APPRAISAL TODAY

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Should you do non-lender work?

Business is down and many appraisers are thinking about doing non-lender work. Working for lenders is very different than working for non-lenders. Requirements: lenders have lot, non-lenders have more reasonable requirements, if any. Marketing: get on AMC lists. Fees: Lender - very competitive. Non-lender - higher than lender.

Below I list the pluses and minuses of lender vs. non-lender appraisals. I also include a list of all the different types of non-lender work with pluses and minuses for each one.

Non-lender appraisals
Advantages
- Fees - Higher than lender, sometimes much higher especially litigation. Much less fee competition than AMCs.
• Fee payment - up front or 50% up front and 50% when ready to deliver for private and attorneys
• Clients - All types. attorneys, private individuals, insurance companies, government agencies, etc.
• Client attitude - need appraisals, appreciate good service.
• Marketing - can establish relationships if not one-time clients, get referrals. Multiple appraisals from good referral contacts, Can get multiple appraisals over time such as estate work (first spouse, second spouse, squabbling siblings)
• Reviews - Often no reviews or minimal. No CU, UAD, etc.
• Requirements - USPAP, otherwise must less restrictive than for lender appraisals
• Types of properties - All types, including non-lendable properties such as needing much work, land with issues, etc.
• Reason for appraisal - Many: divorce, charitable donation, relocation, sale to a neighbor.
• Purpose of appraisal - litigation, estate, gifting, pre-listing, etc.
• Type of value - Not always market value. Future, quick sale, with and without hypothetical condition
• What are you appraising? Easement, partial value, etc. Property boundaries are sometimes not clear, may need legal description, easement info, survey etc. Plat maps not reliable.
• Expertise - will pay for the ability to identify various problems and issues correctly.

Disadvantages

• Fees - often other bidders, can be hard to figure out what to charge on complex properties: property issues, purpose of the appraisal, who is the client, etc.
• Fee payment - government work can take a long time to get paid, attorneys don't like to pay if they lose, etc.
• Clients - often one time, don't always understand appraisal. Can sometimes be hard to figure out who is the client. Engagement letters are mandatory except when appraising one house (maybe).

• Marketing - requires long term commitment even when lender business is strong. Must often turn down lender work. Need referral business, plus web site oriented to non-lender work.
• Reviews - can sometimes be a hassle, such as relocation.
• Requirements - Can be very different from lenders, such as government agencies, relocation companies, etc. Have to learn what they want.
• Expertise - need good education and experience to identify various problems and issues correctly. May need to take classes. Need to get local expert appraiser(s) to ask for help. Online is not reliable and seldom local.
• What are you appraising? Sometimes not clear, may need legal description, easement info, survey etc.

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Lender appraisals

Advantages

• Fees - can get high if demand is very strong with few appraisers
• Fee payment - billing. No personal checks.
• Clients - Many AMCs and direct lenders. Easy to find.
• Client attitude -Some direct lenders appreciate appraisals. Can be steady, repeat business.
• Marketing - Get on approved list. Direct lenders - can establish relationship.
• Reviews - AMCs - a big hassle. Direct lender varies, but not much compared with AMCs. CU, UAD, etc.
• Types of properties - lendable only.
- Reason for appraisal - Mortgage loan.
• Marketing - Get on AMC lists.
• Types of properties - Lendable, otherwise don't appraise. No big issues with hypothetical conditions, etc.
• Type of value - Market value.
• What are you appraising? Lender decides.
• Expertise - Should be able to identify "problem" properties so you can turn down the assignment or charge a very big fee.

Disadvantages
• Fees - Very competitive. AMC fees go up and down. Sometimes large fee changes over time, both up and down. AMCs - heavy competition. Non-AMC lenders have steady fees.
• Fee payment - Keep close track of accounts receivable. Small AMCs can go out of business when the market crashes.
• Clients - AMCs dominate the market.
• Client attitude - Most lenders: Appraisals are a necessary evil. Prefer AVMs. AMCs: you are stupid and not to be trusted, but necessary for their appraiser brokerage
business.
• Marketing - Very hard to get on direct lender list.
• Reviews - a big hassle.
• Requirements - AMCs: a big hassle. Change all the time. Make no sense.
• Expertise - Must be able to identify "problem" properties so you don't get into trouble.

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Types of non-lender work
(Note: I have done appraisals for all these types of clients, except eminent domain/right of way and pre-listing appraisals.)

Divorce
Plus: Very well paid. Repeat business.
Minus: Must be willing to testify in court. Sometimes have to listen to negative, personal comments about the other spouse.
Tip: Don't believe it when they say there will be no testimony.

Litigation support
Value dispute: loss of a view, fence line, almost anything people are fighting over.
Plus: Very well paid.
Minus: Must testify in court. Expertise requred.

Private sales. Tenant, friend or relative wants to buy. Work for buyer, seller or both.
Plus: Current value. Higher than AMC fees. Paid in advance or at the door.
Minus: Sometimes differences of opinion between buyer and seller. Or, unrealistic seller.

Pre-listing, pre-purchase, pre-sale appraisal
Plus: Good fees, paid at the door
Minus: May have some hassles with real estate agent.

Insurable value. Replacement cost.
Plus: Good fees, paid at the door
Minus: must know Cost Approach and use accurate costs

PMI removal.
Plus: Good fees, paid at the door
Minus: Less work since 1998, when PMI started being automatically cancelled when get to 80% LTV, but may need appraisal now.

Rent survey
Done for divorce and rent disputes (typically commercial properties). Sometimes for estates
Plus: Good fees, paid in advance
Minus: May need to go way back in time (divorce). Be sure to charge extra. Can be difficult getting accurate actual rents.

Feasibility study, cost/benefit for additions, etc.
Plus: Good fees, paid at the door
Minus: can be challenging. Charge for the extra work.

Relocation
Plus: higher fees. Value your expertise.
Minus: Forecasted value. Must be an expert on the market as you will be compared with 1 or 2 other appraisers. Marketing to relocation companies is tricky now. Best marketing is to real estate agents, who help advise transferees on the best appraiser.

Estate and Trust. Date of death.
Plus: Market to attorneys and accountants for repeat business. Fees well above lender fees.
Minus: Many one time clients as in some areas the executor/trustee hires the appraiser. Sometimes listen to complaints about ungrateful relatives, etc. Can be difficult to determine what the property was like on date of death.

