



**CRN**  
LENDER  
SURVEY  
2014

# Introduction

Thank you for responding to our annual Collateral Risk Network Lender Survey for 2014. As always your feedback is invaluable for other lenders to use to assess their own appraisal programs. Vendors also need to understand what is foremost on your mind to develop products and services that meet your needs.

Regulators also like to keep a finger on the pulse of what challenges lenders are faced with and better understand emerging risk issues.

Thanks again.

Regards,



**Joan. N Trice**

*Founder, Collateral Risk Network*

Published by:



Copyright © 2015 by Allterra

All rights reserved. Manuscript and artwork in this publication is protected by copyright and may not be reproduced in any form without permission of the publisher. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording or any other information storage and retrieval system, without prior permission in writing from the publisher, except by a reviewer, who may quote brief passages in a review.

Published & Distributed by

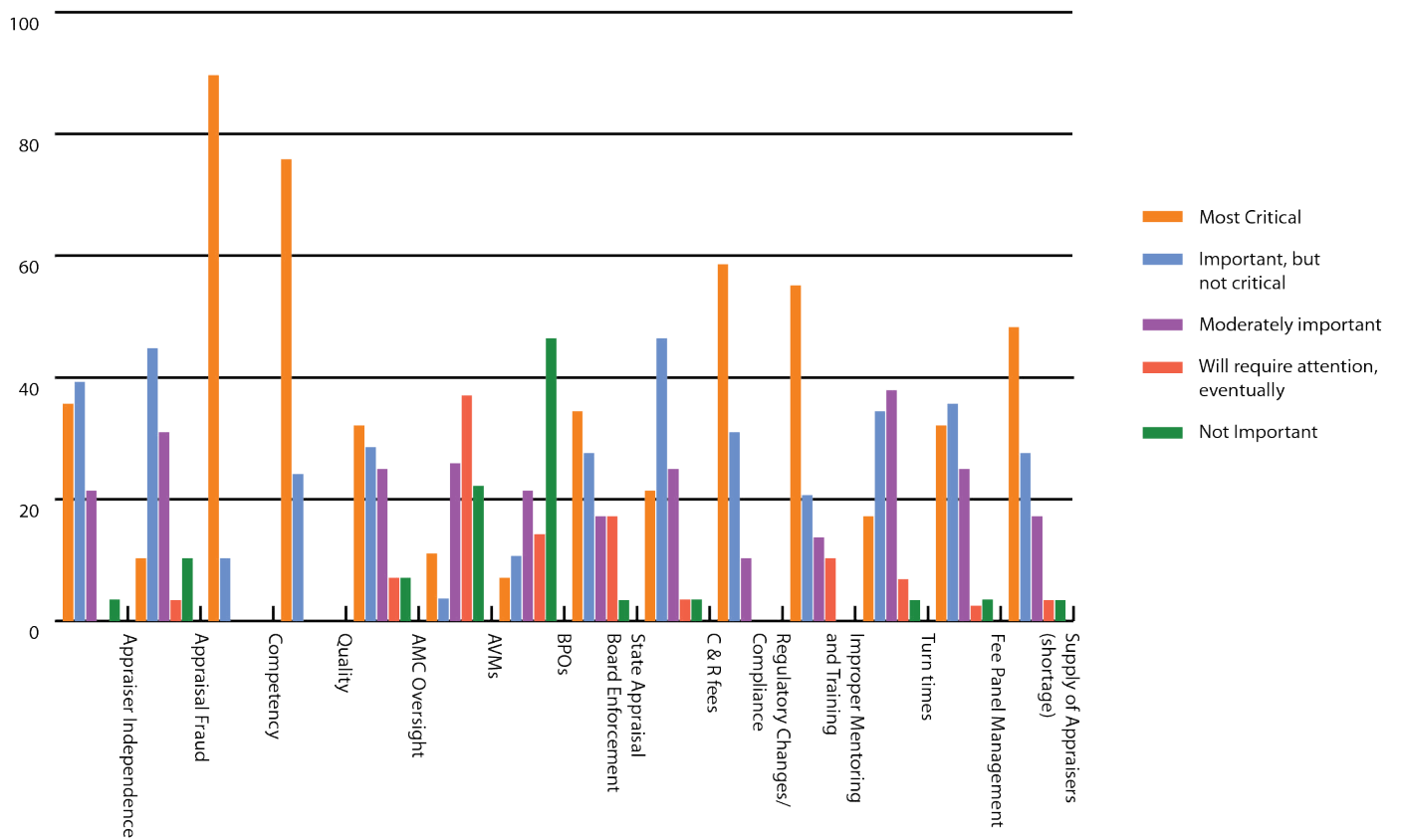
Allterra

12417 Ocean Gateway, Bldg B11,

Suite 286 Ocean City, MD 21842

info@appraisalbuzz.com

# What do you consider to be the most pressing issues facing the appraisal profession today?

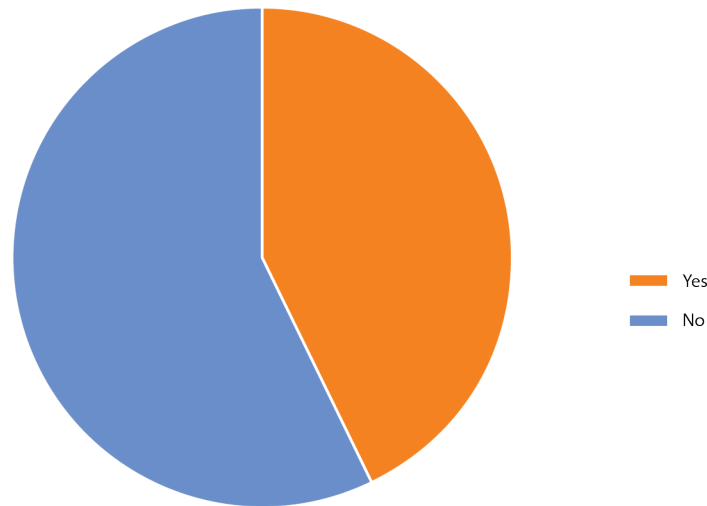


*Quality, Competency and Improper Mentoring-Training are all intertwined*

*Quality Education; "New" Appraiser Interest (less strict Certification requirements)*

*Verifications of Sales & Sale Motivations*

## Do you believe we need to reengineer the Appraisal Process?



*It depends largely if you are talking commercial or S-F Mortgage? If either of these, there needs to be some understanding by appraisers that USPAP gives them flexibility and that they are losing ground to Evaluations because they only want to provide "standard appraisals" (whatever that may be). If talking about other industries unrelated to mortgage financing, then yes to that. Keep USPAP where it was originally intended to be...with FIRREA and let other fields of valuation have their own. While USPAP is supposed to stand for "uniform", there are too many inconsistencies with the doc now to even be "uniform".*

*The appraisal process needs to develop a market cycle indicator to give their intended user some simple idea of if values are expected to increase upward or downward in the near future.*

*We need to train appraisers to complete an appraisal, not fill out a form.*

*We need to reengineer the GSE & lender underwriting process.*

*A point in time number is not working.*

*The forms are the issue, not the process. Redo those and I think you address the larger issue.*

*Appraisers need to recognize the relevancy and application of big data and its analysis.*

*Appraisers today seem to have trouble understanding and applying the established appraisal process/techniques/methodologies. I can't envision they'd do any better with a reengineered appraisal process.*

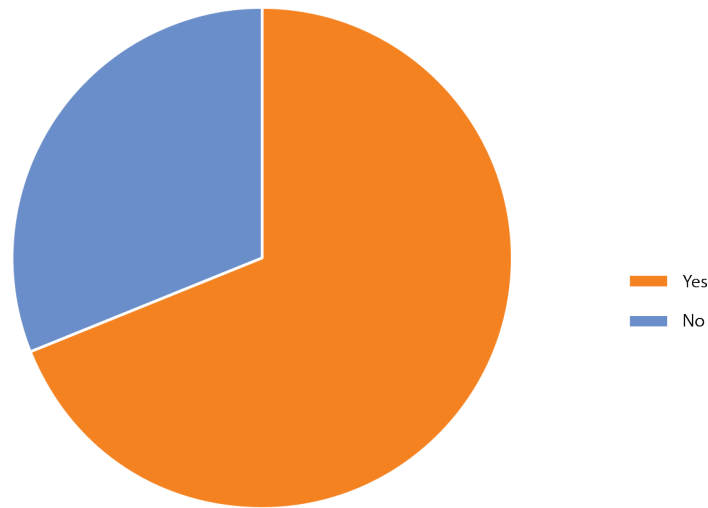
*Need to change oversight process.*

*In general, the process does not need to be re-engineered but assurance of understanding the process does...too many appraisers believe they are doing it properly but not, and no one to tell them how to improve...no accountability in our industry.*

