

# C.A.R.A.

The Connecticut Association of Real Estate Appraisers

Uniting and Advocating for every Real Estate Appraiser in  
Connecticut

Detrimental issues for consumers, the banking industry, appraisers and the future of the appraisals business.

Current problems (Documentation and proof of all these instances can be provided for each instance.)

- Almost 50% of appraisals are being replaced by Broker's Price Opinions (BPOs.) Most management companies (AMCs) charge a full fee as an appraisal and use this product or the desktop reviews to cut expenses. They are also using these products as comp checks. Yet the consumer is being charged full fee, sometimes up to \$500.
- The consumer has no idea that the AMCs are focused on the cheapest appraiser and the quality is suffering. They rarely ask for qualifications but go by who can do it for the cheapest price. Many times they will use out of state appraisers or appraisers over 2 hours away to appraise.
- HUD clearly states the full disclosure of fees must be made to the borrower. AMCs and major banks do not do this because they clearly place their processing fees in the appraisal fee. They clearly state on the appraisal order "Do not discuss or disclose fees to borrower."
- AMCs and large banks are violating RESPA by not informing the consumer that the appraisal fee that they are paying is being split between the appraiser and the AMC and the bank.
- They are breaking anti-trust laws by setting the fees and stopping the competitiveness of the appraisal business
- It is the job of the lender to pay the costs of AMCs. The lenders don't want to pay for full-time staff, so they outsource. This is their cost of doing business- not the cost of the borrower or the appraiser. They should be charging a processing fee or this should be recouped in the interest payment of the loan.
- The AMCs in many cases violate USPAP continually by allowing their clients to alter products to find ways to get the impact of a full appraisal but not wanting to pay for one.
- CNBC when the new CFO of Fannie Mae was announced that were stating that if your credit score is over 800 you shouldn't need an appraisal. What if that house isn't standing?
- No regulation of AMCs.
- The state of CT banking commission has no authority over AMCs or National Banks even though they are doing business in Connecticut.
- AMCs are very clear and state that you cannot discuss appraisal fee with borrower. Why? If they are doing nothing wrong why can't the borrower know that the appraiser is receiving a fraction of the fee?
- Home Inspectors, Title Searchers, Surveyors, RE Attorneys do not have their fees marked up? Why do appraisers? The borrower is very aware of the fees for these services. They are established and paid directly to these professionals. Why are appraisers treated differently?

- AMC's are treating appraisers like employees: pre- set appointments, dress codes, 24 hour and unrealistic turn times, rules of conduct, what we can and can't discuss with the client. The list goes on.

AMC assigners are paid bonuses on how cheap they can get the appraisal for. They can receive

- up to 25% bonus on the discounted fee.
- AMC alter the reports by using Appraisal Port or similar software to convert to AI ready – Virginia just made this illegal. Our state should pass a similar law.

## Solutions

- CARA proposed legislation gets passed.
- State banking commission allowed regulation of national banks doing business in their state.
- HVCC should not be allowed to pass - giving the power to AMCs. If it passes it should clearly state full transparency of fees to borrower and AMCs or lenders cannot determine appraisers fees. Fees are determined by open market.
- Appraisal fees can only be collected by the appraiser signing off, the inspecting appraiser or the appraiser holding the E and O insurance on the appraisal.
- A full appraisal or drive by must be done for lending purposes by a qualified appraiser. BPO's, desktops, and AVMs could only be used for supporting documentation or for assistance to lender when a borrower falls behind in payments. Any loan must have a full appraisal.
- Brokers should be licensed just as Realtors, Lawyers, Home Inspectors and Appraisers. The solution for broker pressure on appraisers is licensing - not letting AMCs grow in power.
- The fee should be paid and disclosed to the borrower. It should be clear what the appraisal fee consists of. The appraiser is assuming full liability. Their fee should be determined by the appraiser not the bank or the AMC. This is called free trade.
- The appraiser during inspection should fully disclose their fee, and invoice or collect payment at time of inspection just as the other professions do.
- AMCs should not be able to tell appraisers that they can't disclose their fee to the borrower and should be fined if they do this or mark up the fee in anyway.
- \$1000 fine per offense would be a great way to grow state coffers. This could be monitored by volunteers with a member of the banking commission approving the fine.
- CARA member could help with the new laws by educating and promoting changes to state appraisers.

