

## Lender Letter LL-2013-10

December 10, 2013

**To: All Fannie Mae Single-Family Sellers**

### Appraisal Quality

Fannie Mae began collecting appraisal data in 2011 through the Uniform Collateral Data Portal® (UCDP®). Millions of appraisals have been submitted by lenders and their authorized agents through UCDP. UCDP enables Fannie Mae to monitor and evaluate appraisals for data accuracy and consistency.

The purpose of this Lender Letter is to remind lenders of Fannie Mae's appraiser selection requirements, highlight several data quality issues, and describe new processes that Fannie Mae has implemented to identify and monitor individual appraisers.

### Appraiser Licensing Requirements

Fannie Mae performs a weekly check of appraisals submitted through UCDP against the National Registry maintained by the Appraisal Subcommittee of the Federal Financial Institutions Examination Council ([ASC.gov](http://ASC.gov)). Based on those checks, Fannie Mae has identified instances when lenders have delivered loans supported by appraisals submitted through UCDP that were completed by an appraiser whose license or certification had been suspended or revoked as of the effective date of the appraisal.

To assist lenders in identifying potential appraiser license or certification issues, UCDP issues warning messages regarding the status of an appraiser's license or certification. Those messages do not trigger a rejection of the appraisal submission because of potential timing or database issues; however, lenders must not ignore the messages and are required to confirm the validity of the appraiser licensing information and to ensure compliance with Fannie Mae's policies described in the *Selling Guide*, B4-1.1-03, Appraiser Selection. The Guide requirements include, but are not limited to, using an appraiser who is state-licensed or state-certified as of the effective date of the appraisal. Fannie Mae reminds lenders that failure to comply with appraiser licensing requirements will result in a repurchase request.

### Accuracy and Consistency of Appraisal Data

Fannie Mae can now identify certain inaccuracies and inconsistencies in appraisers' work products. Data accuracy issues seen in Fannie Mae's analysis include, but are not limited to, instances when the same appraiser has provided inaccurate, inconsistent, or contradictory information on the same property and same transaction across multiple appraisals. Fannie Mae reviews appraisal reports for patterns of discrepancies and inconsistencies related to property characteristics such as gross living area, sales price, room count and lot size, as well as condition, quality, view and location ratings.

### Examples of Inaccuracies and Inconsistencies Identified During Appraisal Reviews

1. An appraiser used the same property and sales transaction as a comparable sale across multiple appraisals. In one report, the appraiser showed a sales transaction of \$400,000 for a property with 2,354 square feet of gross living area. In 10 other reports, the appraiser listed the sales price of the same property at \$375,000 and the size as 2,034 square feet. Those 10 other reports were consistent with Fannie Mae's verification of public records as well as sales price and square footage reported in 13 other appraisals that included information on the sale of this property under the same transaction. Fannie Mae's *Selling Guide* requires appraisers to report property data accurately and consistently.

2. An appraiser assigned a condition rating of C4 to a property on a specific transaction. The same appraiser used the same property transaction as a comparable sale in a subsequent appraisal and assigned the property a condition rating of C3. Fannie Mae requires the appraiser to consistently report the physical characteristics of the property from appraisal to appraisal when referencing the same transaction. The Uniform Appraisal Dataset (UAD) mandates that rating selections be determined on an “absolute” basis and not on a “relative” basis. The rating should not change when that property transaction is compared to other properties (UAD Update, April 2012) except in rare cases when more accurate property data becomes available.

## Appraiser Monitoring and Lender Communication

Fannie Mae is developing a number of processes to provide information to lenders and appraisers regarding the quality of appraisals submitted through the UCDP.

Fannie Mae will provide information directly to appraisers whose appraisal reports exhibit a pattern of minor inconsistencies, inaccuracies, or data anomalies. The intent and expectation of communicating these issues to appraisers is for training and educational purposes, and to provide them with an opportunity to improve their work. Future appraisal reports from those appraisers will be monitored to assess improvement.

A process is also being developed that will identify appraisers whose appraisal reports exhibit more egregious issues. In those cases, Fannie Mae will contact the appraiser and the lender that delivered the loan(s) informing them that either 100% of the loans submitted with appraisals from the identified appraiser will be reviewed in the post-purchase file review process or that Fannie Mae will no longer accept loans with appraisals completed by the specific appraiser.

All approved sellers and servicers will receive access to the list of appraisers whose appraisals are subject to 100% review or whose appraisals are no longer accepted by Fannie Mae. The list will be available to approved sellers and servicers on or before January 6, 2014. Access to the Appraiser Quality Monitoring (AQM) list, which will be protected content on Fannie Mae’s website, will be set up through Technology Manager. Details about how to obtain access will be provided on Fannie Mae’s business portal and in communications to approved sellers and servicers.

*NOTE: The new processes described in this letter may not identify all issues that could lead to an appraisal-related repurchase request. The presence or absence of communications between Fannie Mae and an appraiser, or Fannie Mae and a lender, concerning the quality of appraisals submitted through the UCDP does not imply that a lender has met its responsibilities under the Guide regarding appraisals or that a lender will not be required to repurchase a loan for reasons related to the appraisal or the performance of the appraiser.*

## Updated UCDP Messages

In conjunction with the above processes, Fannie Mae will also add new proprietary messages in UCDP effective December 10, 2013, to notify lenders about actions regarding appraisals from specific appraisers. The messages will indicate either that 100% of the loans submitted with appraisals from the identified appraiser will be reviewed or that Fannie Mae will not accept appraisals from the identified appraiser, as applicable.

Lastly, lenders are reminded that in accordance with the *Selling Guide*, B4-1.1-05, Field Reviews, Fannie Mae has the right to refuse to accept appraisals prepared by specific appraisers.

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Lenders who have questions about this Lender Letter should contact their Account Team.

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