

Dealing with kickbacks, underwriting requirements, etc.

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Fees

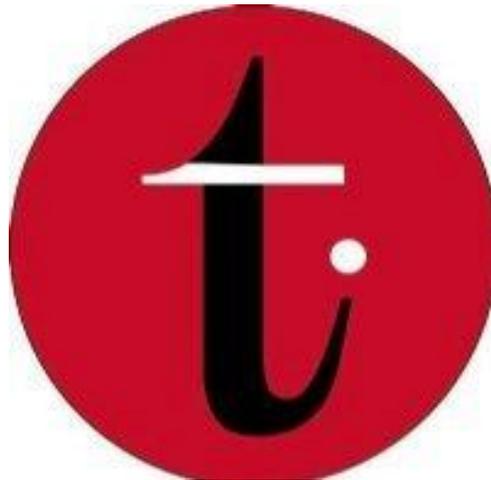


- The jury is still out
 - Up, down, or stable
- One thing is certain
 - The pay per hour is definitely down due to **scope creep**.



Lenders are more vigilant than ever

- In these days of abundant regulation, lenders are looking for every “I” to be dotted and every “T” to be crossed.



Lenders are more vigilant than ever

- In addition to traditional QC and UW processes lenders also:
 - Compare appraisal reports to AVMs
 - Compare appraisal reports to BPOs
 - Order more review products
 - both automated and manual
- More process and more eyes = More questions and more concerns.



Four reasons



- Four reasons why an AMC or lender will send a report back to an appraiser



Reconciliation

- When lender orders more than one report
 - Common for jumbo properties
- It's only natural to compare
 - Correct or explain differences in property features
 - Comparable selection differences
- Purpose isn't to influence
 - Just looking for consistency or answers and reasoning to conflicting data and opinions



QC Process

•The 3 C's

1. Check to make sure report is ***Complete***
2. Check to make sure report ***Complies*** with industry standards and guidelines
3. Check to make sure report meets ***Client*** specific requirements



Underwriting & Addendum Requests



- After QC
- Submitted by lender
 - Additional commentary or explanation regarding conclusions
 - Additional comparables
 - Listings and/or sales
 - Modification to assignment
 - Change in contract, nominal changes to site size, etc.

Reconsideration Dispute Resolution



HVCC

All members of the lender's loan production staff, as well as any person (i) who is compensated on a commission basis upon the successful completion of a loan or (ii) who reports, ultimately, to any officer of the lender not independent of the loan production staff and process, shall be forbidden from (1) selecting, retaining, recommending, or influencing the selection of any appraiser for a particular appraisal assignment or for inclusion on a list or panel of appraisers approved to perform appraisals for the lender or forbidden from performing such work; and (2) having any substantive communications with an appraiser or appraisal management company relating to or having an impact on valuation, including ordering or managing an appraisal assignment.

Reconsideration Dispute Resolution



Dodd-Frank

The requirements of subsection (b – appraisal independence) **shall not be construed as prohibiting** a mortgage lender, mortgage broker, mortgage banker, real estate broker, appraisal management company, employee of an appraisal management company, consumer, or **any other person with an interest in a real estate transaction from asking an appraiser to undertake 1 or more of the following:**

1. Consider additional, appropriate property information, including the consideration of additional comparable properties to make or support an appraisal.
2. Provide further detail, substantiation, or explanation for the appraiser's value conclusion.
3. Correct errors in the appraisal report.

Reconsideration Dispute Resolution



Policy of most AMCs

- Only accept request directly from their client
 - All parties can make a request but it has to go through the client
- Only accept request from designated personnel
- Screen request to ensure appraiser independence
- Attempt to kick-back weak or unsupported requests
 - If the client insists, the AMC needs to process all requests that don't violate appraiser independence requirements.

How to reduce kickbacks

- Read the order
 - Help ensure compliance with client specific requirements
- Use the automated rules engine
 - Ensures report is complete and warns about potential industry guideline concerns



How to reduce kickbacks

- Limit the use of canned commentary in templates
 - Reports often end up with contradicting commentary
- Comment, Comment, Comment
 - Provide clear explanation and support for conclusions
 - A reader may not agree but at least they understand your logic and reasoning



Conclusion

Be Open to Correct and/or Change Mistakes When Identified

- It's hard for appraisers to admit when they are wrong or missed something.
 - It's not in our DNA
 - We are very opinioned and people pay us for our opinions
- It might be embarrassing but correcting mistakes is the right thing to do

