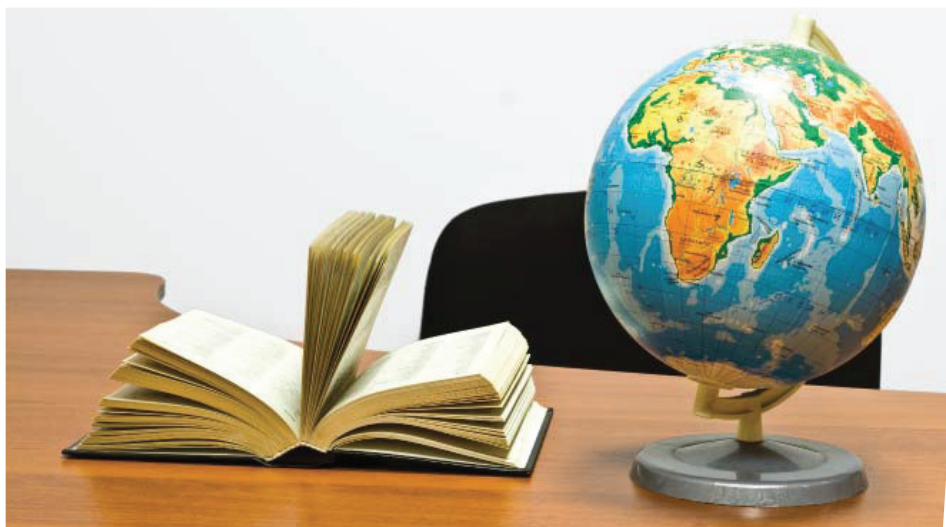
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Expanding appraisal education beyond the classroom

If you surveyed a group of appraisers about what changes need to take place within the appraisal industry, increasing education requirements would probably not crack the top 10 most popular answers.

That's due in no small part to the Appraiser Qualifications Board's (AQB's) ongoing focus on improving competency through more rigorous requirements for licensure and certification.

Over its 25-year history, the AQB has increased the number of hours needed to qualify for licensure and certification, bumped up its required CE hours, and, most recently, adopted new college-level requirements for prospective certified residential, certified general and licensed residential appraisers.

But for all of the work of the AQB, increased education requirements do not automatically equate to increased proficiency.

The problem is that the structure of some appraisal courses can equate to a less-than-ideal learning experience for appraisers.

"Almost all licensed professionals need to get continuing education. The [downfall] of the appraisal profession is that an appraiser can take almost all, or most, of his classes online," said **Mark Loftus**, owner of Appraisal

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Practice Consultation, a Texas-based company that specializes in assisting real estate appraisers with their responses to regulatory complaints, demand letters and litigation. “One of the problems I have with the business is that an appraiser can work most of his career in a room, by himself, with a single light on. It’s not the education [that’s an issue], per se, it’s the student’s application to the curriculum and his choice of classes.”

Loftus is one of the few professionals in the country who is an AQB Certified USPAP Instructor with previous experience as a full-time investigator for a state appraiser board (Texas Appraiser Licensing and Certification Board). According to him, the convenience of online classes can be offset by the anonymity of them.

“With any course, whether online or live, something can be stated by the instructor or by the curriculum which brings questions,” Loftus said. “In an online class, the majority of which consists of a person going to a website, paying money, running through a number of slides, and then occasionally having to type something in to prove he’s still awake, there is no interaction. There is no chance to say, ‘Wait a minute. What do you mean by that?’”

Even when appraisers do participate in live classes or interactive webinars, Loftus said he often sees appraisers opting for what’s convenient rather than what’s beneficial.

“Sometimes an appraiser says that they need eight more hours of education, and then they’ll take a course on some obscure topic that they’ll never use. You need to take stuff that you need,” Loftus said.

Although just going through the motions to get through required classes may fulfill industry requirements, failing to adequately keep up with important best practices can put appraisers in the hot seat if they have to

answer for dubious appraisal reports down the line.

Loftus has seen his share of faulty reports, and where most people get in trouble, he said, is resting on bad habits learned over time.

“When I was an investigator, the majority of the appraisers who had complaints before the board were living on an island and were used to doing things a certain way that never changed ...,” Loftus said. “The biggest problem facing the residential appraiser is that their training consists of learning how to fill out the preprinted form so that it appears that they have competently produced an appraisal. They are not necessarily taught how to competently produce an appraisal, and that is the great dichotomy.”

That’s where Loftus comes in. In his role at Appraisal Practice Consultation, he works to bridge the gap between where an appraiser’s education starts and their competency ends.

In essence, Loftus is a professional mentor whose job is to help appraisers break bad habits and diagnose flaws in their reports.

Among the services Loftus provides is “USPAP Check-up,” which consists of examining an appraiser’s report and workfile to check for instances of noncompliance with USPAP, and then going over his findings via a live online meeting with the client.

Through this one-on-one interaction, Loftus works to retrain appraisers to write USPAP-compliant reports, not just reports that conform to clients’ demands.

“Appraisers have this massive oversight by multiple parties — the AMC, the appraisal company and the lender. I think a big issue facing appraisers is that their immediate demands come from the clients who ask them to do things that don’t necessarily comport with USPAP,” Loftus said. “They lose sight of that. The client isn’t required to comply with USPAP,

the appraiser is. The appraiser is always stuck between the dog and the fence post — having to deal with one while complying with the other — and I don’t think they keep up with what USPAP actually says. Then they want to argue, ‘Well, everyone else is driving 20 mph over the speed limit. Why can’t I?’ And then they get their feelings hurt when they have to go in front of a board and get a ticket.”