Estate and trust: dividing up assets, purchase by beneficiary.
Plus: Good fees, paid at the door
Minus: Can be date of death or current value - find out which one, sometimes both.

Bail Bond - someone wants get out of jail.
Plus: High fees. All cash. Do not accept checks.
Minus: Very fast turnaround. Face to face marketing required with local bail bond companies. Some states have no cash bail laws, such as California, an increasing trend. Bail bonds are not needed.

Bankruptcy - less common now, but high during the recession
Plus: High fees.
Minus: May have to testify in bankruptcy court.

Government agencies (cities, counties, federal) - sale or purchase, easement issues, etc.
Plus: Can get on approved appraiser list and get an opportunity to bid.
Minus: Can have collection problems - late payers. Typically competitive bids. Most is non-residential.

Property tax appeal
Plus. Paid up front.
Minus: Need to learn local tax law. Testify in assessment appeal board (much easier than courts).

Gifting. Parent to child or donations to charity.
Plus: Paid up front. Sometimes repeat annually for gifting to children.
Minus. Need to know IRS rules, which changed recently. Check before you decide to do this work.

Right of way/eminent domain - Easements, partial taking, full taking
Plus: Get on the approved list.
Minus: Needs specialized experience and education. Can get good fees, but competitive bids. Most is non-residential.

Insurance companies. Before and after being damaged or destroyed. Easement value.
Plus: Pays well. No hassle getting paid.
Minus: Can be difficult to market.

How to decide if you want to do non-lender work

Go through the comparison above of lender vs. non-lender. Make up a decision table, with plus on one side and minus on the other side. Only you know what is important for you.

Go through the list above and see what type of non-lender work appeals to you.

Where to get more information

Read the 5-page article in the April 2018 issue of Appraisal Today, Quick Start -how to get non-lender work ASAP.. Fed up with AMC hassles and low fees? But, not sure what type of lender work is best for you?

My Marketing for Appraisers PDF book, free to paid subscribers, was updated in 2008 and has lots of info and good tips. You can find the link on the paid subscriber page below the two most recent newsletters.

I have written about a lot of different types of non-lender work. Look through the back issue lists (by month and by article title) on the Appraisal Today paid subscriber page. If you want an article that is not on the subscriber web page, send email to info@appraisaltoday.com and we will send it to you.

Google the type of appraisal. Some articles are written by appraisers.

Take classes in the non-lender work you want to do plus classes to upgrade your skills.

Relocation appraisals - clients that pay well and really want to know what a property is worth By Barbara Massey, SRA, AI-RRS

By Barbara Massey, SRA, AI-RRS

Editor's comments: Relocation appraisals are my favorite residential appraisals. Every one is a test of how close you come to the future sales price. Fees are considerably higher than lender appraisals. There is no UAD, CU, computer reviewers, etc. In a future article I will discuss the business issues: how to get work, competition, fees, etc. Plus other issues.

Every appraiser has a type of assignment that is near and dear to them. One of my very favorites is Employee Relocation "WERC" work. These are a specialty assignment within the realm of the residential expert.

The problem to be solved

They have long been a favorite type of appraisal work for me, because the relocation client has a real problem that needs to be solved correctly.

Their problem relates to potentially purchasing the home of a transferring employee, which is offered to help make the transferee's move more seamless and less stressful. This is a laudable goal, because anyone moving from one location to another is going to have many mixed emotions, and the stress of a home sale should not be an additional stressor.

Because of the real need for a supported answer, companies hiring appraisers to handle this type of work want to ensure that the appraiser they retain knows how to handle the problem correctly. There are differences between relocation work and most residential assignments.

Future value, not current value

The differences largely relate to the definition of value, which on a relocation assignment is "Anticipated Sales Price" versus "Market Value".

Within the definition of Anticipated Sales Price, is the component of "Forecasting", which includes the analysis of what has happened in the past, compared to the current market, and projecting out in time within a defined period (usually 120-days), in order to affect a sale within this period.

This can be tricky in changing markets, as the past may not predict the future, and the appraiser has to be sensitive to what is happening, right here, right now.

Definition of Anticipated Sales Price*: The price at which a property is anticipated to sell in a competitive and open market, assuming an arm's length transaction whereby:*

1. The analysis reflects the subject property's appearance "as is" (or as instructed by the client) and is based on its present use as a residential dwelling. (For new construction not completed see Guideline 1d.)

2. Both buyer and seller are typically motivated; both parties are well-informed or well- advised and acting in what they consider their best interests.

3. Payment is made in cash or its equivalent.

4. An assignment marketing period, not to exceed 120 days (or as instructed by the client) and commencing on the Date of Value Opinion, is allowed for exposure in the open market. The analysis assumes an adequate effort to market the subject

property.
5. Forecasting must be applied to reflect the anticipated trend of market conditions and prices during the subject property's prospective marketing period.

Definition of Forecasting*: Forecasting is the process of analyzing historical trends and current factors as a basis for anticipating market trends. (In order to reflect any impact these trends will have on the subject property's marketing time and sales price, a forecasting adjustment must be consistently applied to each comparable sale).*

Forecasting adjustment

This forecasting adjustment, whether it is positive, negative or zero, must be considered and made. In rapidly advancing markets, the prices may be rising at each sale, leap-frogging each other.

The appraiser has to consider this as a possibility/probability, just as when the market is starting to retreat. Even when the market is balanced and stable, seasonality comes into play and may require an adjustment.

For example, in the market in which I work, we tend to slow down after the Fourth of July, and the appraiser should consider that, just as much as they would want to consider how the market normally picks up in February. This is because we are projecting out in time to what the house will likely sell for within a marketing time of 120-days.

Detailed market analysis required

Another stark difference between the relocation assignment and a mortgage assignment is the detail involved in the market conditions section.

The form, as developed, allows the appraiser to truly analyze the market segment they choose as representative of the subject's competition. Appraisers can use whatever they consider relevant, and personally I like to lay this out as an annualized monthly data run. Some appraiser run it as quarter-to-quarter, others year-to-year, and so forth.

