Blacklisting

The Good, the Bad, and the Ugly
Blacklisting

Other popular names:
• Do-not-use list
• Watch list
• Ineligible list
• Exclusionary list
• Inactive list

Wikipedia – “deny someone the right to work”
Blacklisting

The Good – AMC blacklists

• The good AMCs have these lists for a reason
• There are great appraisers and terrible appraisers
• Poor appraisers that do not communicate well, have poor quality grades, over-promise and under deliver relating to turn times, etc. – all end up on this list
• Written Notifications: warnings, demotion, blacklist
• Forum for rebuttal, chance to get back in good standing
• Good business practice
The Bad – Lender blacklists

• Often poorly managed on the lender side
• Nobody at lender knows why appraiser is on the list
• Appraiser probably didn’t “play ball”
• No appraiser notification or rebuttal process
• No law states that lender must notify appraiser
• Lender gives AMC no reason
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The Ugly – Freddie/Fannie blacklists

• Appraisers listed here may as well change careers, or specialize in non-GSE work
• Large lenders that sell to Fannie/Freddie must comply
• How can AMCs comply with this list if they are never provided with it?
• Field reviews ordered on all reports from appraisers on these lists
• Nobody knows how the appraiser ended up here
• List shared with many lenders thus damaging appraiser’s career
What do Regulations say about blacklists?

• HVCC clearly stated appraiser MUST be notified when removed from a panel or placed on a blacklist – but where is HVCC today?
• Valid reasons included:
  – Illegal conduct
  – USPAP violation or state license law
  – Unprofessional behavior
  – Substandard performance
• Dodd-Frank – forced regulation of AMCs
• HUD has adopted similar guidelines
• FNMA implemented the AIR which does not require notifying appraisers
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Catch-22

• Although lenders don’t have to notify appraisers, their AMC agents MAY
• AMCs register in each state they conduct business – some states REQUIRE AMCs to notify appraiser and offer a rebuttal process
• Of the 22 states that currently require AMC registration, 19 require AMC to notify the appraiser
• 12 require AMCs to have an appeal process in place
• If lender instructs their AMC to NOT use a certain appraiser, they don’t have to have a reason – but what’s a good AMC to do? Follow state law, or lose a client? I guess it depends on the state where the appraiser works, right?
• Good business practice!
Blacklisting

IAG

• Lenders should have approved procedures for development and placement on any list
• Include process for qualifying appraisers, monitoring performance
• Periodically review the list to make sure appraiser independence standards are maintained
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What we do at KA

• Appraiser signs up to be on our panel
• They are listed as a TRIAL appraiser in our system
• They may work up to BONZE, SILVER, or GOLD levels
• Our ‘Blacklist’ is our INACTIVE list – reasons for placement here are not only performance related: license expired, retired, does not want to complete our work anymore, fees not market supported, E&O not current
• We can ‘block’ appraisers from assignments for specific products or lenders or type of appraisal (complex), etc.
• Temporary suspension/under review internally
• Appraiser’s record marked for EVERY step along the way
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Where do we go from here?

• Lenders and their AMC agents must create good practice policy and procedures and agree to notify the appraiser if/when placed on blacklist and offer a forum for appeal
• Offer a 3-strike rule: verbal warning, written, you’re OUT
• TRANCPARENCY! Let appraisers see their status with you, be able to run reports on quality, communication, and TT

What can you do if you suspect you are on a BL?