## **Some of the supporting documentation.**

### **RESPA:**

**Section 8: kickbacks, fee-splitting, unearned fees**

**Section 8 of RESPA prohibits anyone from giving or accepting a fee, kickback or anything of value in exchange for referrals of settlement service business involving a federally related mortgage loan. In addition, RESPA prohibits fee splitting and receiving unearned fees for services not actually performed.**

**Violations of Section 8's anti-kickback, referral fees and unearned fees provisions of RESPA are subject to criminal and civil penalties. In a criminal case a person who violates Section 8 may be fined up to \$10,000 and imprisoned up to one year. In a private law suit a person who violates Section 8 may be liable to the person charged for the settlement service an amount equal to three times the amount of the charge paid for the service.**

## LETTER FROM RELS

Valuation ( Wells Fargo)

On behalf of Rels Valuation we would like to thank you for your efforts in completing our Local Desktop products. We are experiencing an increased demand from our clients for these products, and expect that Local Desktop product volume will continue to escalate.

While some of our clients have the same Local Desktop requirements, many clients have specific guidelines for this product that are unique. There are also instances when clients may make frequent changes to their requirements. As a result, it is imperative that you carefully read the specific guidelines on the order for each assignment.

Effective immediately, one of our high volume Local Desktop clients made a product requirement modification. This change allows for more liberal time and distance requirements for the comparable sales used in the report. Again, please read the order guidelines to determine if your specific order allows for the new requirements.

As we continue to strive to meet our client's needs, we are also developing a new disposition form. It is designed to more accurately report the specific reasons a property does not qualify for the desktop product or explain why the client's guidelines cannot be met. Expect to see this available later this year!

Should you have any questions related to this communication, please contact your Rels Valuation Area Manager or Appraiser Relations Specialist.

Thank you for your continued cooperation in providing quality appraisal products.

# LSI REQUESTING SUBSTITUTE PRODUCT INSTEAD OF APPRAISAL

LETTER FROM LSI REQUESTING APPRAISERS TO DO A NEW PRODUCT THAT IS NOT AN APPRIASAL, BUT ACTS LIKE ONE

THIS PRODUCT IS SIMILAR TO A DESK REVIEW PRODUCT.

- IT CONTAINS 3 PARTS – DESK REVIEW; WE NEED YOU TO PROVIDE DATA OF MLS PRINTOUTS; TAX RECORDS FOR SUBJECT AND COMPS; A CMA; AND A WORD DOCUMENT TEMPLATE

1. THE DESK REVIEW PART OF THE ASSIGNMENT DOES NOT NEED TO PROVIDE AN ALTERNATE VALUE OR GRIDDED COMPS

2. IF THERE ARE COMPS FOUND WHILE COMPLETING THE REVIEW THAT WOULD SUPPORT A DIFFERENT VALUE, PLEASE EXPLAIN AND PROVIDE THE MLS PRINTOUTS AND TAX RECORDS

· THIS PRODUCT WAS CREATED BY LSI TO ASSIST OUR CLIENT CAPITAL MARKETS WHO ARE UNDERWRITING LOANS FOR INVESTORS ON PROPERTIES THAT HAVE GONE INTO FORECLOUSURE.

1. THIS PRODUCT IS TO ASSIST IN THE VALUE PORTION OF THE UNDERWRITTING PROCESS.

This came to me and the suggested retail price is \$75.00.

SAMPLE ORDER

Order Date: 12/2

Due Date: 12/4

Fee: \$75

You must subscribe to the MLS for the area where this property is located to accept this assignment. If you don't have MLS data, let LSI know immediately.

Please obtain the property address and the original appraisal from LSI's secure website. To deliver the completed review back to LSI, use the website upload feature—do not email reports to LSI.

- Access the LSI Vendor Website at [www.elendersolutions.com](http://www.elendersolutions.com) to obtain the property address and the original appraisal, as well as the purchase contract, if applicable and available.
- If you need User ID and Password Information, please e-mail LSI Supplier Management: [sm@lsi-lps.com](mailto:sm@lsi-lps.com).
- This product will be described as a "Comprehensive Desk Review" on the website.
- Do not email the completed review to LSI. Use the LSI Website ([www.elendersolutions.com](http://www.elendersolutions.com)) to upload it. If you need assistance, please contact [sm@lsi-lps.com](mailto:sm@lsi-lps.com).
- Complete the Appraiser Recommendation and Analysis using the Word template that has been provided. Upload the Word document as a document (not as a product) to the LSI website. Select "Rebuttal Request" from the drop down of document name choices.
- If it is necessary to email any data (do not email the desk review, for security reasons), use the [FNMAAdminTeam@lsi-lps.com](mailto:FNMAAdminTeam@lsi-lps.com) email address.
- If it is necessary to fax any documents to LSI, please use fax number 412-329-5118. Be sure to put the order number on the cover sheet.

