

Valuation Management Group TRID & Appraisals



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For Assistance During the Webinar, Please Call:

770-373-5522

This webinar is presented for informational purposes only and is not intended to be legal advice. Please consult with your compliance officer or legal counsel for guidance on your company's policy with regard to what constitutes a valid changed circumstance.

Agenda

1. Obtaining bid prior to disclosure
2. Changed Circumstances

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TRID & Appraisals

- Effective October 3, 2015 under the new TRID (TILA-RESPA Integrated Disclosure) regulations, the cost of appraisals will no longer fall into the 10% tolerance bucket, and only if a valid changed circumstance occurs can the cost of an appraisal to the borrower exceed what was disclosed on the Loan Estimate (LE).
- Being proactive at the time of application will help to avoid situations where a property is deemed complex resulting in appraisers requesting more money for the appraisal assignment resulting in redisclosure to the borrowers.



Appraisal Bid Questionnaire

- *If the answer to any of the following questions is **YES** you should request a bid prior to providing disclosures to your client(s).*
- *You will enter an order as you normally would and you will note in the Comments/Special Instructions section of the order screen **BID REQUEST ONLY** and also notate the specific reasons the order needs to be placed out for bid (i.e., 6,000 square foot home on 15 acres).*
- *VMG will place the assignment out for bid and return the bids to you within one business day.*
- *VMG will not engage an appraiser until we have received your approval of the fee and turn time.*

Questions

1. Is the square footage of the home greater than 3,500? _____
2. Is the home on acreage? _____
3. Is the home on a lake, river, golf course, beachfront, ocean views, or mountain or beach resort? _____
4. Is the home historic and/or does it hold a historic designation? _____
5. Is the home a unique architectural style – farm home, barn home, log home, dome home, berm home, or have unique architectural design/features? _____
6. Is the home manufactured or modular? _____
7. Besides a standard garage, does the home have an accessory unit such as a garage apartment, guest house or in-law suite or other structures/dwellings on the site? _____
8. Does the property have equestrian facilities or other business activities on the site? _____
9. Does the subject property have any deferred maintenance?

10. Is the subject property rural? _____

Bids

- Enter Bid Request prior to disclosure to ensure accuracy.
- VMG will continue to obtain bids for our clients for complex properties to ensure that the fee on the Loan Estimate is accurate. Clients will notate in the special instructions field of the order form the details of the complexity. This will alert us to place the order out to bid to the appropriate appraisers for fee and turn time.
- By placing the appraisal assignment out for bid, the lender can obtain competitive pricing for their borrower and properly disclose.

*You will enter an order as you normally would and you will note in the Comments/Special Instructions section of the order screen **BID REQUEST ONLY** and also notate the specific reasons the order needs to be placed out for bid (i.e., 6,000 square foot home on 15 acres).*

Examples

Notes / Special Instructions

This is a request for BID only. The subject is a historical home or the home is a log cabin or the homes is manufactured housing.

Notes / Special Instructions

This is a request FOR A BID ONLY. Large custom home - beachfront. Construction cost - \$1.3MM - lot was purchased last year for \$300K.

Notes / Special Instructions

This is a request for BID only. The subject property is a 3,400 SF custom home on a 10 acre tract. The property also has a pool and a guest apartment above the detached garage.

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By habit, mortgage professionals discuss with and gather from the prospective borrower all details of the transaction – employment, income, assets, debts, occupancy. The one aspect of the transaction that gets little discussion is the subject property. We have always relied on the appraisers to handle that piece of the puzzle in their appraisal report.



Could lenders increase their standard fee for all assignments to cover the assignments that are deemed complex?

- Yes, but if a lender is already paying customary and reasonable fees, this would likely result in the higher fee becoming the "standard".
- Example: Reasonable and customary fee for your market is \$350 to the appraiser. You raise your fee to \$400. Over time, mentally, this fee becomes the standard and appraisers will likely request increases for complex orders.
- Appraisers will accept standard orders and decline complex.
- All of your borrowers would be paying a higher fee for the few that are complex.

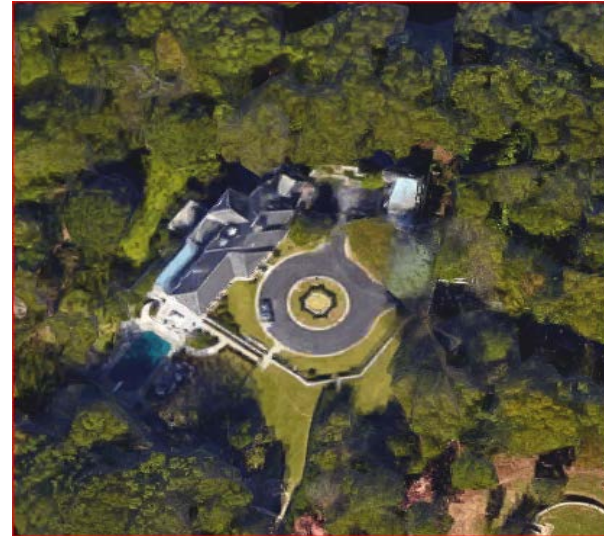
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- In some instances, your loan amount and/or sales price will indicate that the subject property may be complex.
- Remember, most owners and/or buyers do not view their existing or future home as unique.
- Your questions should be open ended and posed in such a way as to get a clear understanding of the subject property.



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- Google maps is an interesting way to get a birds eye view of the property.



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Here are some examples of orders that were placed as single family residences (without any notes about the subject property). All of these orders ultimately had to be put out to bid due to their complexity and all resulted in fee increases.



Example #1

This order was placed as a single family residence. It turns out to be a custom home on 40 acres. The “living area” is on the 2nd floor above a very nice barn!