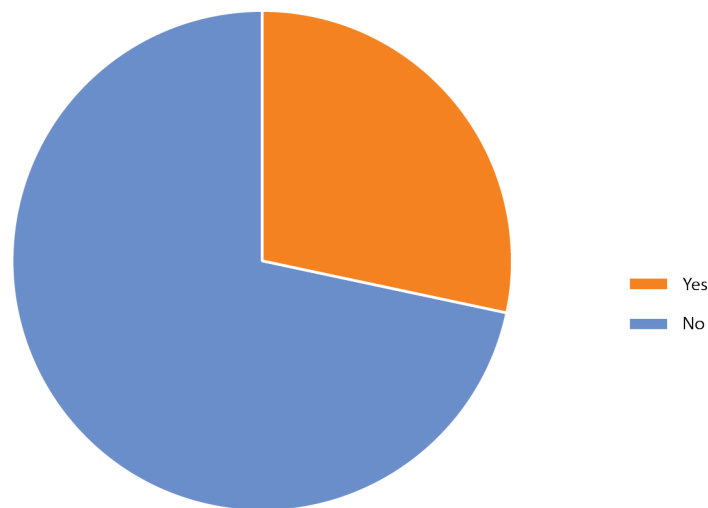
*Every Appraisal should include a Land Value, Relevant Market Analysis, & Reasoned H & B Use.*

*We need to reengineer the lender & GSE underwriting process.*

## Do new appraisal forms need to be developed?



## Do you think FIRREA is outmoded?



*Understanding risk (for appraisers, from lenders' POVs) should be dealt with in an appraisal...form or narrative.*

*Covers the bases.*

*The underlying intent and foundation is sound.*

*It was a good foundation and perhaps should have been updated, rather than the Frank-Dodd debacle with poor execution*

*FIRREA is appropriately comprehensive, but there is inadequate oversight and enforcement of Reg Z to ensure*

*appropriate separation between interested parties to a transaction and appraiser selection processes. Also, GSEs (particularly FNMA) seems to dictate industry practice for 1-4 family appraisal standards. UAD is a novel idea but has transformed appraisers more into form-filling "monkeys."*

*But it needs some tweaking.*

*Yes, because it needs to deal with the boilerplate resources replacing the verification process.*

## If yes, what do you think should be the structure if you had a blank slate?

*New appraisal form would have a market cycle indicator as part of the analysis of the "durability" risk associated with the opinion of market value.*

*I'd like to see the MC form go away and perhaps expand the Neighborhood section on the 1004 or create a new section and title it "Market". Residentially speaking. For Commercial, I like the current process, format, etc. a lot more room for creativity. I'm guessing you are speaking mostly on the residential side.*

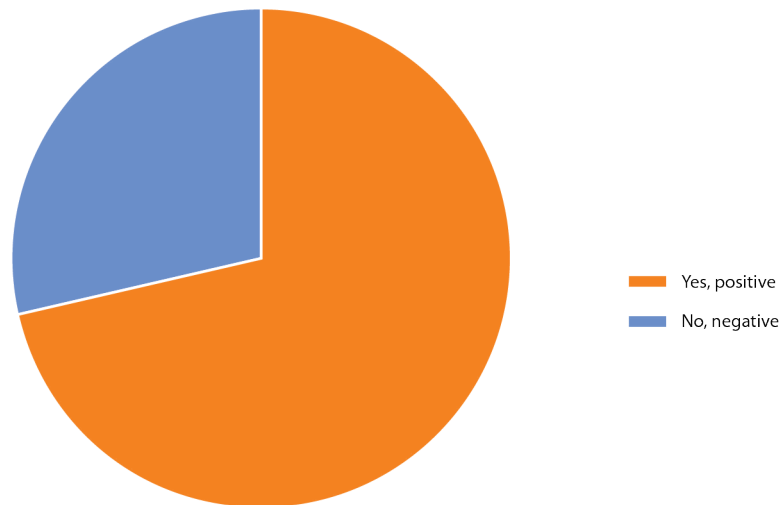
*The appraisal is part of a risk factor, bifurcating the "c"s is the issue. This is a part of the answer not the whole answer. You want to remove pressure from the appraiser and influence*

*have them report on the market and not worry about a point in time number. If the borrower has capacity the sliding scale allows you to make the loan.*

*While I understand the need to allow individual states to have their own rules/enforcement teams, that has caused too many issues and allowed some states to effectively have a "registration" process versus a true oversight/control process. Seems like having the ASC handle it all would have been simpler.*

*Fed oversight and state compliance to Fed.*

## Has CU positively (yes) or negatively (no) impacted the appraisal process?



*It has brought awareness to the inconsistencies out there. I don't think it has done anything to "improve" the process, so-to-speak.*

*CU has definitely positively or negatively impacted the appraisal process.*

*Makes everyone have same automated oversight.*

*I feel it has taken away a "process" and created more of a "form-fill" atmosphere, moving in a direction of automated values, rather than realistic, professional reporting.*

*Barely.*

*When used correctly.*

*Too early to tell, but I don't see it impacting anything until they decide what it's going to be.*

*It's the 1st step - holding appraisers responsible for performing actual analysis.*

*Any tool that can help inform and train field appraisers is helpful.*

*To soon to tell.*

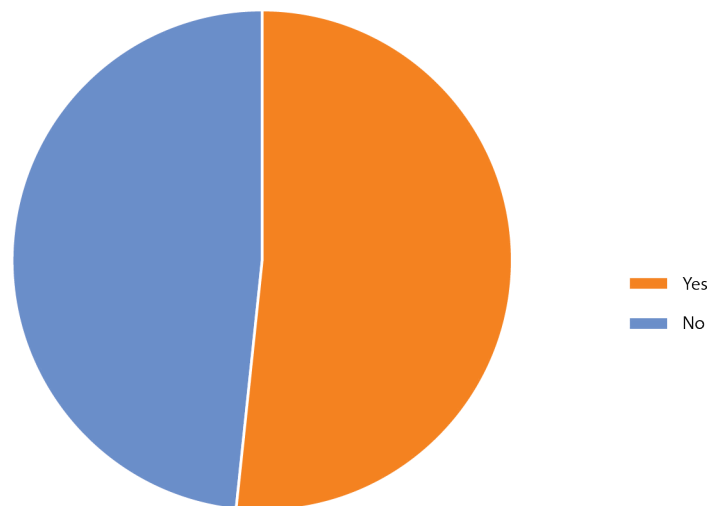
*Negative perception, but that has always happened industry-wide even something as simple as new form roll-outs.*

*Overall, it will improve the industry if/when lenders (Underwriters; Reviewers) understand and properly learn to manage use of the product. But also believe FNMA should be more transparent and allow the appraiser to use the product, too. Besides, Fannie/Freddie appraisal forms are rendered ambiguous based on narrative of Certification item 12.*

*CU has had little impact given our availability to data in the review process.*

*Some chief appraisers reported that appraisers may now be valuing too low in an overreaction to HVCC. Although I don't doubt that could occur I am hearing from appraisers that underwriters are constantly pushing values downward. It would seem that some lenders still expect appraisers to underwrite their loans rather than support an environment that supports independent valuations.*

## Does appraisal independence remain a problem?



## If yes, describe how you think violations may be occurring?

*AMC input, continued contact from lenders and brokers, but appraisers have more support now than in the past to overcome it.*

*Lenders (loan officers) and Realtors may use subtle techniques to pressure the appraiser.*

*Influence will always be exerted. When appraisers understand oversight and scrutiny exist, temptation is mitigated. Problem remains but much less today than before.*

*Small AMCs, correspondent lenders serving as essentially brokers and they control appraiser selection process.*

*Same people still want to put pressure on appraisers. Now some appraisers using the issue to cover poor performance and lack of customer service.*

*To some level but it is where it needs to be. Keeping an eye on it is important.*

*The LO's and Real Estate agents are trying to game the system and return to BAU in the 2000's - as they increase their intensity lines of demarcation will fade.*

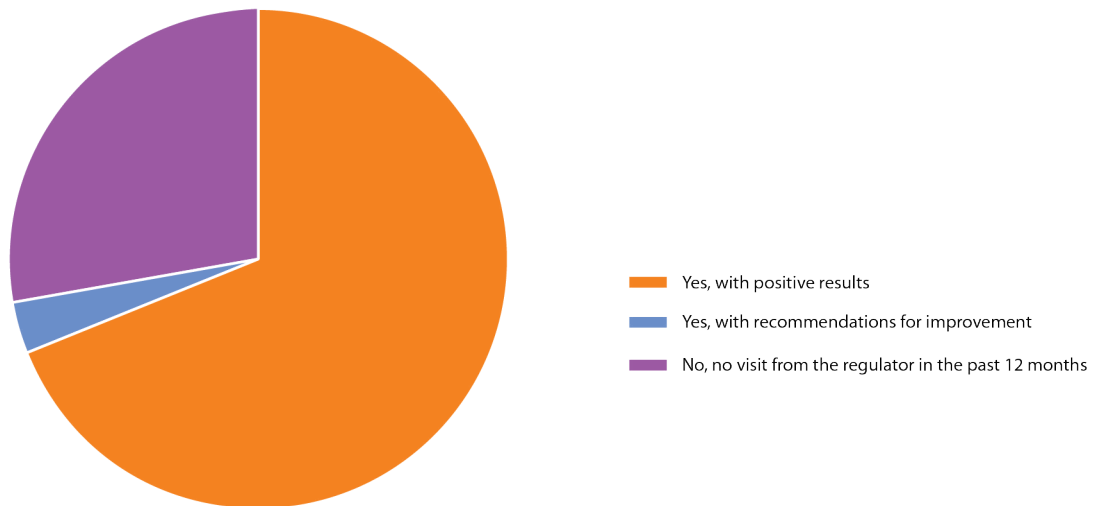
*Independence issues, while not completely absent, have been reduced over time.*