This allows flexibility and can help organize the thought process as to what is happening in the market as of the effective date of the report. In fact, this format is easy to use for any residential appraisal problem, and would be a benefit in lieu of the 1004MC.

Décor is important

In addition to the forecasting that is made, another difference in relocation assignments relates to décor, far more than with a mortgage assignment. The form guidelines specify that we consider the property's appearance as it was shown, as of the date that we saw the property.

Sometimes we are asked to value "as if vacant" - this is another challenge as the transferee may have a very coordinated color décor with wall hangings, furniture, and so forth, but when all of that is gone, what's left may be personalized wall or floor coverings. Personalized colors and special design features that may be attractive to the transferee, may actually be a detriment to marketing the house.

This needs to be addressed. For example, consider the built-in hot tub in the main bedroom (not the bathroom), or the 5,000 sqft house with pink vinyl siding, or the house where the teenagers thought painting the walls and ceilings black was a good idea.

Functional issues

Just as in a mortgage assignment, functional issues with a property have to be addressed. We have all seen houses with a captive bedroom which requires that you have to go through one bedroom to get to another, or where the bedrooms are on the second floor, and the only bathroom in the house is on the main floor, next to the kitchen.

In an increasing market, the buyers may be more forgiving of these types of quirks in a property, but when the market slows, they can be make-or-break situations.

As the relocation company and employer could well be offering a buy-out to the transferee on their property, it is of critical importance that these types of quirks are well analyzed and described.

Guidelines: In developing an opinion of the Anticipated Sales Price, the appraiser must:
1. Consider the subject property's appearance "as is" (or as instructed by the client) on the Date of Value Opinion with adjustments made to reflect reactions from a typical buyer's point of view. These adjustments should reflect the comparative differences between the subject property's appearance and similar properties in that market. The actual cost to cure may not be the appropriate measure for this adjustment. Consider the effect on value (positive or negative) of the following items:
a) condition (e.g., modernization, restoration, repairs, necessary improvements, etc.);
b) appeal (e.g., personalized décor, colors, design, etc.);

Quality and condition - relative, not absolute factors

Unlike a mortgage appraisal with the current UAD requirements, relocation appraisals require the appraiser to rate the quality and the condition based on relative versus absolute factors.

If a house is almost new, and all the sales used are almost new, and the neighborhood consists largely of similar properties, then the condition is going to be "average" compared to these properties.

If the house has amenities that are atypical for the market, then these may be "excellent" or "good" compared to others that compete. Or if there is a functional issue, this may or may not be average for that market, because other properties that are comparable may have a similar functional problem.

The ratings are addressed in the Definitions and Guidelines page of the ERC form, and anyone who is considering completing this type of work should make themselves familiar with these guidelines, as well as with the definition of Anticipated Sales Price and Forecasting.

Your appraisal is compared with 1 or 2 other appraisers

In relocation appraisal assignments, we are judged not only by the analysis that is presented in the report, but in comparison to another appraiser.

It is quite common for the two appraisers who are completing the relocation assignment to use common sales or listings, but to include different information. This is common with items such as basement bathrooms, which the MLS may report as on the main floor, as opposed to a basement.

Or maybe the ubiquitous days on market for the listings, when the reports were prepared at different times. If the Anticipated Sales Price for two reports are outside of a spread (commonly 5%), then the requirement is often a third appraisal report, allowing for possibly more noted discrepancies far after the fact.

The appraiser handling relocation assignments has to be prepared to answer multiple questions from the relocation company in a prompt and professional manner.

Appraisers who are not familiar with relocation appraisal guidelines can cause more call backs and requests for information. This is because of the compare-and-contrast function in the review of these assignments. One appraiser may consider a forecasting adjustment necessary and support it, while the other may not adequately address it.

If you decide to do this type of work, educate yourself on the process and be prepared to answer questions on most reports that you complete.

Webinar and class

If you enjoy the analysis, and describing your analysis and conclusions, then

I would encourage you to explore the process in more detail. The Worldwide Employee Relocation Council has an introductory webinar series to relocation appraisal that is found on the website with the following link: https://academy.worldwideerc.org/relocation-appraiser-resources/

Chip Wagner has also developed and perfected a class on relocation appraisals which addresses unique situations that arise in this type of work. If you are interested in learning about relocation work, I highly recommend the class. You can also ask your local education provider to host it. Info at www.wagnerappraisal.com/

RAC - Relocation Appraisers and Consultants

Of course, if your goal is to become the best relocation appraiser you can be, check out the RAC organization. RAC (Relocation Appraisers and Consultants) which is dedicated to advancing the relocation appraisal profession, but also includes members who specialize in appraisal of complex residential properties often involving litigation.

First and foremost, however, it is a relocation appraiser organization, to which I am very happy to belong to.

Each year, RAC hosts a 2-day conference dedicated to the residential appraisal profession, with emphasis on relocation appraisal. This is a great place to meet professionals in this field, and to learn more about this niche market. For more information about RAC, please visit the website at www.rac.net.

Relocation companies want the best appraisals and appraisers

Relocation appraisal work offers the appraisal professional an opportunity to do their very best work, showcasing their writing and analytical abilities.

Our conclusions have to stand up not only by way of comparison with another professional appraiser, but also with the eventual sales price.

We will be measured on both of those fronts, as well as in our professional demeanor. There are few options available for this type of work outside of the litigation arena.

In relocation work, we have the opportunity to do excellent work, as well as test it, and even more importantly, to serve those with a very real need.

About the author

Rachel Massey, SRA, AI-RRS has been in the real estate field in the Ann Arbor area since 1984, first in sales, and then as a full time appraiser since 1989.

She has a Bachelor's degree from Siena Heights University with a real estate concentration, and is an AQB Certified USPAP instructor.

Rachel was one of the original members of the Michigan Council of Real Estate Appraisers and has a passion for helping other appraisers through writing, teaching and with peer review.

She has expertise in lake appraisal, Relocation appraisal work and other residential work in Washtenaw County and surrounding communities.