#### Data Research and Collection

- The first step in this process is to research the subject and comparables in the MLS and in the tax records. Please attach ALL of the following to the desk review:
  - o Full MLS print-outs for any sales or listings of the subject property in the three years prior to the date of the appraisal—include interior photos if available;
  - o Full MLS print-outs for all the comparable sales, including any sales or listings that occurred in the one year prior to the date of sale reported in the appraisal;
  - o Full tax record data print-outs for the subject and each sale included in the appraisal;
  - o CMA/MLS one-line print-out of ALL sales in the subdivision or market area for the year prior to the date of the appraisal. The GLA, age, and site size of these sales should be included in this print-out;
  - o A specific indication as to whether any of the sales in the report were not found in the MLS.

If the MLS is aged out and you can't provide MLS data for the subject and/or comps, call LSI and ask for direction. It is likely that the assignment will be cancelled if MLS data is not available.

#### LSI Desk Review Guidelines

- If you use ACI, use the "LSI Desk Review" form available in your software package.
- If you are not an ACI appraiser, use the Fannie Mae Form 2000 form (March 2005) but add the scope of work set forth at the end of these instructions. On the Form 2000, complete Page 1 and answer Question 1 "Yes" or "No," but do not complete Section II—don't grid sales and do not provide an alternate value.
- The client is LPS Capital Markets, 13920 SE Eastgate Way, Suite 115, Bellevue, WA 98005.
- This is a post-foreclosure review of a loan, and the loan was selected for review because credit and/or collateral risk factors were identified.
- Please review the report in this context, with a focus on the accuracy of the data presented in the report and compliance with USPAP and Fannie Mae guidelines (as needed, see the FNMA Selling Guide, Part XI, Property and Appraisal Guide at <http://www.allregs.com/efnma>).
- Review the appraisal in the context of its effective date of value.
- Review the original appraisal against the MLS and tax record data uncovered in your research.
- Please note specifically whether the sales used in the appraisal were derived from the

MLS.

- Compare the description of the subject property in the appraisal with MLS listings and tax records and specifically call out any discrepancies, including discrepancies in the reporting of prior sales.
- Be sure to call out any discrepancies between the subject listing history per the appraisal and what is shown in the MLS.
- If the origination appraisal was for a purchase transaction and a contract is available on the website, make sure that the appraiser reported any sales concessions.
- Compare the description of each comparable sale in the appraisal with available MLS listings and tax records and specifically call out any discrepancies.
- Call out any discrepancies in the reporting of the comparables' prior sales.
- Review an aerial photo of the subject and its neighborhood, and if the appraiser failed to comment on negative factors with respect to the subject neighborhood, subject property, or proximity of the subject to adverse influences, please comment and describe.
- Please verify and state in the review whether the comparables in the appraisal fall within the neighborhood boundaries as defined in the report.
- If your analysis indicates that there were better alternative sales that would support a lower value (i.e., if you determine that the appraised value was not supported), provide the full MLS listing sheets for those sales. Any alternate sales must be derived from MLS. Alternate sales derived through the public records are typically not considered sufficient evidence to prove that a value was not supported.
- If the adjustments do not reflect market reaction, or there are no adjustments when they are clearly indicated, please comment and describe.
- Provide sufficient commentary to permit the reader to understand why you do or do not believe the market value is adequately supported.
- It is not necessary to grid any sales.
- An alternative value is NOT required.
- If the additional data makes your file too large to upload, you may email the attachments (just the attachments—not the review) to [FNMAAdminTeam@Isi-lps.com](mailto:FNMAAdminTeam@Isi-lps.com)

#### Appraiser Recommendation and Analysis

Use the Appraiser Recommendation and Analysis template (a Word document) to complete this portion of the assignment.

The write up should detail all the potential eligibility issues and/or unacceptable appraisal practices (per the Fannie Mae Selling Guide) you identified as you completed the desk review. Be specific. Let the underwriter using the write-up know (1) what issues you identified and (2) what evidence you have to prove that these are issues.