*Broker owned AMC's is a big issue.*

*Lenders that have appraisal panels allowing internal parties of interest influence the appraiser-selection process. Basically, appraisers still having direct contact with the loan officers and being influenced toward the outcome. Most appraisers still do not understand Reg Z their being on a given panel has (should have) nothing to do with loan officer, etc. preference.*

*It comes in many forms other than the loan officer. Realtors and builders play active roles in trying (but not succeeding) in refusing appraisers access until they get the one they want. We don't let them get away with that game.*

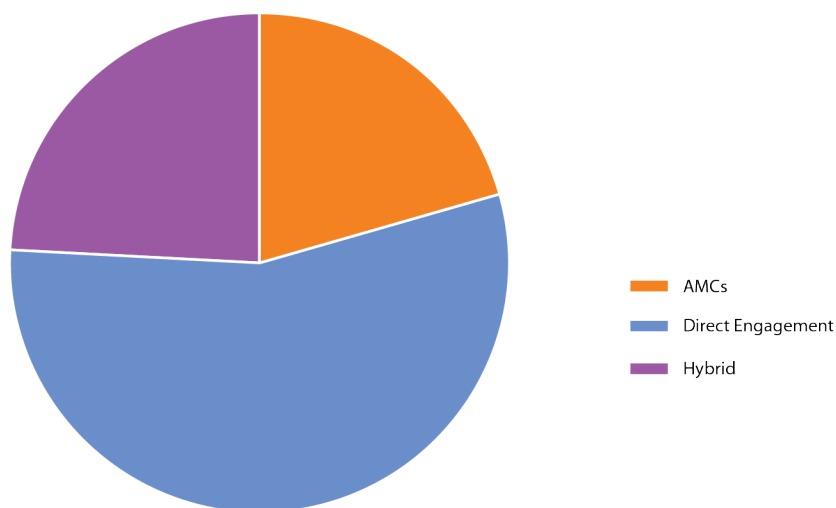
## Has your valuation organization been reviewed by a regulatory authority in the past 12 months?



*Regulator is coming in October and they are gathering data from us now.*

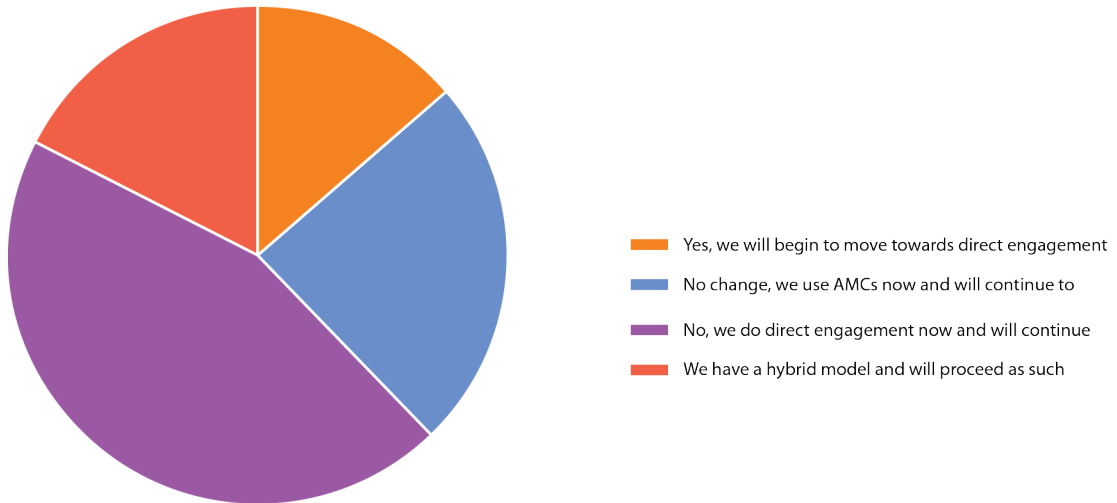
*Vendor oversight, appraiser selection process.*

## How do you order appraisals?

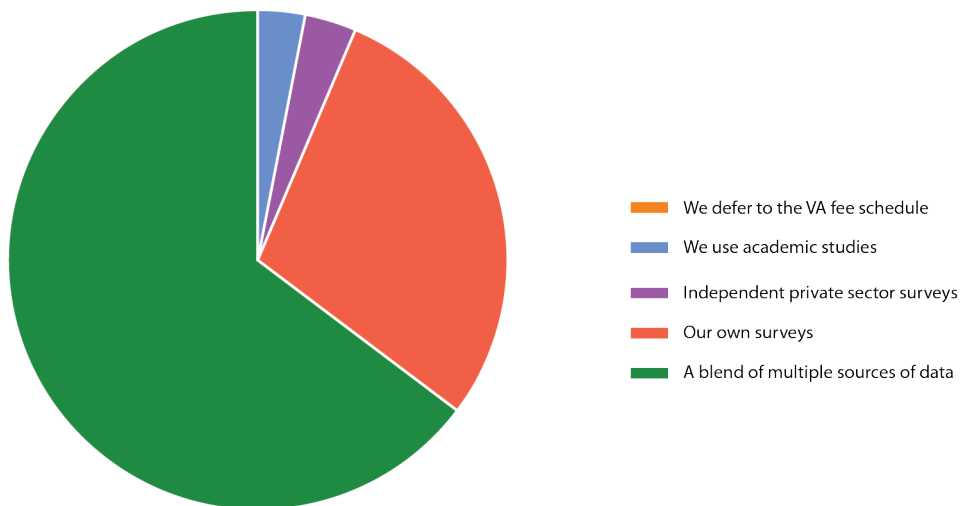




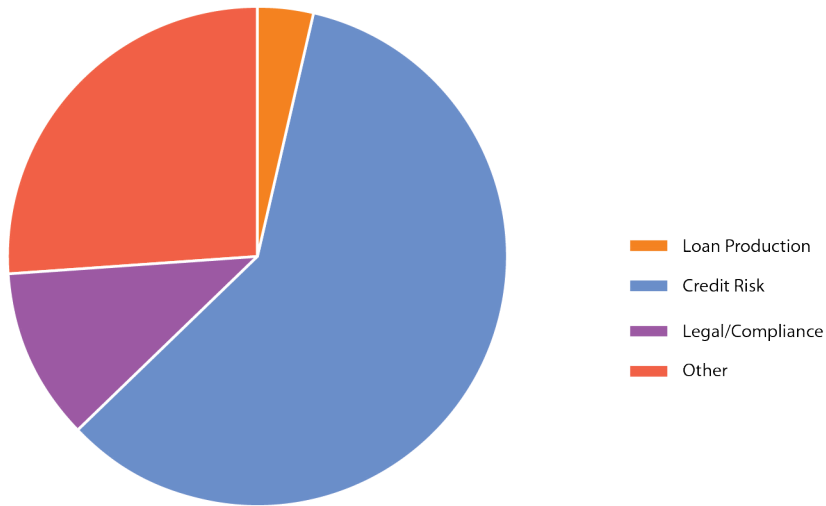
## With the new AMC FINAL Rules do you anticipate that you will be changing how you order appraisals?



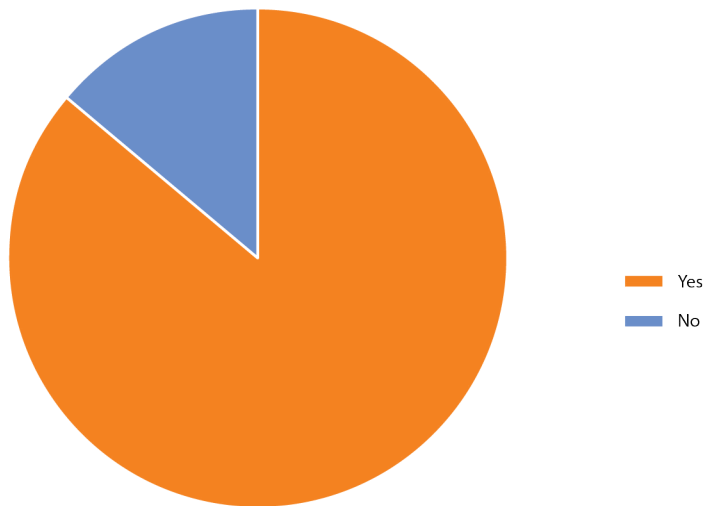
## How do you establish a C&R fee?



