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Tennessee Real Estate Appraiser Report



News and Stories of the Tennessee Real Estate Appraiser Commission
<http://tn.gov/commerce/boards/treac/index.shtml>

Governor Haslam Appoints 4 New Commission Members

The Real Estate Appraiser Commission welcomes its newest members, Rosemarie Johnson (Paris), Michael Green (Johnson City), Norman Hall (Brentwood) and Tim Walton (Collierville).

The Commission staff wishes to express our sincere appreciation to our Commission members whose terms on the Board have recently ended:

W.R. Flowers, Jr., Marc Headden, Thomas Carter and Najanna Coleman for the many years of dedicated service and outstanding leadership in giving voice and vision for the past, present and future. You have made an invaluable contribution to the Real Estate Appraisal profession.

AMC Registration in Tennessee

On May 26, 2010, former Governor Phil Bredesen signed into law the Tennessee Appraisal Management Company Registration and Regulation Act. The Act requires that Appraisal Management Companies (AMC's) acting or conducting business in Tennessee to register with the Tennessee Real Estate Appraiser Commission. The Act became effective July 1, 2011. The Real Estate Appraiser Commission website has applications available at:
<http://tn.gov/commerce/boards/treac/company.shtml>

You can search for licensees at: <http://verify.tn.gov/>

The Laws and Rules for AMC's are posted on the Commission website. For a direct link to the rules, click on this link:
<http://www.tn.gov/sos/rules/1255/1255.htm>

Federal Registry Fee Increase Effective January 1, 2012

On October 14, 2010, the Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council approved a modification in the annual National Registry fee from \$25 to \$40. This fee increase will be reflected on Tennessee license or certification renewals where the licensee has expiration date of January 1, 2012 or later.

On-Line renewals will begin in October 2011

For those that wish to renew their registration, license or certification on-line you will be able to do so by visiting the Tennessee License Renewal Link:
<https://apps.tn.gov/cirens/>

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The Snare of “Non-traditional” Appraisal Products by Bob Keith

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires Appraisal Management Companies (AMCs) to register in, and be subject to supervision by, each state in which such companies operate. The Act requires each State appraiser certifying and licensing agency to fulfill these regulatory responsibilities.

The Act further requires AMCs to verify that only licensed or certified appraisers are used for federally related transactions; that appraisals coordinated by an AMC comply with the Uniform Standards of Professional Appraisal Practice; and that appraisals are conducted independently and free from inappropriate influence and coercion pursuant to the appraisal independence standards established under section 129E of the Truth in Lending Act.

The Act defines Appraisal Management Company as “...in connection with valuing properties collateralizing mortgage loans or mortgages incorporated in securitization, any external third party authorized... by a creditor of a consumer credit transaction secured by a consumer’s principal dwelling... that oversees a

network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally within a given year...”

There are many uses for alternative valuation products other than for valuing properties collateralizing a mortgage loan secured by a consumer’s principal dwelling and that are not federally related transactions. Such uses include, but are not limited to: HELOC, asset management, portfolio management and short sale negotiation (hereafter referred to as “other uses”).

Companies that utilize the services of an appraiser for these “other uses” typically fall outside of the Dodd-Frank definition of an AMC (depending upon state law), thus are not subject to the otherwise mandatory AMC registration and supervision by the States. They also do not require a traditional appraisal using Fannie Mae appraisal forms, but instead often ask appraisers to provide a service utilizing the company’s own proprietary reporting format (alternative valuation product) for a nominal fee for the appraiser.

These alternative valuation products vary in

terms of the information appraisers are asked to provide. Many of them ask the appraiser to evaluate comparable sales used in a previous appraisal and to provide additional sales that the appraiser believes are comparable to a subject property. Others ask the appraiser to evaluate a previous Broker’s Price Opinion (BPO) and form an opinion about whether the broker’s price opinion is too high or too low. Still others ask an appraiser to reconcile value or price opinions previously provided by other professionals to arrive at the appraiser’s conclusion of value or price. And still others may provide an appraiser with an older appraisal performed by someone else and ask the appraiser to opine whether a subject’s market has increased or decreased in value since the effective date of the previous appraisal.

The examples listed above, and many other variations thereof, all call for an appraiser to develop some type of value opinion about a subject property. The mere act of providing a list of comparable sales after filtering through all available sales in a neighborhood results in a range of value opinion by the appraiser.
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The Snare of “Non-traditional” Appraisal Products (Continued)

This is because the appraiser applies some form of analysis on all of sales in a neighborhood to determine which of those sales are “comparable” to a subject property. This results in the appraiser’s opinion on the range of value for the subject since one of the comps provided represents the lowest and another the highest sale price of “comparables” to the subject property.