When not appraising or thinking about appraisal, she can be found enjoying sunsets, walking, and the occasional toss about the mat in aikido. Rachel can be reached at rachmass@comcast.net or through her website, www.annarborappraisal.com

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How an NMLS-Type Structure for Valuation Benefits Appraisers, Lenders and Consumers

By James L. Murrett, MAI, SRA

Editor's note: Many appraisers are not familiar with NMLS, set up for mortgage originator licensing, so I have included more information about it in the next article.
As U.S. home sales have steadily risen(see link below) the last several years, a trend that is expected to continue, we can logically expect demand for opinions of value to increase accordingly.

To keep pace and ensure that consumers are able to secure mortgages and purchase homes without fear of appraisal-related delays, the federal government should take reasonable measures to reduce outdated, inefficient and duplicative rules and requirements that may prevent appraisers from providing opinions of value that meet the needs of lenders and ultimately, consumers.

Appraisers are being overburdened by current regulations that ultimately hurt their ability to serve their clients. The situation calls for appraisal regulatory modernization.

Namely, Congress should authorize the use of a multi-state licensing program similar to the Nationwide Multistate Licensing System (NMLS) used by real estate agents and mortgage originators. Such a system would maximize efficiency through improved coordination among state regulators, would lower regulatory and cost burdens, and would benefit appraisers and users of appraisal services.

Otherwise, the current regulatory system threatens to drive appraisers out of the valuation profession.

A study (see link below) conducted by the National Association of Realtors found that excessive regulation is one of the most common reasons for leaving the profession among appraisers who are unlikely to remain for another five years. For example, standards and associated required coursework for the profession change every two years, causing appraisers to devote additional fees and significant time for minute, inconsequential updates. Since most appraisers operate as small businesses, these requirements become a significant burden.

Furthermore, a survey of Appraisal Institute professionals identified "managing multiple licenses/certifications" as the single biggest regulatory-related challenge they face.

But by adopting an NMLS-like structure, regulators could use one uniform database for appraisers across states, thereby improving coordination with a simplified flow of information through a single stop to access data.

For example, many states now require background checks for appraisers, who often work in more than one state, without a central processing or management system, which forces appraisers to navigate a patchwork process that increases costs for lenders and consumers. Meanwhile, the NMLS has a single background check that can be used by all states, providing one-stop shopping for practitioners and appraisal firms.

Moreover, the U.S. Department of Treasury recently suggested updating the 1989 Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), while pointing out the obvious benefits of systems like the NMLS for harmonizing state licensing laws in the financial services industry.

The report recognizes the benefits of the NMLS for other professions, which has been "to reduce duplicative regulatory requirements, promote greater information sharing and coordination, and maintain consumer protections and the strength and resilience of regulated firms." It recommends efforts to build a more unified licensing structure and supervisory system across the states, which would also reduce inconsistencies across state laws and regulations.

Most importantly though, any appraisal regulation modernization must be considered from the point of view of ultimate impact to consumers making the most important purchase of their lives, and whether proposed changes improve safeguards or increase risks. One proposed regulatory modernization solution has been to waive the appraisal process altogether. But this does not address the inherent structural problems and creates more risk for lenders and consumers.

Ultimately, well-qualified and highly competent appraisers developing reliable, credible appraisals add value to real estate transactions.

To minimize regulatory challenges and provide benefits that reach well beyond the valuation profession, it's critical that Congress adopts a structure like the NMLS for appraisers.

James L. Murrett, MAI, SRA, of Hamburg, New York, is the 2018 president of the Appraisal Institute, the nation's largest professional association of real estate appraisers. Since 2009, he has been in management roles with Colliers International Valuation & Advisory Services, currently as the executive managing director, compliance and quality assurance.

Links: Risen
http://www.freddiemac.com/research/outlook/20180524_housing_demand_steady.html
Study
https://www.nar.realtor/sites/default/files/reports/2017/2017-03-appraiser-trends-survey-03-16-2017.pdf

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What is the Nationwide Multistate Licensing System (NMLS)?

The previous article refers to an NMLS-like structure for appraisers. In this article I discuss what NMLS does. NMLS was set up for licensing of mortgage companies and mortgage loan originators, who were not licensed prior to 2008. Each state licenses them and NMLS system keeps track of them on a national level. Lots of info at https://nationwidelicensingsystem.org

Over three-quarters of the states also currently manage additional license types through the System in the money services business, debt and consumer finance industries.

Note: Ken Chitester of the Appraisal Institute provided additional information below, indicated by "Per AI".

What appraisers would be helped by a system like NMLS?

Appraisers who work in multiple states would have one web site to use for states that participate in NMLS. If your state regulator has administrative difficulties, using NMLS may make renewal, etc. easier.

In the northeast, states are small and many appraisers work in multiple states. Appraisers who live close to a border between two states, sometimes are licensed in both.

Not having to submit background checks to multiple states is a plus.

Your state regulator could be helped by NMLS to make it easier to renew your license.

How many appraisers work in multiple states?

Per AI, "According to the Appraisal Institute's analysis of Appraisal Subcommittee data, as of Dec. 31, 2017, there were 82,208 active licensed and certified appraisers in the U.S., and there were 97,138 active licenses and certifications. "

"Research shows that 9.3 percent of active licensed or certified U.S. appraisers held a license or certification in one or more states outside their home state. At the end of 2017, 8.8 percent of active U.S. appraisers were licensed, 36.3 percent were certified residential and 54.9 percent were certified commercial/general. (AI has not completed a separate breakdown among only those with multiple licenses or certifications.)" See the AI fact sheet: www.appraisalinstitute.org/assets/1/7/U.S._Appraiser_Demos_3_1_16.pdf

Who would set up a new NMLS "like" organization?

Per AI: "Creating an NMLS-like system for the valuation profession would start at the federal level. Federal regulators would work with state entities to implement the system."

Per AI: "While creating a new system unique to the valuation profession is a possibility, the solution could be to revise the existing NMLS. In either case, the solution presumably would be similar to the current NMLS. Some state appraisal boards are already well-positioned to utilize the NMLS through their overseeing agency - state banking departments - who are already utilizing the system for mortgage originator regulation."

From the NMLS web site

(direct quote):

"The Nationwide Multistate Licensing System ("Nationwide Mortgage Licensing System," NMLS," or the "System") is the system of record for non-depository, financial services licensing or registration in participating state agencies, including the District of Columbia and U.S. Territories of Puerto Rico, the U.S. Virgin Islands, and Guam. "

"In these jurisdictions, NMLS is the official system for companies and individuals seeking to apply for, amend, renew and surrender license authorities managed through NMLS by 63 state or territorial governmental agencies. "

"NMLS itself does not grant or deny license authority."