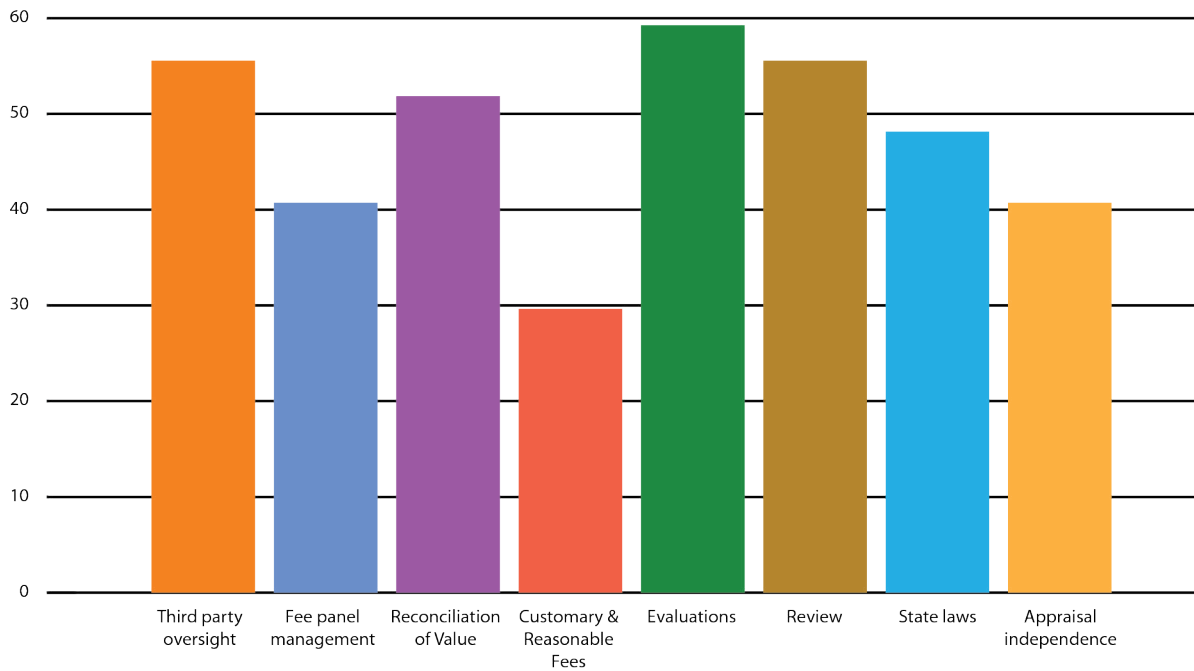
To whom does your appraisal department report?



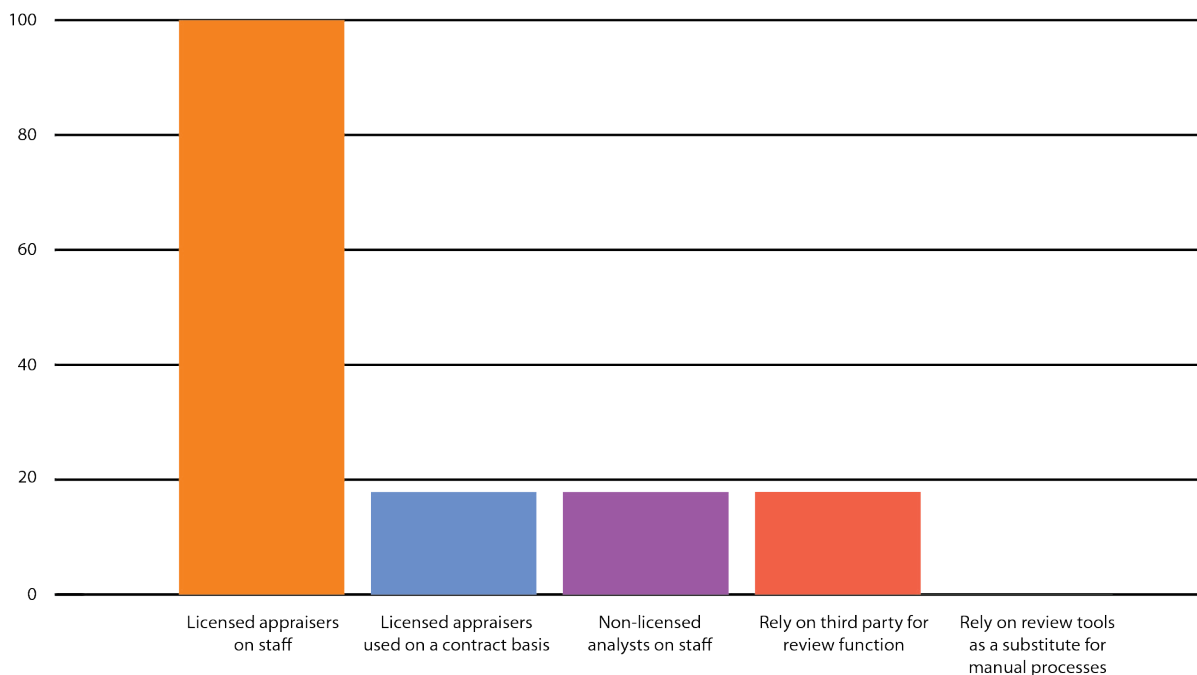
Do you think your organization has adequately communicated policies, procedures and guidelines to your appraisal vendors?



What areas require compliance training and education? Check all that apply.



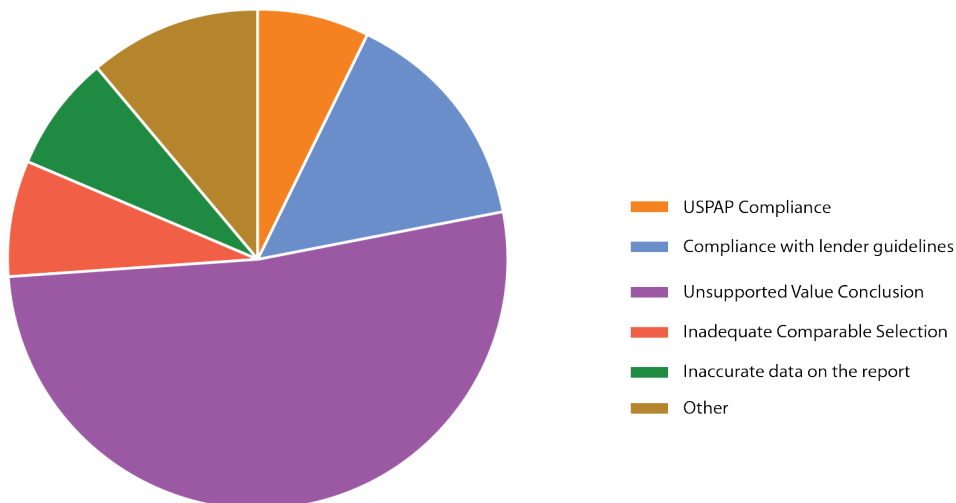
What does your review process look like?



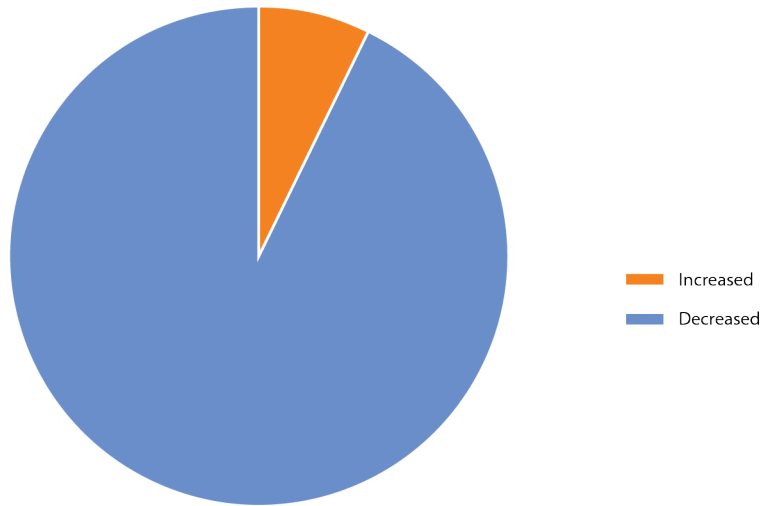
## How many files can a reviewer handle in a day?