Appraisers often reach out to Loftus for his professional services when they’re facing some sort of disciplinary action, but it doesn’t take a wayward appraisal to begin to seek out advice on improving one’s appraisal methodology.

Besides pursuing professional mentoring services such as Appraisal Practice Consultation, Loftus recommends appraisers also reach out to peers to help with areas of immediate need and to set in motion long-term objectives.

According to Loftus, getting help from a contemporary is both a best practice and a preventative measure for defending against possible disciplinary action.

“Talking to peers is an informal form of mentoring, but most appraisers don’t know who their peer is,” Loftus said. “They use the common definition of peer, but the USPAP definition is, ‘Other appraisers who have expertise and competency in a similar type of assignment.’ The problem with peers is that not everyone who is an appraiser is my peer, and I’m not every appraiser’s peer. Someone who appraises high-rise apartment buildings is not my peer — I lack their competency and expertise — if I’m a certified residential appraiser.”

One particularly rich pool of prospective peers that might be available for mentoring services is course instructors, Loftus said, specifically AQB Certified USPAP Instructors.

“If you’re taking a course in the cost approach, hopefully the person teaching the cost

approach is heavy in it, and the student taking the course would be wise to take that person's name and number and say, 'Are you available, and what are your terms?'"

Loftus also recommends searching through trade publications, which often have articles and ads highlighting possible

appraisal mentors.

Loftus is quick to point out the need to do your homework when searching for outside help — especially if you are paying. "There are a lot of people who aren't good mentors who have a ton of knowledge and experience," he said, while also acknowledging that you sometimes

get what you pay for when seeking free advice.

"The point is that we can't do this alone," Loftus said. "I'm in regular contact with peers to discuss what I think I already know, and with colleagues with specialized experience to discuss what I know I don't know. It's important to reach out to others."

Fannie answers questions on Collateral Underwriter

In preparation of Fannie Mae's upcoming release of Collateral Underwriter, the agency's appraisal risk assessment tool for lenders, the government sponsored enterprise has answered some frequently asked questions about what to expect in 2015.

Q: How and when will CU be available?

A: CU will be available in two ways: 1) Starting on Jan. 26, CU risk scores, flags and messages will be provided in real time after an appraisal is submitted to Fannie Mae through the Uniform Collateral Data Portal (UCDP). The CU risk scores and messages will be provided on the Fannie Mae tab and the UCDP Submission Summary Reports. Any UCDP user who submits an appraisal to Fannie Mae will have access to the CU risk scores, flags and messages.

2) For in-depth appraisal analysis, CU will be available to Fannie Mae sellers via a Web-based application (registration required) starting Jan. 26. Correspondents also will have access to the Web-based application in 2015, but on a different timeline from approved seller availability.

Other UCDP users that are not Fannie Mae sellers or correspondents — including appraisal management companies (AMCs) that have UCDP access as lender agents — will be able to view the CU risk scores, flags and messages in UCDP, but will not have access to the Web-based application.

Q: Will technology integration be required to use CU?

A: The CU Web-based user interface will be accessed through a URL with no technology integration required.

CU risk scores, flags and messages will be provided on the Fannie Mae tab in UCDP. Users that access UCDP through a vendor service should ask their vendor to confirm plans for updating the UCDP integration. Fannie Mae is working with solution vendors to help them prepare for CU implementation. It is expected that all vendor integrations will be able to return CU risk scores, flags and messages in UCDP the same way they currently return Fannie Mae Proprietary Messages.

Q: Is use of CU mandatory for Fannie Mae sellers?

A: Fannie Mae strongly encourages lenders to utilize the CU risk scores, flags and messages provided upon submission of an appraisal to UCDP, and to access the Web-based application for in-depth analysis, but use of CU is not required. Review the available training and other resources for more information about the benefits of the CU feedback.

Q: What is meant by a "CU risk score"?

A: CU will provide a numerical risk score from 1.0 to 5.0, with 1 indicating the lowest

risk and 5 indicating the highest risk. Risk flags and messages identify risk factors and specific aspects of the appraisal that may require further attention. Details are available in the eLearning course "Understanding the Collateral Underwriter Risk Score, Flags, and Messages."

Q: How much geographic coverage does CU provide?

A: CU is able to score about 97 percent of appraisals submitted from the 50 U.S. states and the District of Columbia. Properties in the U.S. territories cannot be analyzed. The majority of unscored appraisals ("999" messages) are due to geocoding limitations.

Q: Are there appraisals that will not receive a CU risk score?

A: Yes. Coverage may vary slightly from market to market, but CU is able to score approximately 97 percent of appraisal submissions nationwide. The primary reason for unscored appraisals is an inability to geocode the subject property or an inadequate number of appraiser-provided comparables. Rarely is a lack of alternative sales observations the cause of an unscored ("999") appraisal. Currently, CU is unable to geocode properties in the U.S. territories (Puerto Rico, the Virgin Islands, Guam, American Samoa and the Northern Mariana Islands). In some cases, CU may be unable to geocode new construction because the address is new and