Likewise, an appraiser who reviews a previous appraisal or BPO and opines that real estate values have decreased since that time is expressing an opinion that the value of the subject property is less today than when the appraisal or BPO under review was performed.

Any time an appraiser develops his or her opinion

of (a single point of) value, range of value or a direction of value (relative to a benchmark e.g. a previous appraisal or BPO) that constitutes an appraisal. State licensed and certified appraisers are obligated to adhere to the Uniform Standards of Professional Appraisal Practice (USPAP) that requires the performance of certain steps in the development of an opinion of value as well as 11 specific elements that are required to be included in a written report communicating that opinion of value. Many of the alternative valuation products (proprietary reporting formats) discussed in this article fail to comply (without significant supplementation by the appraiser) with USPAP.

Companies that are not subject to Dodd-Frank requirements to register with the State as an AMC and who do not require traditional appraisal products to suit their purposes MUST be aware that appraisers are subject to strict rules of conduct with respect to developing and reporting their opinions about value. Failure to adhere to these professional standards of practice can have a significant adverse impact on an appraiser’s professional license.



To view the Tennessee laws and rules pertaining to registration of Appraisal Management Companies (AMC’s) please visit the TREAC website at: <http://tn.gov/commerce/boards/treac/index.shtml>

Bob Keith graduated from The University of Texas and was a real estate appraiser for 21 years before becoming the Administrator of the Oregon Appraiser Certification and Licensure Board in July 2001. Bob is a past president of the Association of Appraiser Regulatory Officials (AARO), is the immediate past chair of The Appraisal Foundation Advisory Council, holds the IFA designation from the National Association of Independent Fee Appraisers and is a nationally certified USPAP instructor.

Communicating with an Appraiser by Nikole Avers

The economy and the related mortgage lending crisis have led to many changes in the lending and real estate appraisal industry. As the director of the TN Real Estate Appraiser Commission, I take a lot of calls from appraisers and users of appraiser services pertaining to these changes. Questions pertaining to changes resulting from the Home Valuation Code of Conduct (HVCC), which

developed into the Appraiser Independence Requirements (AIR), federal changes with the Dodd-Frank Wall Street Reform and Consumer Protection Act; Title XIV - Mortgage Reform and Anti-Predatory Lending Act; the Fed’s Regulation Z (the regulation used to implement various sections of the Truth in Lending Act); regulation of Appraisal Management Companies; and changes in the FHA requirements.

Whew! After all that, it is easy to be confused and feel the need to catch your breath. One issue keeps rising to the surface again and again - how to communicate with an appraiser in the aftermath of all the changes we have gone through in the past two years. Appraisal independence has been at the heart of almost every substantive change that affects users of appraiser services. (CONTINUED)



Communicating with an Appraiser (Continued)



“Many have misinterpreted the HVCC requirements.”

Federal law, State law, and secondary market requirements have long had requirements pertaining to appraisal independence. The mortgage crisis and the difficult economic climate have caused the market participants to establish additional safeguard requirements to preserve this independence. From these requirements many myths were born. Do the changes mean you can't talk to an appraiser? No. Communication is critical to the appraisal process – entire appraisal standards are devoted to it – and communication is not a one-way street.

USPAP requires that an appraiser protect the confidential nature of the appraiser-client relationship. The appraiser must not disclose confidential information or assignment results to anyone other than the client, persons authorized by the client to receive this information; state appraiser regulatory agencies, third parties authorized by due process of the law, or authorized peer review committees. See USPAP ETHICS RULE – Confidentiality Section, and the DEFINITIONS section for Assignment Results and Confidential Information, for more detail. This requirement pertains to what an appraiser may communicate to others,

not what information users of appraisal services may transmit to the appraiser.

Many have misinterpreted the HVCC requirements to have banned mortgage loan officers and real estate agents from speaking with a real estate appraiser. Some have indicated that FHA prohibits communication with real estate appraisers. Still others believe there is a prohibition in federal law, but there isn't. There are requirements to preserve appraiser independence and protect the public.

There is no prohibition for communicating with a real estate appraiser. FHA specifically requires that the lender and the appraiser “avoid even the appearance of a conflict of interest, which would include providing the appraiser anything of value in consideration of returning the appraisal at a given value,” and “that (the lender) may not condition continued selection of an appraiser on inflating values or disregarding repair requirements.” For a more detailed list of prohibited activities by FHA concerning appraiser independence, please visit their website and read mortgage letter 09-26:

<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/09-28ml.pdf>

The HVCC did not prohibit

communication with a real estate appraiser, it required the loan production staff not have “substantive communications with an appraiser or appraisal management company relating to or having an impact on valuation, including ordering or managing an appraisal assignment.” The loan production staff and the staff of an appraisal management company may communicate with the appraiser to correct factual errors on the appraisal report. The HVCC did not prohibit real estate agents or brokers from communicating with an appraiser. They are allowed to communicate with an appraiser as long as the communication was not done in a way intended to influence the outcome of the appraisal. Appraisers may receive information from others on information pertaining to the subject and market data information such as: relevant property information such as condition, improvements, deferred maintenance and amenities; income and cost data; closed and pending sales data; conditions of sale and seller concession information; and builder or inspection information. The HVCC pertained only to one-four-family loans that lenders sold to Fannie Mae or Freddie Mac.