- 12 *Deeper scope - 3, compliance review 15*
- 1-2 *8-10*
- Depends on the SOW and the property type. If commercial +/- 1. If S-F for mortgage origination, typically 2-3+* *Good Question*
- 2 *4-12 depending on risk, scope of work, and complexity.*
- Depends. Residential, non-complex in the foot print = 6 a day. Commercial = 1 or less.* *Depends on the level of audit performed. Forensic style review, 4-6. Quick Check review, a whole bunch...*
- We are mostly commercial lenders, some HELOC and spec new SFR. Answer is "depends" because job entails all, including reviews. If all one does is review, different answer.* *Depends on complexity and ability. 5 to 8 is nominal but seasoned, competent super-achievers more.*
- 8-10 *6-8*
- 4-5 per appraiser* *I only ask 8 to 10*
- 1 commercial narrative report* *At least 2*
- Average 1.2* *Commercial properties - typically more than one day*
- 8 to 12 *Depends on scope of review. Technical residential review - 3; administrative residential review - 7; commercial technical review - 1*
- 6-8 tech reviews *2-4*
- Varies from 2 to 20, and depends largely on the scope of work and complexity*

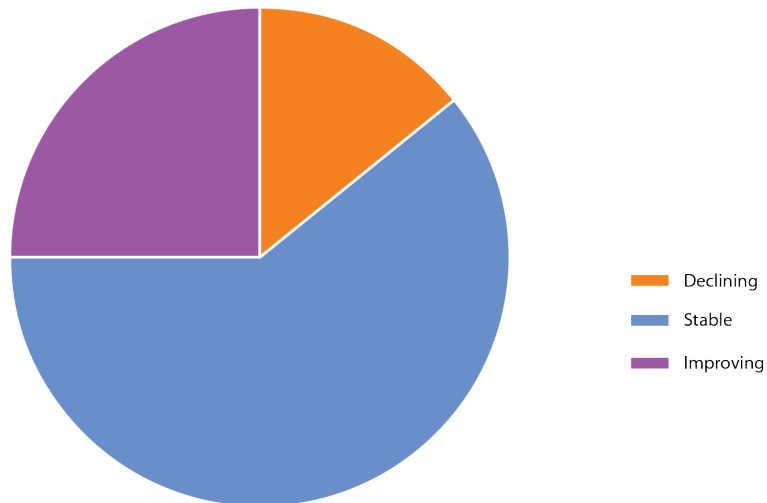
## What is the most common appraisal quality issue?



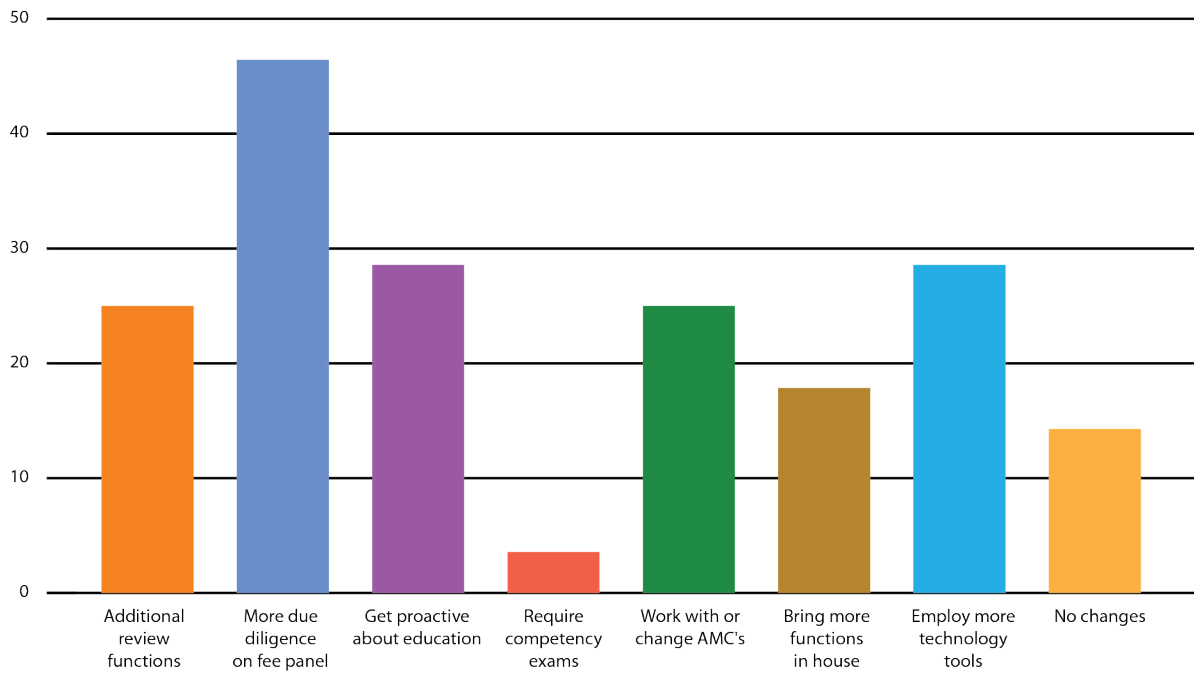
### Has appraisal fraud increased or decreased?



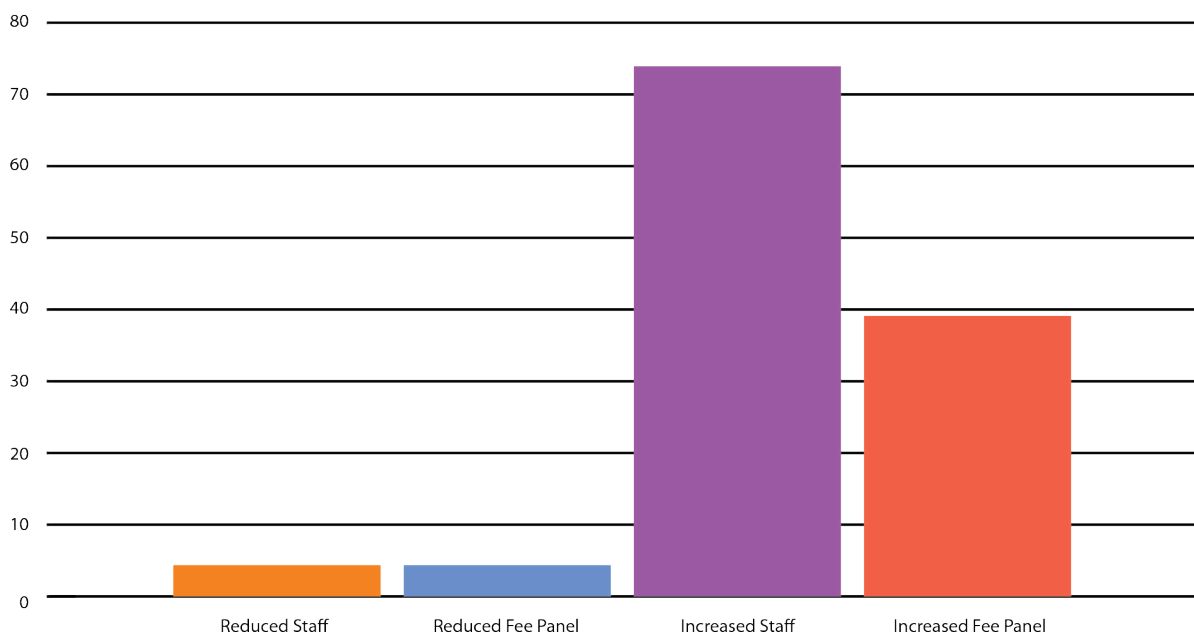
### How has overall appraisal quality changed over the past 12 months?



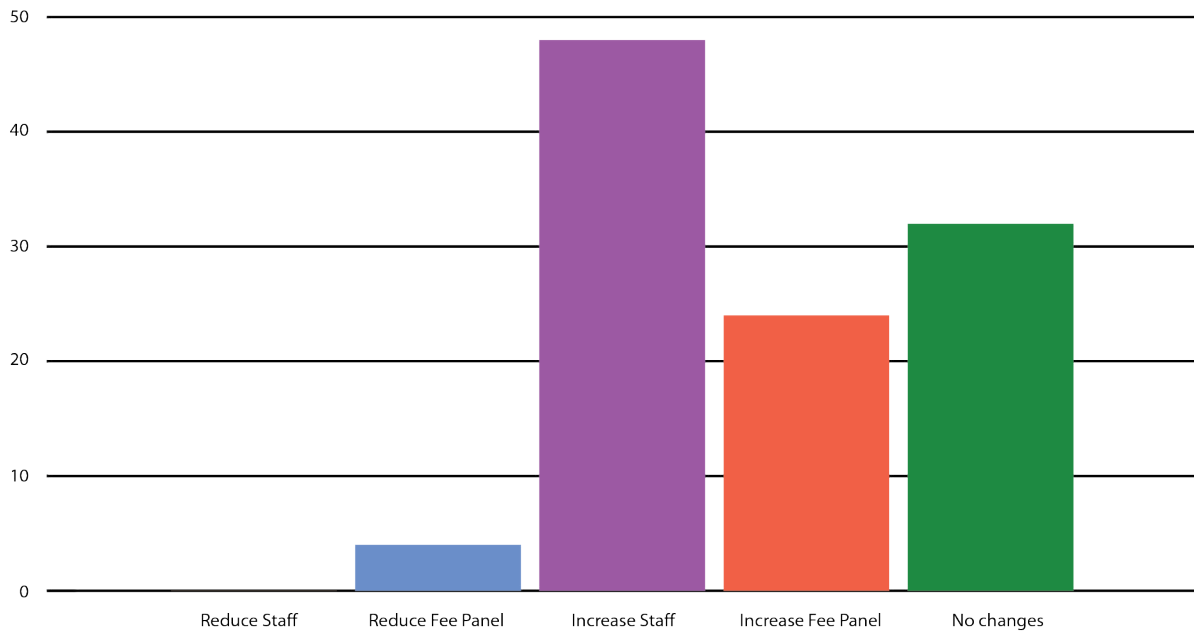
## Which choice(s) best represents your plan to improve appraisal quality in the next 12 months?