Barn Interior



Front of House

Additional Features

- The main level of the house has a living room with a stone fireplace, a half bathroom, dining room, and kitchen. The kitchen has custom cabinetry, granite countertops, and excellent quality appliances. Other features on the main level include hardwood floors and coffered ceilings.
- The second level of the main house has two bedrooms, each with its own full bathroom, and a large bonus room with a third full bathroom. The bonus room can be accessed through the master suite's walk-in closet and through the staircase leading from the barn. There are fixed windows in the bonus room that look down into the barn.
- The finished portion of the basement has a utility room, snack room, and large theater room. The snack room has a mini fridge cabinetry for storage. The theater room has a large movie screen, is wired for sound, and has custom seating.
- The barn is not a typical barn. There are seven stalls, a tack area, and a storage area. These are considered unfinished space, but are of high-quality. Features in these spaces include paver floors, quality wood work, and barrel ceilings, which also has a sitting area. Both of the bathrooms have tiled floors, good quality vanities with granite tops, and tiled shower stalls. The kitchen/sitting area has tiled floors, custom cabinetry, granite countertops, and good quality stainless steel appliances

Example #2

This order was placed as a single family residence.

The notes indicate that it is a large, custom home.

Turns out that the home was 22,268 square feet – 22 rooms – 11 bedrooms, 11 full baths and two half baths with a pool, very large pool house and a large detached accessory living unit.



Front View of Subject Property

Additional Features

- The home has extraordinary construction quality throughout. The home was built in 1986, with a cost reported in excess of \$17,000,000
- 12' Bronze front doors that open to three story reception hall
- Kitchen with sub-zero refrigerator plus a large walk-in commercial size refrigerator with spate walk-in freezer
- Stone, marble, hardwood flooring
- The exterior features; private balconies; motor court; outdoor kitchen; swimming pool; custom built pool house; 2 story quarters; circular driveway; extensive landscaping

Example #3

Another order for a single family residence. Turns out it was a 4,700 square foot home with a historical marker.



Subject Front

Additional Features

History of Property

- The house is listed on the Alabama Register of Landmarks and Heritage as the Fite-Taylor House. Arthur F. Fite, a noted Alabama politician, judge and attorney, was the original owner of the home. The home was given to his daughter, Lisa Taylor, who was an accomplished country singer. Many famous artists visited Lisa Taylor in the home, including Hank Williams, Loretta Lynn, and Dolly Parton. Lisa became the third wife to Alabama Governor George Wallace, and after he was paralyzed from an assassination attempt, they resided in the home until their passing.
- The owner states that the house is required to be open twice a year for tours. In addition, much care has been and must be taken with any renovations and restorations to preserve as much as possible to the original features and historic feel of the property.

Example #4

Order was input as a single family residence. The order was declined by an appraiser who notified us that he does not appraise manufactured housing and that there were multiple structures on the subject property, in addition to being in a very rural market with limited comps.



As it turns out, the primary residence was a doublewide manufactured home on a 4 acre tract in a rural market with a singlewide manufactured home and a workshop on the same site.

Why don't appraisers set a standard fee for all appraisals?

1. Time involved to prepare a credible report
2. Experience and competency required
3. Fee must be reasonable for the work performed
4. Anticipated questions from underwriters
5. Liability and risk



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- Property attributes that *may* be considered a valid changed circumstance if you did not know in advance. The following is a *brief* list of property attributes that alone, or combined with other attributes, may put a property in the complex category, thus commanding a higher fee to the appraiser:
 - Unique architectural style – log home, dome home, berm home
 - Manufactured housing
 - Historic homes
 - Homes with accessory units (garage apartments, in law suites, guest houses)
 - Large and/or high end, luxury homes
 - Ocean front, lakefront, mountain homes
 - Homes on acreage
 - Anything that is atypical or unique for the market
 - Deferred Maintenance

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- TRID allows for a change to the estimated price and production of a new Loan Estimate if there is a “Change in Circumstance”. Change of circumstance is intended to include:
 - Extraordinary event beyond the control of any interested party or unexpected event specific to the consumer or transaction
 - Information specific to the consumer or transaction that the creditor relied upon that was found to be inaccurate or changed after the Loan Estimate was provided
 - New information specific to the consumer or transaction that the creditor did not rely on when providing the Loan Estimate

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NOTE: Creditors are not required to collect all six pieces of information on a consumer's **application** –*i.e.*, the consumer's name, monthly income, social security number to obtain a credit report, the property address, an estimate of the value of the property, or the mortgage loan amount sought- prior to issuing the **Loan Estimate**. However, creditors are presumed to have collected this information prior to providing the **Loan Estimate** and may not later collect it and claim a changed circumstance. For example, if a creditor provides a **Loan Estimate** prior to receiving the property address from the consumer, the creditor cannot subsequently claim that the receipt of the property address is a **changed circumstance**. (Comment 19(e)(3)(iv)(A)-3)



TRID commentary states that location is not a valid changed circumstance since the property address was known at the time of disclosure.

For example, if a creditor provides a Loan Estimate prior to receiving the property address from the consumer, the creditor cannot subsequently claim that the receipt of the property address is a changed circumstance. (Comment 19(e)(3)(iv)(A)-3) Taken from the Consumer Financial Protection Bureau, TILA-RESPA Integrated Disclosure Rule, Small Entity Compliance Guide, Section 8.3

**If in doubt, please contact
your Valuation Management
Group Client Specialist to
discuss.**



For Additional Information Please Review...

- [Valuation Management Group – TRID & Appraisal Suggestions](#)
- [Valuation Management Group – TRID – What Is a Changed Appraisal Circumstance?](#)
- Please visit our [Press Room](#) on the Valuation Management Group Website for additional blog posts.

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