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Communicating with an Appraiser (Continued)

The Federal Housing Finance Agency (FHFA), Fannie Mae, Freddie Mac and others developed the Appraiser Independence Requirements (AIR), which replaced the HVCC on October 15, 2010. Fannie Mae issued a FAQ on these changes in November 2010; a link to that FAQ can be found at: <https://www.efanniemae.com/sf/guides/ssg/relatedsellingsinfo/appcode/pdf/airfaq.pdf>

Recommendations for Communicating with an appraiser:

- 1) Communicate by e-mail or written correspondence whenever possible. Written communication has the benefit of documenting the exchange between an appraiser and a user of appraisal services. You may wish to indicate you are communicating by letter or e-mail to preserve the appraiser's independence. In my experience, you will have more success if the communication is in writing, especially if you do not have an established professional relationship with the appraiser.
- 2) Determine your objective before you begin writing. Take your time with the correspondence to ensure only the specific and necessary information is communicated. Be brief and to the point.
- 3) Be professional.

Whenever possible, use appropriate terminology to the lending and real estate industry. This will set the tone for a professional response. No one expects you to be 100 percent knowledgeable of appraisal methodology or techniques, but if you can specifically identify the areas of concern, the appraiser will be able to respond to your specific concerns. Avoid sending emails or letters before proof reading them for spelling accuracy and tone.

4) Don't send an angry e-mail or letter to an appraiser. It won't likely help the situation if the appraiser finds the communication offensive or disrespectful. Sending an e-mail in all capital letters can suggest that you are "yelling" at them. If you wish to dispute information contained in an appraisal report, be specific and professional. Mistakes can happen; my experience is that a professional will want to correct an error.

5) Avoid opining on the "value" of the property. Rendering an opinion of value is the reason the appraiser was engaged. Telling an appraiser what you think the value of a property should be may close the communication door. Do not communicate in a manner that impairs or attempts to impair an appraiser's independence, objectivity

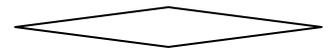
or impartiality.

6) Just the facts. If you have information you want the appraiser to consider, present it as information. Acknowledge in your correspondence that it is the appraiser's decision to determine if the information is relevant to the appraisal assignment.

7) If an appraiser is hesitant to respond to communication, reference the specific independence requirements pertaining to the transaction. For example, if the appraisal is an FHA appraisal, provide them with the link to the above mortgage letter on appraisal independence. If the appraisal is for Fannie Mae or Freddie Mac, reference the link to the above Fannie Mae FAQ's link on appraisal independence. Many appraisers have fallen victim to the myths created pertaining to appraiser communication; they may not know their specific allowances for communication.

8) Be patient. If you want a well-thought-out response or reconsideration, it may take time. You may want to indicate in your communication, "Please let me know you have received this inquiry/information and, if possible, a time frame for your response."

As an appraiser, a lender's review appraiser, and as a regulatory official, I have been privy to both sides of the conversation. Appraisers communicate for a living; the tricky part is knowing how to start the conversation. I hope the above tips help in beginning that conversation.



Nikole Avers is the Executive Director of the Tennessee Real Estate Appraiser Commission. She is a Certified Residential Real Estate Appraiser with experience in real estate appraisal, appraisal review and teaching appraisal courses. She is an AQB certified USPAP instructor and she contributed as a subject matter expert for the AQB on the 2008 and 2009 National Real Property Appraiser Examinations. Nikole is currently the chair of the AARO ASB oversight committee.

Uniform Appraisal Dataset (UAD)



Fannie Mae and **Freddie Mac**, at the direction of the Federal Housing Finance Agency (FHFA), have developed the Uniform Appraisal Dataset (UAD), to improve the quality and consistency of residential appraisal data on loans delivered to the government-sponsored enterprises.

For appraisals with an effective date of **September 1, 2011** or after, the following four appraisal report forms must be in compliance with the UAD for conventional loans sold to Fannie Mae or Freddie Mac:

1. Uniform Residential Appraisal Report (URAR);
2. Individual Condominium Unit Appraisal Report;
3. Exterior-Only Inspection Individual Condominium Unit Appraisal Report; and
4. Exterior-Only Inspection Residential Appraisal Report.