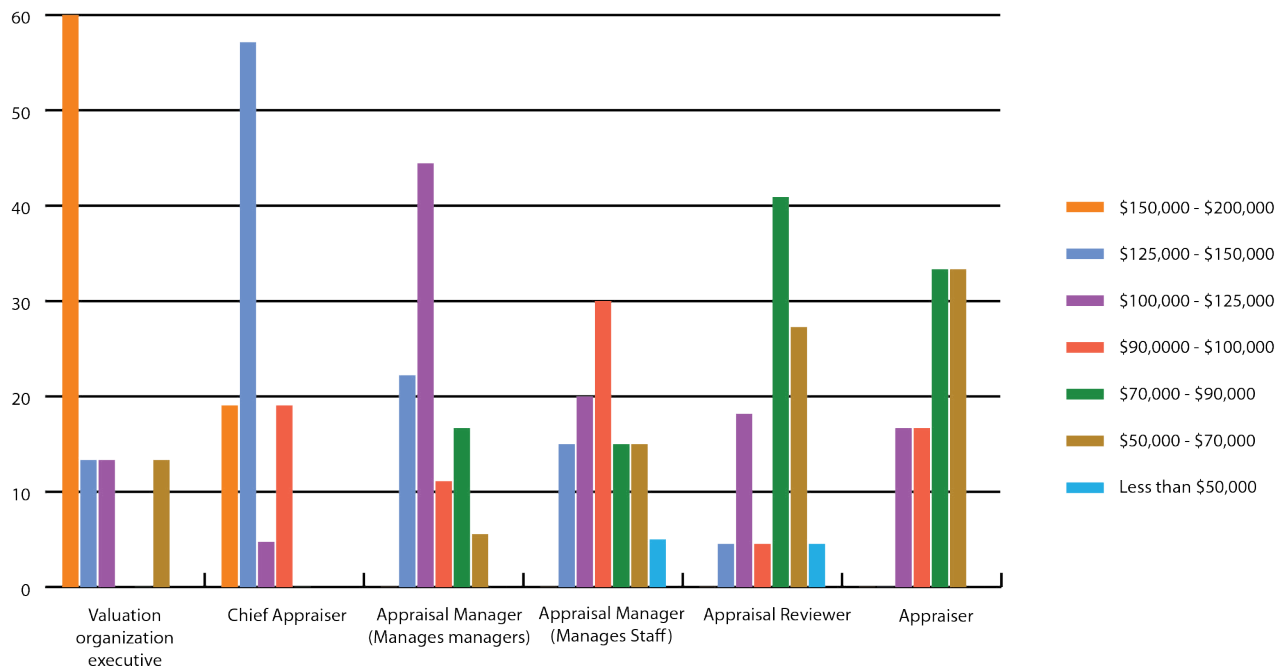
## How has your organization changed over the past 12 months?



## What change do you anticipate for your organization over the next 12 months?



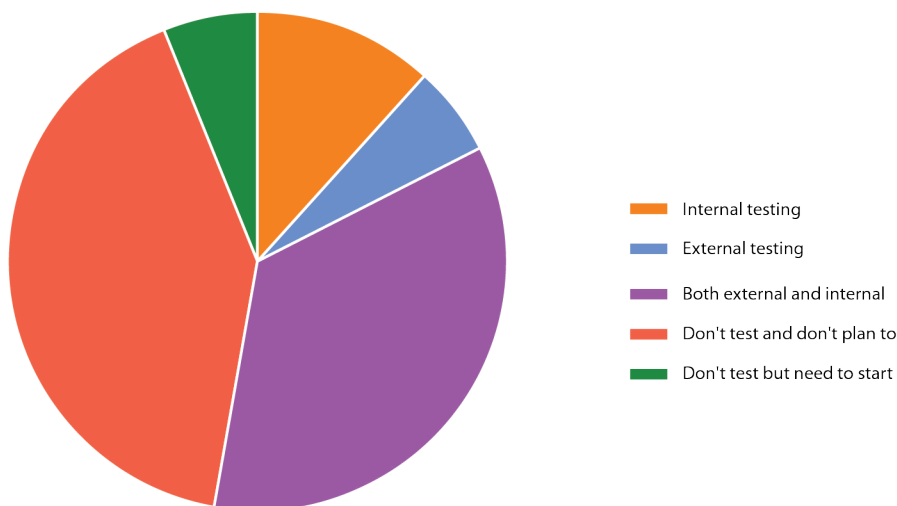
## Please indicate the typical compensation range for a comparable position within your organization:



What will your product line up look over the next 12 months? Give percentage.

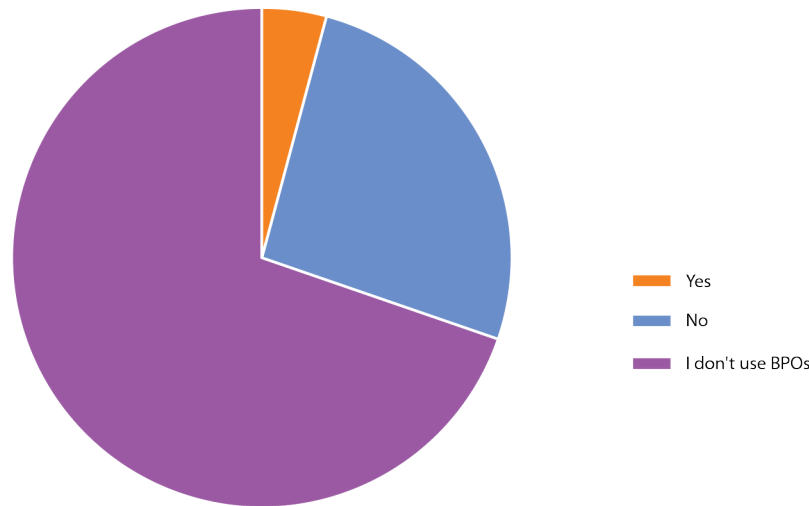
Answer Choices	Average Number	Total Number
Desktop	11	170
BPO	7	80
AVM	2	30
AAVM	1	15
Drive-by	14	259
Full appraisal	71	1,571
Other	6	75

Does your organization currently have a formal process for testing and evaluating AVM performance?





## Do you plan on changing your usage of BPOs?



## What alternative products do you need that you can't find in the marketplace?

*Improved evaluations*

*None...not looking and don't need any*

*Reliable commercial evaluation products that cover entire lending footprint. Key word - reliable.*

*Evaluations for commercial properties in excess of \$10mm*

*HELOC appraisals*

*We use a desktop valuation, no BPO's*

*Something that is an appraisal hybrid done by an agent/broker or something that is an evaluation, but done by an appraiser that is cost effective.*

*A reliable quality desktop / AAVM. This appears to be due to a combination of the lack of competent/quality appraisers that understand how to analyze data and the fees the providers are willing to pay appraisers*

*Sale data in non-disclosure states without expensive subscriber arrangements. CU is somewhat helpful in some areas, but still not comprehensive and at mercy of data harvested from other appraisals.*

*Interior Desktop Valuation*

*All needs are currently being met*

## What products, services, or information do you need that are seemingly not available to you today?

*National appraisal company that covers rural areas as well as large cities outside our typical market area.*

*Deeper market trend information*

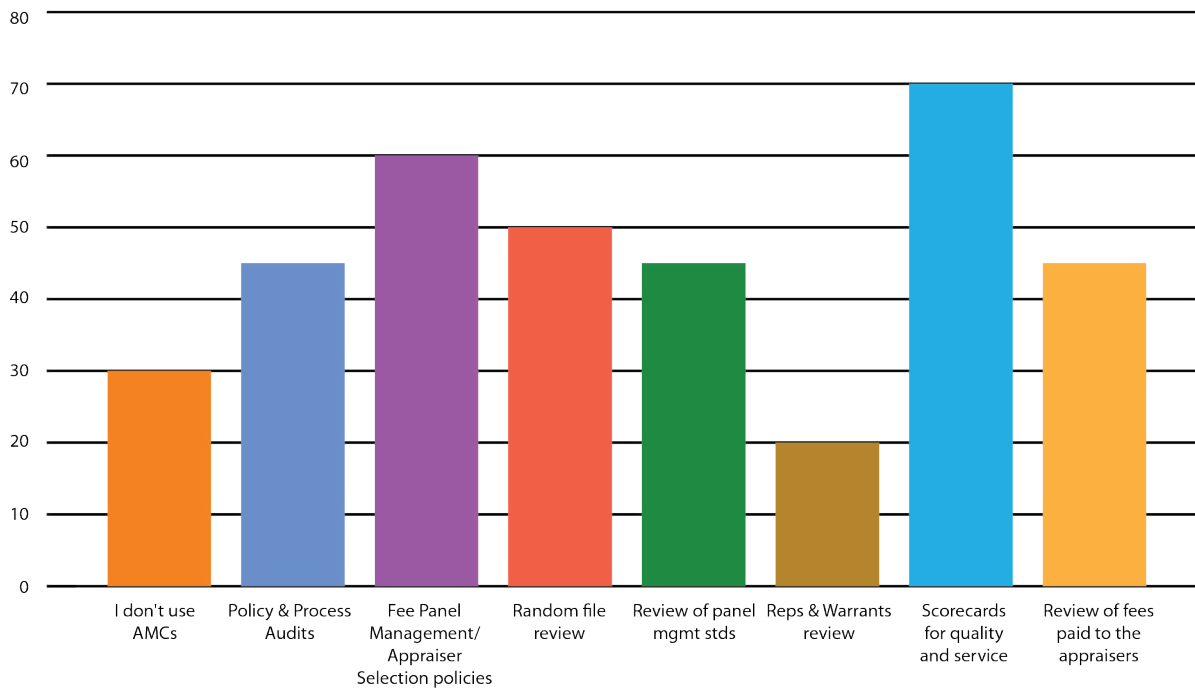
*Pretty much anything you'd want seems to already be out there, but there's always some new hybrid product some vendor is trying to peddle.*

