

Seminar Description

The primary focus of *Reviewing and Underwriting Residential Appraisal Reports* is to help intended users of appraisal reports to understand the reports and even more importantly to recognize inconsistencies. Since most residential underwriters work for lenders and investors and therefore must comply with quality control requirements, the handbook discusses the quality control criteria in place for major lenders and investors; for example, what is required, what is suggested, and what is not wanted from the lenders. If investors want certain details and not others, the underwriter must know the needs of the client.

Most practicing underwriters know how to read an appraisal report but are not trained to look for clues to a potential problem. Part of the handbook focuses on spotting inconsistencies and significant mistakes in reports. If an underwriter finds a mistake on an appraisal report that does not significantly impact the value conclusion, it's not a cause for alarm, but the underwriter may ask the appraiser to correct the mistake. On the other hand, if a mistake impacts the conclusion significantly, the underwriter should be alarmed. Underwriters need to know the difference between a small mistake that does not impact the value conclusion significantly and a significant error or misrepresentation that severely impacts the loan collateralization.

In most appraisals used for mortgage collateral assessment, appraisers are required to follow the *Uniform Standards of Professional Appraisal Practice* (USPAP). In many states, appraisers must follow USPAP in all appraisals—not just appraisals for specific types of transactions. USPAP may override many lender requests, unusual requirements, or even turnaround requirements. Appraisers have the option of not following USPAP in some assignments, but in appraisals used for lending activity, conformance to USPAP is usually required. Knowledge of the *Uniform Standards of Professional Appraisal Practice* (USPAP) is essential to appraisal practice, but it is of limited interest to underwriters. USPAP will be discussed in the handbook, but this seminar does not focus on it. The primary focus of underwriting is interpretation of banking or investor's rules and guidelines.

Lastly, the handbook will present a line-by-line discussion of the Fannie Mae Uniform Residential Appraisal Report (URAR), which is the most commonly used appraisal report. While the focus is on single-unit residential appraisals, some of the discussion in the handbook directly applies to the valuation and underwriting of condominiums, cooperatives, and 2-4 unit properties and can serve as reference material for underwriters.

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