

## The Network of State Appraiser Organizations

08 January 2015

The Honorable Melvin L. Watt  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street SW  
Washington, DC 20024

Re: FannieMae Collateral Underwriter Program

Dear Director Watt:

On behalf of the independent state professional appraiser organizations signing below, I invite your attention to concerns expressed by the majority of real estate appraisers regarding FannieMae's announcement making their Collateral Underwriter (CU) program available to lenders and their third-party affiliates (but not to appraisers). We understand and appreciate the intent – to reduce the rejection rate of appraisal reports by FNMA through improved screening at the lender level.

**Our concern** is that lenders and their appraisal management companies will take an overly conservative misunderstanding of the CU's output and continue to implement processes that result in a degradation of the quality as well as the timeliness of residential appraisals. These misunderstandings contribute to actions such as FNMA's recent elimination of some of their appraisal guidelines regarding net and gross adjustments. It can be difficult to convince lenders that these guidelines are not hard limits. The same is almost certain to occur with lenders' employment of CU. The program's identification of alternative property sales as possible better comparables for analysis will likely result in the rejection of reports and the requirement for appraisers to spend considerable additional time responding to questions as to why those other sales were not used – hence extending loan processing time and increasing fees. Since those alternative sales come from a database with information not presently accessible by appraisers, this is not a self-correcting situation.

**The solution** that we recommend is to make the Collateral Underwriter program available to individual appraisers, including sales data, local market trends, imagery and other public records, that is being made available to lenders and their affiliates. The originating appraisers could then be alerted to the identification of the alternative sales as superior, and either utilize them or add appropriate explanatory commentary as to why they are not being included. This would improve the overall quality of appraisals by making selected property information from the FNMA database available to appraisers during initial appraisal development. It would also dramatically speed up loan processing time by eliminating delays caused by continuously growing requests for appraisers to reconsider the facts and conclusions in their reports. It is only logical for appraisers to have access to all the data possible. There is no apparent reason why this would not be possible, nor any potential downside or detriment to the process.

Not providing FNMA's Collateral Underwriter data to appraisers at the beginning of the valuation process not only disregards Appraiser Independence Requirements but also FNMA's own guidance as noted in: **FNMA Selling Guide (4/15/2014) B4-1.1-05** *"Disclosure of Information: "Any and all information about the Subject property that the lender is aware of must be disclosed to the appraiser. The appraiser must determine if the information could affect either the marketability of the property or the opinion of the market value of the property."* Additionally, there is contradiction within the actual **FNMA Uniform Residential Appraisal Report; as Appraiser's Certification 12.** *"I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located."* Appraisers must have access to the data. Otherwise, it is not possible to certify what is unknown to be known.

Providing the Collateral Underwriter to appraisers would significantly improve the residential mortgage process and further the satisfaction of FNMA's own requirements of an appraiser.

We would like to meet with a member of your staff to discuss this in greater detail. I am serving as the contact person for the state organizations signing below. Please advise me as to a proposed date and time for such a meeting. I can be reached at (704)752-6252 x101, or at [peterg@homesightllc.com](mailto:peterg@homesightllc.com). Thank you for your consideration.

Sincerely yours,

Peter Gallo

Appraiser's Coalition of Washington  
Arizona Association of Real Estate Appraisers  
California Coalition of Appraisal Professionals  
Delaware Association of Appraisers  
Georgia Coalition of Appraisal Professionals  
Idaho Coalition of Appraisal Professionals  
Illinois Coalition of Appraisal Professionals  
Louisiana Real Estate Appraisers Coalition  
Maryland Association of Appraisers  
Mississippi Coalition of Appraisers  
North Carolina Real Estate Appraiser Association  
Ohio Coalition of Appraisal Professionals  
Oklahoma Professional Appraisers' Coalition  
Real Estate Appraisers Association (CA)  
South Carolina Professional Appraisers Coalition  
Tennessee Appraiser Coalition  
United Appraisers of Utah  
Virginia Coalition of Appraisal Professionals  
West Virginia Council of Appraiser Professionals