"NMLS is the sole system of licensure for mortgage companies for 58 state agencies and the sole system of licensure for Mortgage Loan Originators (MLOs) for 59 state and territorial agencies."

"NMLS is also the system of record for the registration of depositories, subsidiaries of depositories, and MLOs under the Consumer Financial Protection Bureau's Regulation G (S.A.F.E. Mortgage Licensing Act - Federal Registration of Residential Mortgage Loan Originators), published December 19, 2011."

"NMLS was created by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR)1 and began operations in January 2008. It is owned and operated by the State Regulatory Registry LLC (SRR)2, a wholly owned subsidiary of CSBS."

What other types of licenses are in NMLS?

To find out about your state, go to the NMLS web site and click on Licensing. Here is a sample of some of the departments using NMLS for California:

- California Department of Business Oversight licenses the
- Residential Mortgage Lending Act License
- Finance Lenders Law License
- Mortgage Loan Originator License
- Money Transmitter License
- Student Loan Servicing License
- Real Estate Corporation License Endorsement
- Real Estate Salesperson License Endorsement
- Real Estate Broker License Endorsement (Individual)

How does NMLS work?

Here are excerpts from a Housing Wire article about New York State, dated May 12, 2017.

"New York Department of Financial Services announced it will be transitioning to the Nationwide Multistate Licensing System and Registry in order to manage the license application and ongoing regulation of all non-depository financial institutions doing business in New York. "

"Beginning September 1, NMLS will begin receiving filings for the license types listed below. New applicants and existing licensees can submit these records through NMLS."

"By working with the CSBS, which is leading the modernization of state regulation through Vision 2020, DFS is supporting the strong nationwide regulatory framework created by states to provide improved licensing and supervision by State regulators,"

Link to article:
www.housingwire.com/articles/40109-new-york-regulators-expand-nmls-to-broaden-authority

Why would a state use NMLS?

NMLS makes the process of applying in multiple states easier by using a common tool and process for all participating states. You can register for exams, make payments, report authorized agents, renew licenses and more, all from the NMLS online portal. Often, each state will have its own supplemental attachments to the NMLS application.

To use NMLS, businesses and individual owners must create accounts in the system. Authorized users can access the printable forms in their resource center and submit applications and some attachments online. State and industry specific attachments may need to be mailed, along with the checklist provided by NMLS, to the appropriate state agency within 5 days of submitting your application online through NMLS.

Which state appraisal boards use NMLS?

When I googled I saw that Arizona and Florida state appraisal boards were using NMLS.

Per AI " Many state appraisal boards share a common oversight agency with the state mortgage originator regulators, including AZ, IA, ME and SD, to name a few. Having a common oversight agency could assist with implementation, given the state mortgage originator regulators are already utilizing the NMLS."

What is the involvement of the Appraisal Institute?

Per AI: "The Appraisal Institute would continue to make recommendations to state and federal regulators on how to implement, manage and, over time, improve the licensing system, and would inform its professionals of changes to the system. AI believes shifting to an NMLS-like system will start to relieve burdensome, redundant regulations on appraisers."

How does Fannie Mae use NMLS?

As required by the Federal Housing Finance Agency (FHFA), Lenders are required to collect the following unique identifiers for mortgages delivered to Fannie Mae:

a. Loan Originator Identifier - The loan originator's unique identifier as assigned by the NMLS and required based on the S.A.F.E. Act.

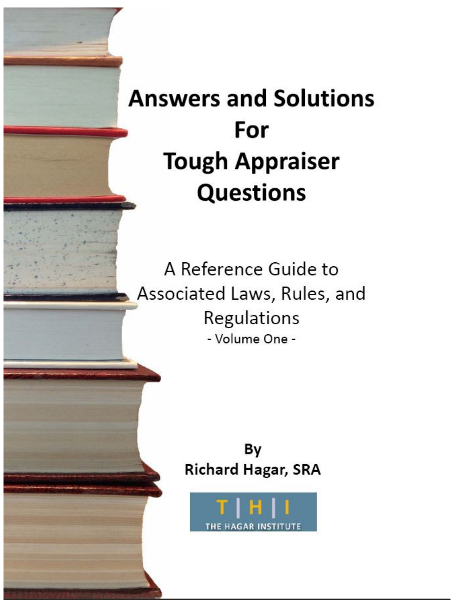
b. Loan Origination Company Identifier - The loan origination company's identifier as assigned by NMLS. The loan origination company is the company the loan originator is employed by or is representing as an independent contractor.

Appraiser state license numbers are required.

Where to get more information

Nationwide Multistate Licensing System & Registry (NMLS), the official regulator web site at https://nationwidelicensingsystem.org The site has lots of info and can be confusing (if you are not regulated by them). Go to About Us for an overview. For info on your state, click on State Licensing.

Answers and Solutions for Tough Appraiser Questions & Client Demands. A Reference Guide to Associated Laws, Rules, and Regulation, Volume One (Book Review) Buy This Book!!



By Richard Hagar, SRA

NOTE: It is difficult to describe the book contents. To see what this book is like, I have included a sample Q&A and the table of contents after this article.

This 195-page book is the best, most comprehensive writing I have ever seen on practical answers to questions and problems when you are dealing with AMCs and lenders.

From the Preface: "This manual is designed to improve the quality of appraisals and keep appraisers - a bit safer. This reference manual contains answers for more than 110 questions clients, lenders, and AMCs often ask appraisers. Each answer includes the applicable federal or state laws, USPAP references, and Fannie Mae/Freddie Mac Guidelines that supports the appraiser's response to the question.

“Appraisers are often asked tough, strange, or illegal questions. These questions sometimes come from people with minimal knowledge of the law or appraisal process. Often these people demand answers that places the appraiser at risk. Just because a client demands an answer while "stamping-their-feet" doesn't mean their demand is legal or necessary for a credible appraisal report. Many clients are inappropriately trying to shift legal responsibility on to the shoulders of the appraiser.”