*Cloning of diligent skilled appraisers.*

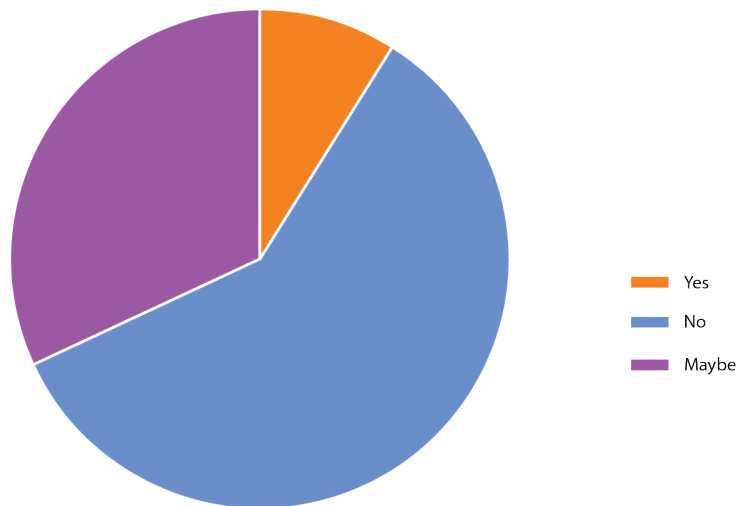
*Appraiser competency scoring and tracking without history of internal review of prior performance.*

*Industry Reporting Metrics*

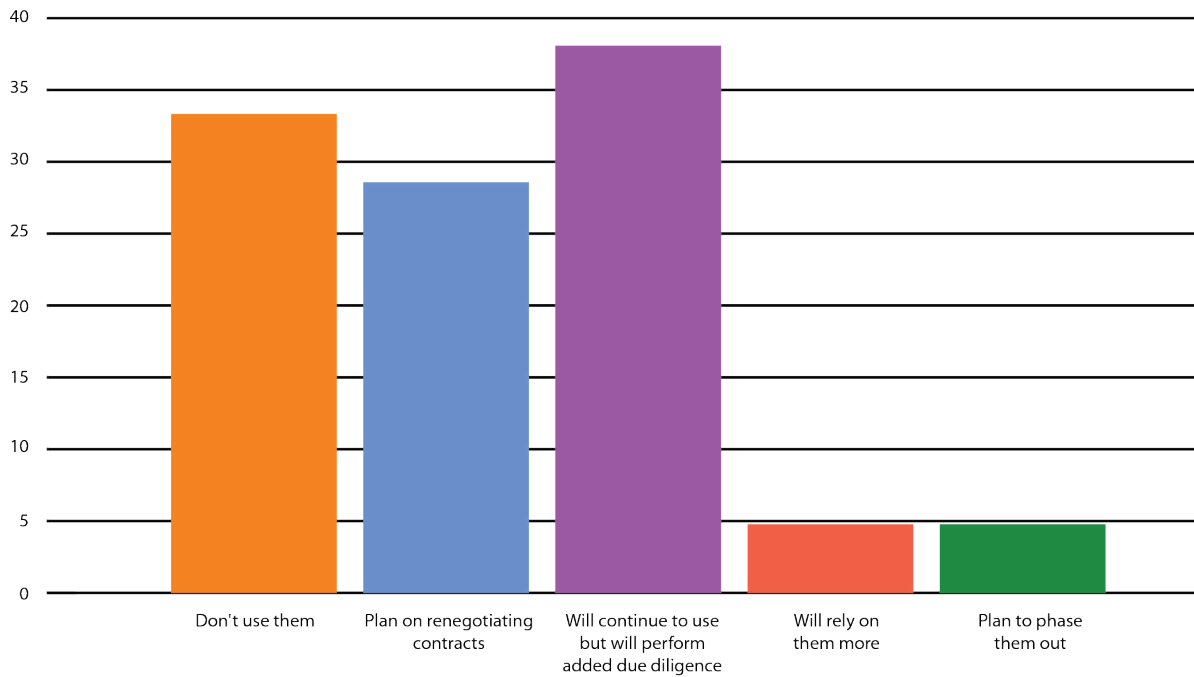
How do you rank, review and audit your AMCs? Check all that apply.



Would you engage a third party company to audit your AMCs?



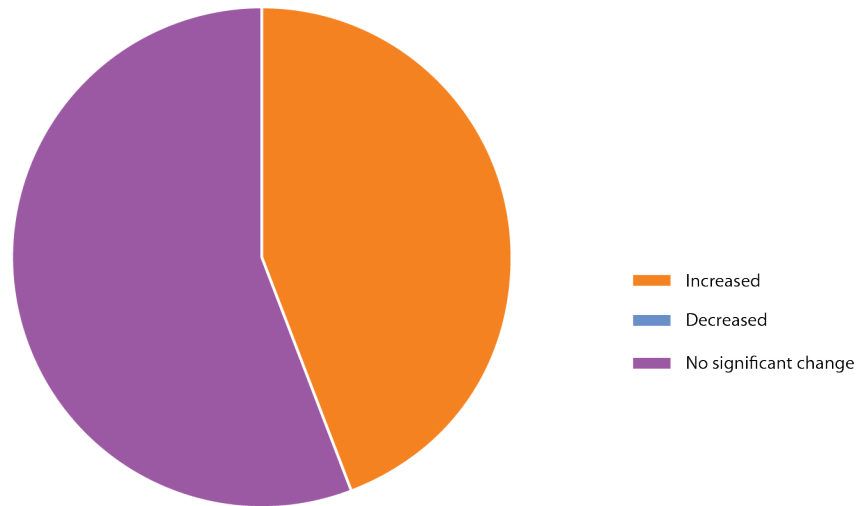
## Will you be changing your AMC relationships this year?



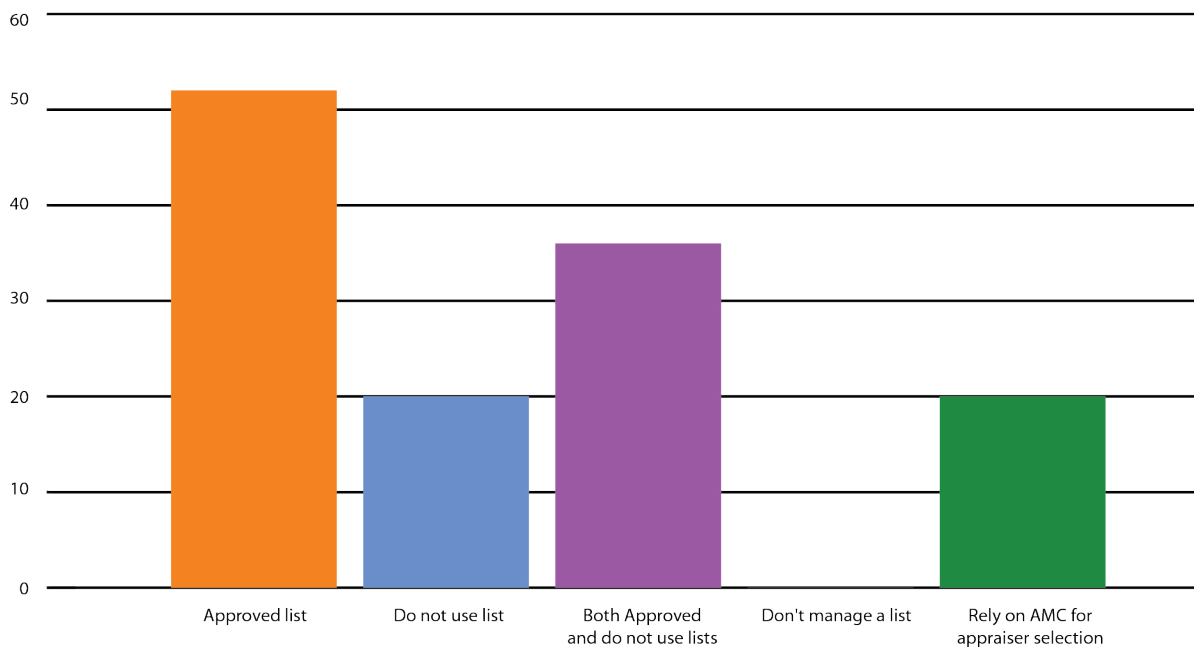
## What do you believe to be a fair and reasonable fee, per file, for the services of an AMC?