You can review UAD information on the Fannie Mae website at:

<https://www.efanniemae.com/sf/lqi/umdp/uad/index.jsp>

UAD Frequently Asked Questions:

<https://www.efanniemae.com/sf/lqi/umdp/pdf/uadfaqs.pdf>

UAD Specification Appendix D:

<https://www.efanniemae.com/sf/lqi/umdp/pdf/uadappendixdfieldreqs.pdf>

FHA has also adopted the use of the URAR form and the Individual Condominium Unit Appraisal Report, but has an implementation date of **January 1, 2012**. Mortgagees may, at their discretion, accept and submit for loan endorsement an appraisal that is UAD compliant prior to that date.

At this time, these changes only pertain to residential appraisals completed on or after the effective dates specified above which will be sold to Fannie Mae, Freddie Mac or FHA.



Real Estate Appraiser Disciplinary Action Report

Disciplinary actions taken by the Real Estate Appraiser Commission against real estate appraiser licensees or those matters relating to unlicensed conduct are reported monthly to the Division of Regulatory Boards. To view the most recent information and archived disciplinary action reports, please visit this web page: <http://tn.gov/commerce/boards/archive.shtml>



USPAP Information:

The changes to **2012-13 edition of USPAP** were adopted by the ASB and will be effective **January 1, 2012**. These changes include:

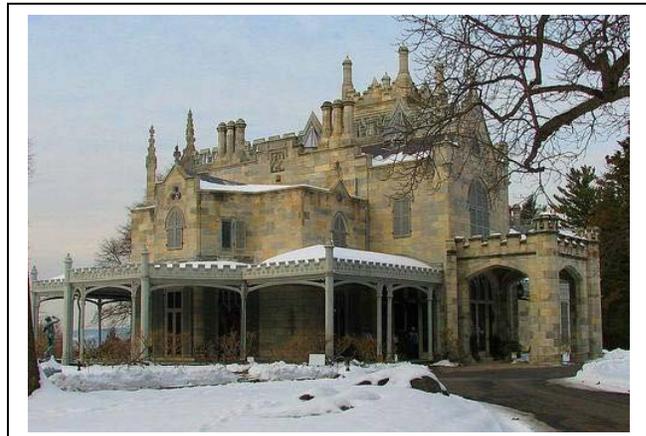
- Revisions to DEFINITIONS OF "Client," "Extraordinary Assumption," "Hypothetical Condition," and a new definition, "Exposure Time"
- Revisions Relating to Development and Disclosure of Exposure Time Opinion
- Revision to Standards Rules 2-3, 3-6, 5-3, 6-9, 8-3 and 10-3
- Creation of a new RECORD KEEPING RULE and Related Edits to the Conduct Section of the ETHICS RULE
- Revisions to Advisory Opinion 21, *USPAP Compliance*
- Revisions to STANDARDS 7 and 8: PERSONAL PROPERTY APPRAISAL, DEVELOPMENT and REPORTING
- Revisions to Advisory Opinion 13 (AO-13), *Performing Evaluations of Real Property Collateral to Conform with USPAP*

Additional Information regarding these changes can be review on the Appraisal Foundation website at: <https://appraisalfoundation.sharefile.com/d/sd470eea561f412ab>

USPAP Q & A information is available on the Appraisal Foundation website at: <http://netforum.avectra.com/eweb/DynamicPage.aspx?Site=taf&WebCode=USPAPQA>



1825-1860 Greek Revival House Style



1840-1880: Gothic Revival House Style



Non-Residential (Commercial) Building Photos

AQB Proposes Changes to the Appraiser Qualification Criteria

Proposed Changes from the AQB 4th Exposure Draft

Proposed Revision to Require Education <u>and</u> Experience as Prerequisites for the Examination
Proposed Revision to College Degree Requirements and Removal of "In Lieu Of" Option for College-Level Education
Proposed Requirement for Background Checks
Proposed Revisions Pertaining to College Degrees in Real Estate
Proposed Revision to 7-Hour National USPAP Update Course Eligibility
Proposed Removal of Segmented Approach to <i>Criteria</i> Implementation
Proposed Restriction on Continuing Education Course Offerings
Proposed Revisions to Distance Education Requirements
Proposed Revisions to Trainee Appraiser Qualifications
Proposed Supervisory Appraiser Requirements
Proposed Revisions to Guide Note 1 (GN-1)
Proposed Revisions to Illustrative List of Continuing Education Topics

You can view a copy of the 4th Exposure Draft with detail change proposals on the Appraisal Foundation website at: <https://appraisalfoundation.sharefile.com/d/s5a7d219c81c48e19>
Please address all comments in writing to directly to the AQB.

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