”This manual is designed to help the appraiser answer the right way, avoid the risky questions, and - most importantly - recognize when a question or demand goes "to far" and violates the Appraiser Independence Regulations.”

”The goal of this manual is to help appraisers stay out of trouble, produce a Tier 1 appraisal report, and get paid more."

Chapter Titles:

Chapter 1 - Questions Involved With Ordering an Appraisal
Chapter 2 - Questions Involving Appraisal Management Companies (AMC)
Chapter 3 - Questions Regarding the Appraisal Process
Chapter 4 - Answering Questions That Happen After Delivery of the Appraisal
Chapter 5 - Odd and Unusual Questions That Can Be Harmful to the Appraiser
Chapter 6 - Answering Appraisal Review Questions
Chapter 7 - Questions and Solutions Regarding Appraiser Independence
Chapter 8 - Forms and Text Appraisers Can Use In Responding

Book format

The format starts a few introductory pages. The rest of the book is the Q&As. I have included a few sample pages so you can see what it looks like. A PDF version is not available, so you have to look through the question list to find what you want.

The answers include references from:

- Federal and State Laws
- Federal and State administrative codes
- USPAP
- Fannie Mae/Freddie Mac's requirements
- Lawsuits

Reference Conflicts

Per the book preface, "I like to think in simple terms with the line between right and wrong clearly delineated. Throughout the book and in my classes I attempt to help appraisers achieve the same clarity. The problem is, there's always conflicting lawsuits and points of view."

"I don't want you standing 'close to the edge' so I'll provide you a conservative approach to answers and regulations. When I review laws, rules, guidelines, and lawsuits, I look for the method or process that will keep appraisers safe: that way appraisers won't have to gamble that nothing will ever go wrong."

"Conflicts exist - So the users of this reference guilde should read through the regulations, strive to protect themselves and if conflicts exist - consult with a competent attorney."

A few sample questions from the book

• Fannie Mae and Freddie Mac say one thing and USPAP says another. When providing appraisals for lending purposes, that are likely to be sold to these entities, which requirements am I supposed to follow?

• The lender (or AMC) called and said that they are making changes to my report, is that allowed?

• What can an appraiser provide to a lender or AMC before it is considered an appraisal or opinion of value?

• The property is zoned single family, however I believe the "mother-in-law" unit (MIL), does not have a building permit, how do I appraise this?

• Many banks require that their name be listed as the Lender/Client even though the order has been placed with the appraisal by the AMC. What is the best practice in this case?

• I have checked the box on the form regarding highest and best use, why are lenders and AMCs asking for comments regarding this box or my analysis?

What's coming in Volume Two?

Per Richard, " More of the same and to some degree based on the questions appraisers send me AFTER reading the book."

Upcoming webinars based on each chapter in the book started September 21.

The webinars are approximately 90 minutes long.

Cost: $20 per webinar.

These webinars are NOT CE certified.

Sample questions from the 1st

webinar:
• Can the loan officer directly contact the appraiser and order the appraisal?
• Can loan officers instruct the appraiser regarding the appraisal process or comparables?
• Can the appraiser tell the lender what the property is worth so the lender or AMC doesn't have to spend money ordering an appraisal?

For questions or comments, please email us at: classes@hagarinstitute.com

Registration: https://attendee.gotowebinar.com/register/706479495060271372

How to order the book

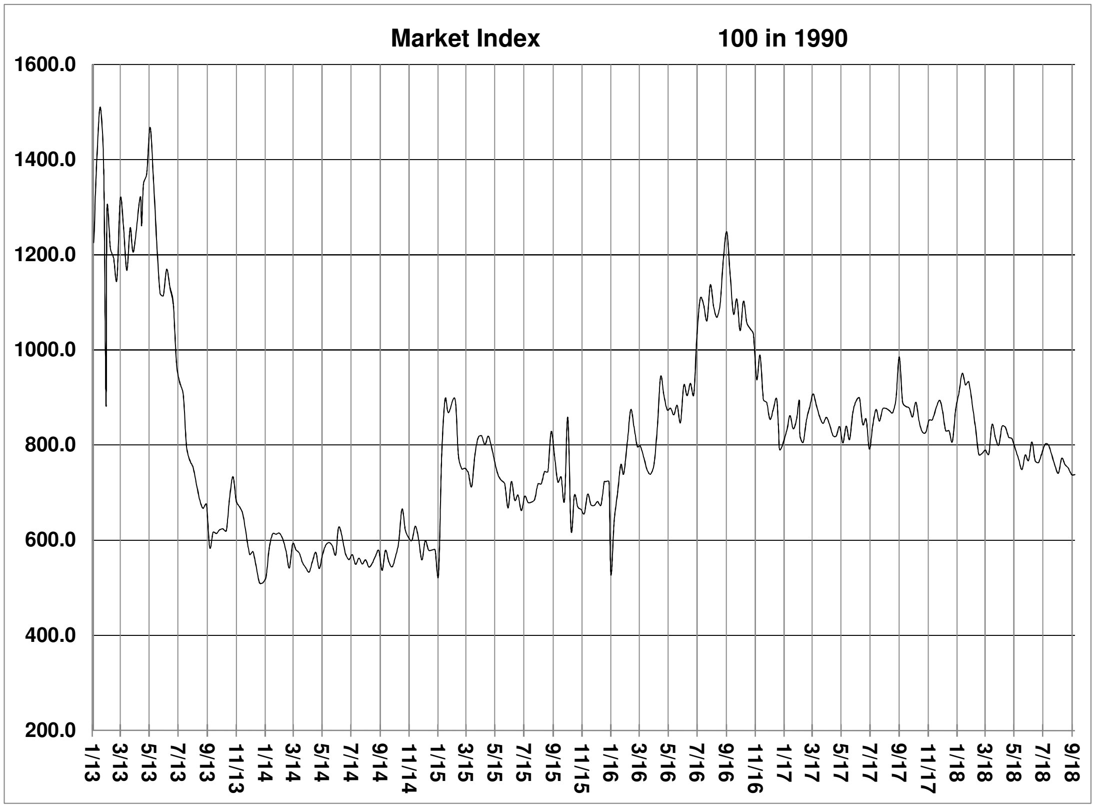
To order the book for $65, including tax and shipping: https://hagarinstitute.webconnex.com/answersmanual

About the author

I have known Richard Hagar for many years. He is definitely an Expert on the material in this book (and many other topics, including supporting adjustments)!! He is one of the best teachers in appraising. I have taken many of his classes, live and online webinars.