The most common eligibility issues and unacceptable appraisal practices are outlined below. Use the drop-downs on the Word template as headings for the issues uncovered, and present them in order of importance, with serious problems called out first and minor data discrepancies last.

Examples of eligibility issues include:

- Appraisal form not appropriate for property type
- Transaction type not correct
- Inaccurate representation of subject's zoning/highest and best use
- Utilities such as well and septic located off site
- Land locked – no legal road access
- Illegally subdivided (this covers situations when the subject is large parcel and the appraisal only includes a smaller portion, such as five acres)
- Encroachment

- Excess land – subject site is very large and all comps are smaller, so appraiser has not proved that subject site is typical
- Agricultural use
- Flood hazard
- Commercial use
- Mixed use
- Two appraisals combined for one loan
- More than 4 units
- Manufactured home – prior to June 1976
- Single-wide manufactured
- Manufactured home not converted to real property
- Manufactured home removed from the lot
- Condotel
- Missing final inspection

Examples of unacceptable appraisal practices include:

- Development of and/or reporting an opinion of market value that is not supportable by market data or that is misleading
  - o Inaccurate representation of subject's use
  - o Inaccurate representation of comparable's sale price/date
  - o Inadequate data sources
  - o Questionable/non-arms length sales (for example, non-MLS sales—these are a big red flag)
    - Misrepresentation of the physical characteristics of the subject property, improvements, or comparable sales
      - o Property condition
      - o Basement improperly included in GLA
      - o Inaccurate representation of subject's physical characteristics
      - o Inaccurate representation of comparable's physical characteristics
    - Failure to comment on negative factors with respect to the subject neighborhood, subject property, or proximity of the subject property to adverse influences
      - o Over improvement
      - o External obsolescence
    - Failure to adequately analyze and report any current contract of sale, option, offering, or listing of the subject property and the prior sales of the subject property and the comparable sales
      - o No analysis of sales contract
      - o Prior sale of the subject
      - o Subject prior sale not analyzed
      - o Prior sales of comps not adequately reported or analyzed
      - o Listing of the subject
    - Selection and use of inappropriate comparable sales or the failure to use comparable sales that are locationally and physically the most similar to the subject property
      - o Appraiser overlooked neighborhood sales
      - o Appraiser used outside sales with higher prices
      - o Manufactured home valued with site built sales
    - Creation of comparable sales by combining vacant land sales with the contract purchase price of a home that has been built or will be built on the land
      - o Use of comparable sales in the valuation process even though the appraiser has not personally inspected the exterior of the comparable properties by, at least, driving by them
      - o Use of adjustments to the comparable sales that do not reflect the market's reaction to the differences between the subject property and the comparable sales, not supporting the adjustments in the sales comparison approach, or the failure to make adjustments when

they are clearly indicated

- Use of data—particularly comparable sales data—that was provided by parties who have a financial interest in the sale or financing of the subject property without the appraiser's verification of the information from a disinterested source
  - o For example, use of builder sales within a new subdivision or condo development—in the current environment, public records are not sufficient to verify key elements of the transaction such as concessions.

Then, based on the results of the data analysis performed in connection with the desk review and considering the eligibility issues and unacceptable appraisal practices listed below, pick one of the following three ratings/recommendations:

- Red – Preliminary review (i.e., your data analysis and desk review, as opposed to a field review) identified issues of eligibility or unacceptable appraisal practices that are likely to result in significant findings. The red rating means that the value is not supported. If the appraisal had been done correctly, the impact on value would have been significant enough to have changed the lending decision. If the rating is red because alternate sales support a lower value, full MLS print-outs of the alternate sales must be provided.
- Yellow – Recommend field review; preliminary review identified potential issues that could result in significant findings (i.e., problems that would have altered the lending decision), but additional information that would only be available through an inspection of the subject and/or comps is needed to be sure.
- Green – Preliminary review identified no eligibility or value issues that would, if corrected, have altered the lending decision. If the property is eligible and the value is reasonable, the recommendation is green, even if the appraiser used unacceptable appraisal practices.

The write up should detail all the potential eligibility issues and/or unacceptable appraisal practices (per the Fannie Mae Selling Guide) you identified as you completed the desk review, whether the rating is red, yellow, or green