He is an industry veteran with over 40 years of experience in real estate. A successful real estate investor, agent, and appraiser, Richard is also a passionate educator who enjoys passing on his knowledge and helping others to succeed.

He holds the SRA designation, awarded to only the top 2 percentile of all appraisers in North America, regularly teaches courses at Colleges, private institutions, and has been instrumental in the creation of the State of Washington's "Mortgage Brokers Practices Act," the Federal SAFE ACT, and licensing of AMCs. Mr. Hagar is regular contributor to the magazine WorkingRE.



As you can see above, between 2013 and today, volume peaked in early 2013, declined, then peaked again in 8/16. The most recent peak was in early 2018. Today, it has been gradually declining. The forecast is fewer loans in 2018 due to increasing interest rates. This is a good demonstration of the ups and downs of mortgage lending.

The survey covers approximately 75 percent of all U.S. retail residential mortgage applications, and has been conducted weekly since 1990. Respondents include mortgage bankers, commercial banks and thrifts. Base period and value for all indexes is March 16, 1990=100.

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Questions:

I've never appraised a property like this, is it OK for me to do so?

I'm not competent to appraise in this area, am I allowed to provide an appraisal?

I don't have access to the local MLS and/or county data in this area, can I still provide an appraisal?

The better question:
What are the "competency requirements?"

Simple Answer: The "competency" requirements are different between USPAP and those of Fannie Mae or Freddie Mac's so a little explanation is in order.

Detailed Answer:

USPAP:
If an appraiser does not have the experience, knowledge or competency to provide an appraisal or appraisal service they should notify the client of the fact and if the client is willing to allow the appraiser to proceed, **the appraiser must obtain** the information, experience, &/or the competency necessary to complete the assignment.

Fannie Mae/Freddie Mac:
Before accepting an assignment the appraiser **must** have the experience, knowledge, and competency required to perform the appraisal assignment.

Note the differences: USPAP allows the appraiser to accept an assignment and then gain the required expertise. Fannie Mae requires the appraiser to **have** the expertise prior to accepting the assignment. So the answer to the question depends on the appraiser's client.

In addition to understanding how to appraise certain property types, Fannie Mae also requires normal access to geographic information ie. the local MLS. This would tend to eliminate appraisers who travel to areas outside their geographic competency (or MLS region) and "borrowing" someone else's MLS access.

This does create a bit of a Catch 22: If you are unable to provide appraisals of certain property types and/or in certain areas without prior experience, how do you obtain the prior experience if they won't allow you to appraise in these situations?

The answer: Provide appraisals for non-banking (Fannie Mae) purposes until you have gained the experience necessary to provide appraisals that will be utilized by the GSEs. The appraiser needs to appraise properties where the appraisals will not be utilized by the GSEs (private lenders or parties and/or work for a qualified appraiser).

USPAP Competency Rule:

An appraiser **must**:

- be competent to perform the assignment;
- acquire the necessary competency to perform the assignment; or
- decline or withdraw from the assignment. In all cases, the appraiser must perform competently when completing the assignment.

USPAP Acquiring Competency:	If an appraiser determines he or she is not competent prior to accepting an assignment, the appraiser **must**: disclose the lack of knowledge and/or experience to the client before accepting the assignment; take all steps necessary or appropriate to complete the assignment competently; and describe, in the report, the lack of knowledge and/or experience and the steps taken to complete the assignment competently. <u>Comment</u>: Competency can be acquired in various ways, including, but not limited to, personal study by the appraiser, association with an appraiser reasonably believed to have the necessary knowledge and/or experience, or retention of others who possess the necessary knowledge and/or experience. In an assignment where geographic competency is necessary, an appraiser who is not familiar with the relevant market characteristics must acquire an understanding necessary to produce credible assignment results for the specific property type and market involved.
Fannie Mae B4-1.1-03, Appraiser Selection Criteria (01/31/2017) Competency Requirements:	Lenders **must** use appraisers that: **have** the requisite knowledge required to perform a professional quality appraisal for the specific geographic location and particular property type; and **have** the requisite knowledge about, and access to, the necessary and appropriate data sources for the area in which the appraisal assignment is located. Appraisers that are not familiar with specific real estate markets may not have adequate information available to perform a reliable appraisal. Although the Uniform Standards of Professional Appraisal Practice (USPAP) allows an appraiser that does not have the appropriate knowledge and experience to accept an appraisal assignment by providing procedures with which the appraiser can complete the assignment, **Fannie Mae does not allow the USPAP flexibility.**
Fannie Mae Selection of the Appraiser:	The lender (or its authorized agent) **must**: establish policies and procedures to ensure that qualified individuals are being selected in accordance with Fannie Mae requirements, including the Appraiser Independence Requirements. ensure that an appraiser has demonstrated the ability to perform high quality appraisals before using an appraiser's services. The quality of an appraiser's work is a key criterion that must be used in determining which appraiser the lender (or its authorized agent) uses for its assignments. The requirement for an appraiser to produce a high quality work product must always outweigh fee or turnaround time considerations.
Solutions:	• Appraisers can work for a qualified appraiser who will accompany, help, and co-sign appraisals until such time as they gain the necessary experience. • Provide appraisals to parties that will not be submitting them to the GSEs.
Related Guidance:	• *USPAP Competency Rule;* • *Fannie Mae B4-1.1-03, Appraiser Selection Criteria (01/31/2017)*

Question:

What is a "reconsideration of value" (ROV) and who can request one?

Simple Answer:	Any consideration, or reconsideration of value is a request for an appraisal. Any lender or authorized employee or agent of a lender may request a reconsideration. A borrower may request that the lender reconsider the value conclusion **but the borrower is not allowed** to communicate the request for a different value directly to the appraiser.
Detailed Answer:	On the surface a "reconsideration of value" seems simple. In reality the implication and answers to this question are complex and many. <u>Considerations </u>- A reconsideration of value could be: • a request to correct **deficiencies**; • a method of providing the appraise with information that was **missed** or may not have been considered originally; • a way of asking the appraiser to consider **new** information that was not available during the first appraisal; • a completely **new** appraisal assignment; • a clumsy attempt to **influence** the appraiser into increasing the value or hiding detrimental conditions, and/or; • all of the above. Which is it? That would have to be determined on a case-by-case basis. The most likely reason for the question... an attempt to influence the appraiser into providing a higher value conclusion (See the ***Section on Appraiser Independence***). There are times where requests of these types are legitimate and the client, due to deficiencies, is seeking a superior appraisal.
Deficiencies and Missing Information:	If there are deficiencies or critical information missing from the appraisal, then the client has every right, if not an obligation, to request that the appraisal be corrected. It's possible that once the correct or missing information is added to the appraisal, the value will change. If that is the case then the appraiser should correct and reissue a new appraisal.
New Information:	If the client would like the appraiser to consider **new** information, information that was <u>not</u> available at the time of the original appraisal, **then the appraiser has received a request for a <u>new</u> appraisal assignment**. The request for a new analysis of the appraisal problem is a request for a **<u>new</u>** appraisal despite what terms or phrases the client uses. This is an update of a prior assignment. From USPAP AO-3: *"Regardless of the nomenclature used, when a client seeks a more current value or analysis of a property that was the subject of a prior assignment, this is not an extension of that prior assignment that was already completed – it is simply a new assignment.*

Attempt To Influence:

If the request for a "reconsideration of value" is none of the reasons or explanations noted above, then likely it is an attempt to influence the appraisal process, which is illegal under state and federal laws.

Most of the "reconsiderations of value," that I have seen, are due to the appraised value being less than what the client or borrower desire. I'm not aware of any "reconsideration of value" being made when the appraised value is higher than expected.

If the appraiser believes that influence and a higher value conclusion are the only reasons for the request, then the appraiser must politely and in a business like manner, push back or deny the request. Appraisers understand what this can mean to their business, but improper actions, like this, must be stopped. Read the Solutions Section for further help and guidance.

Per HUD FAQ:

A reconsideration of value is a request to the FHA Roster appraiser to reconsider the analysis and conclusions of his or her appraisal based on information that was **not** presented on the appraisal report, but was relevant to the appraisal and available to the appraiser in the normal course of business as of the effective date of the appraisal. Only the lender's underwriter can request a reconsideration of value from the FHA Roster appraiser.

Question: In the course of reconsideration of value, what information can be presented to the appraiser?
Answer: Information regarding comparable sales, listings or under contract of sale properties that the FHA Roster appraiser did not cite in the appraisal report but was available to the appraiser in the normal course of business as of the effective date of the appraisal are appropriate data to be provided to the appraiser.

(In other words, information that was available but the appraiser missed, which could impact the value or description)

HUD 4150.2; 4-9 Reconsideration of Appraised Value:

The underwriter may request reconsideration of the appraised value when **new** market data exists that may not have been reflected in the appraisal.

The lender can select new comparables and request a reappraisal. This request from the lender must be in writing and maintained in the appraiser's work file. The appraiser must decide whether to use the new comparables and perform the reappraisal. If the comparables were available when the initial appraisal was performed, the lender may not offer pay for the reconsideration.

Before any request for reconsideration of value may be accepted, the appraisal report and evidence to support a higher value must be reviewed by a HUD staff review appraiser or a Direct Endorsement mortgagee underwriter.

USPAP; AO-3 / Update:

Regardless of the nomenclature used, when a client seeks a more current value or analysis of a property that was the subject of a prior assignment, this is not an extension of that prior assignment that was already completed – it is simply a new assignment. An "assignment" is defined in USPAP as:

1) An agreement between an appraiser and a client to provide a valuation service;
2) the valuation service that is provided as a consequence of such an agreement.

The same USPAP requirements apply when appraising or analyzing a property that was the subject of a prior assignment. There are no restrictions on who the appraiser is in such a circumstance, who the client is, what length of time may have elapsed between the prior and current assignments, or whether the characteristics of the subject property are unchanged or significantly different than in the prior assignment.

USPAP FAQs:

Question: May the appraiser modify his or her opinion of value after providing me the opinion of value in advance of receiving the report?
Answer: Yes, **if** the appraiser has **new** information that leads the appraiser to conclude, based on an independent, impartial and objective analysis, that a change is warranted.

Question: How do I get my appraisal report questions answered by the appraiser?
Answer: You must be the client, or the appraiser must have authorization from the client, in order for the appraiser to discuss the appraisal with you.

Solutions:

The solution to these questions and problems involve multiple steps.
#1 From The Appraisal Foundation:
After reviewing an appraisal, if the client, or borrower believes the appraiser **did not consider important information, or has incorrect information**, about the subject property or available comparables, the client or borrower should discuss the matter with the lender. Concerns should be submitted, in writing, to the lender with a request that the appraiser be asked to address them. The appraiser should review the appraisal and, if additional credible information is pertinent to the appraisal assignment, provide a revised appraisal with commentary addressing the concerns.
#2 From Richard:
If the information submitted by the borrower via the lender/client to the appraiser is not superior to, or more thorough than, what the appraiser originally utilized, then the appraiser should provide a written statement to his lender/client stating such. And charge for your time.
#3 Is there a deficiency?
Probe the client's request to see if the appraisal has missing information or is there new information that may help increase the accuracy of the appraisal.
#4 Influence.
If after speaking to the client the appraiser believes the request is a disguised attempt at influencing the value conclusion - politely inform the client that the additional information is worthless, provide a **physical letter** stating such, and then file a complaint with the lender's compliance officer and related regulatory agencies. (See the Section on Appraiser Independence)
#5 More Information.
There is a fine line between a request for information and an attempt to influence the outcome of an appraisal. The appraiser must have a clear understanding of the problem prior to deciding the steps to take in solving the request.

Read the section on ***Appraiser Independence***, at the back of this book, and take a class on the topic.

Related Guidance:

- *Advisory Opinion -3;*
- *HUD 4105.2; The Valuation Process - 4-9 Reconsideration of Value;*
- *Class - Appraiser Independence and the Mandatory Reporting of USPAP Failures.*

Table Of Contents

Questions, answers and information in this book are laid out in a time-line similar to how an appraiser, lender, or AMC will likely encounter questions.