- \$125
  - \$100-\$135
  - \$115 +-10% depending on what they do.
  - \$75-\$125
  - \$125-\$150.00
  - \$100
- Depends on their services, other than just facilitating an order. Frankly, AMCs typically do not adequately provide necessary review functions prior to delivery of an appraisal to ensure quality.*
- \$125
- The vendor fee should be approx. \$125 to \$150 per appraisal.*

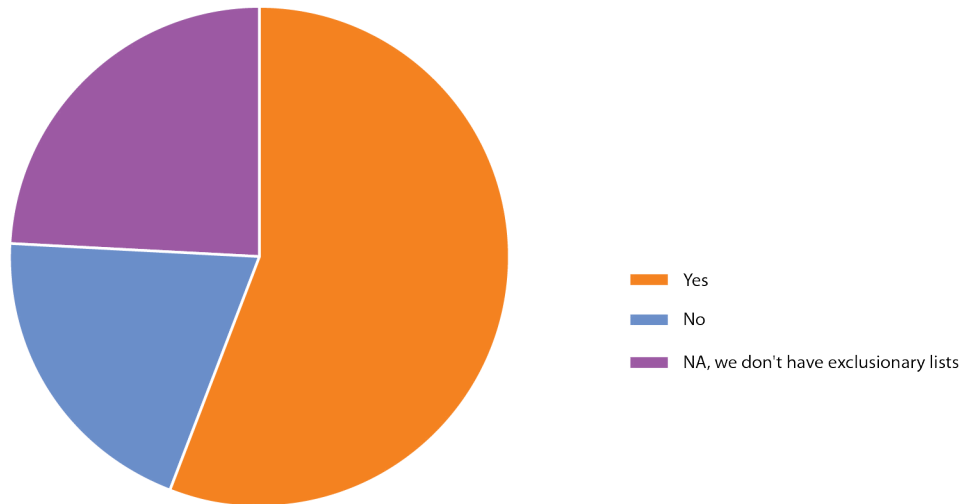
If you use an AMC over the past 12 months, how has the cost of your appraisal services changed?



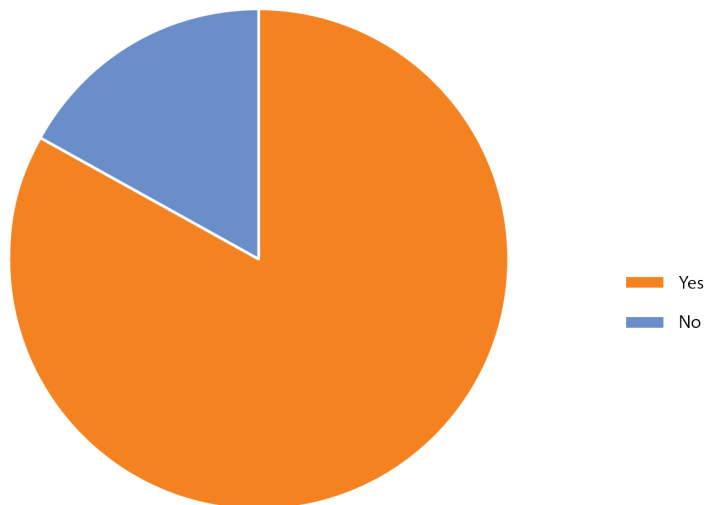
Does your institution manage a fee panel?



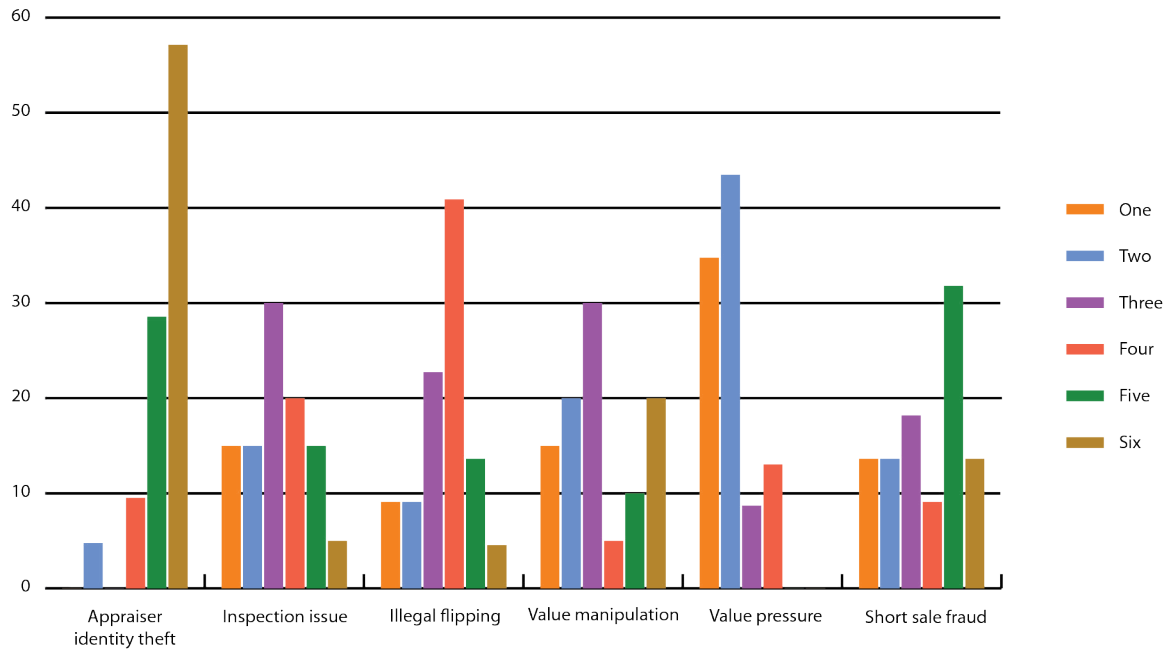
Do you have an appeal process for appraisers after placement on your Exclusionary list?



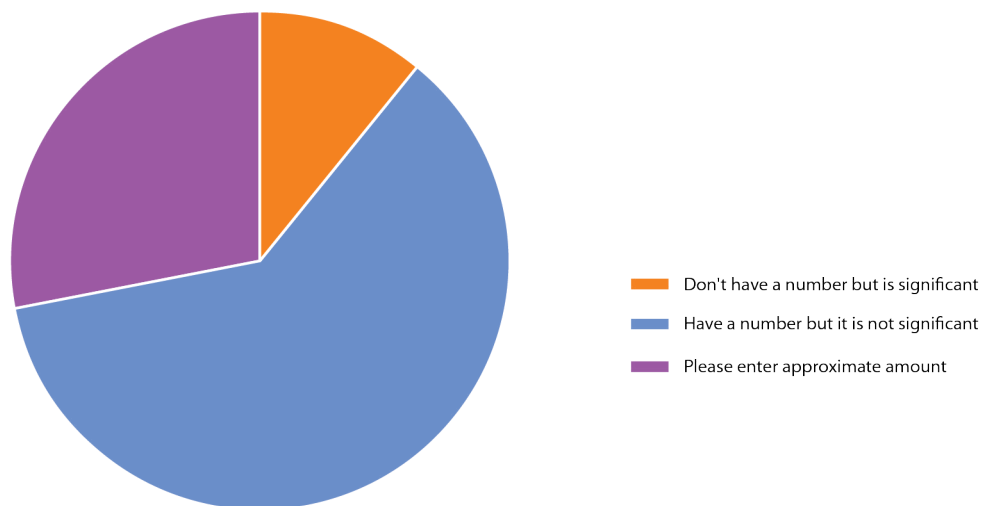
Do you have a Reconsideration of Value (ROV) policy?



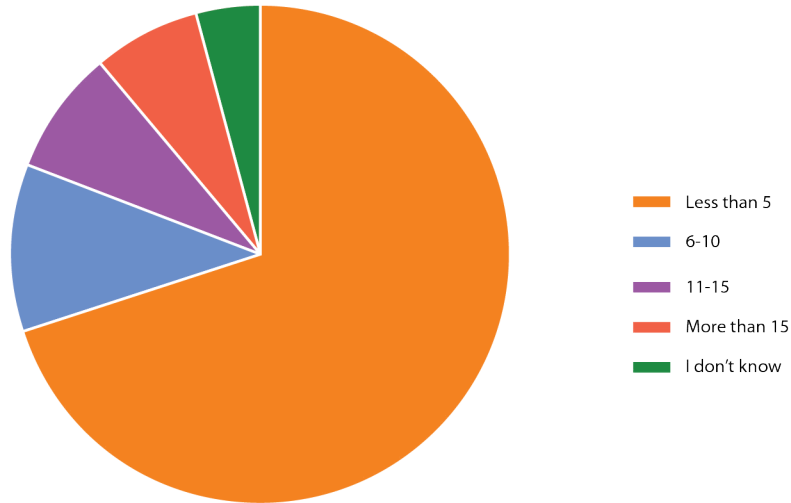
Rate what you believe is the highest to lowest fraud issue. (1 is highest 6 is lowest)



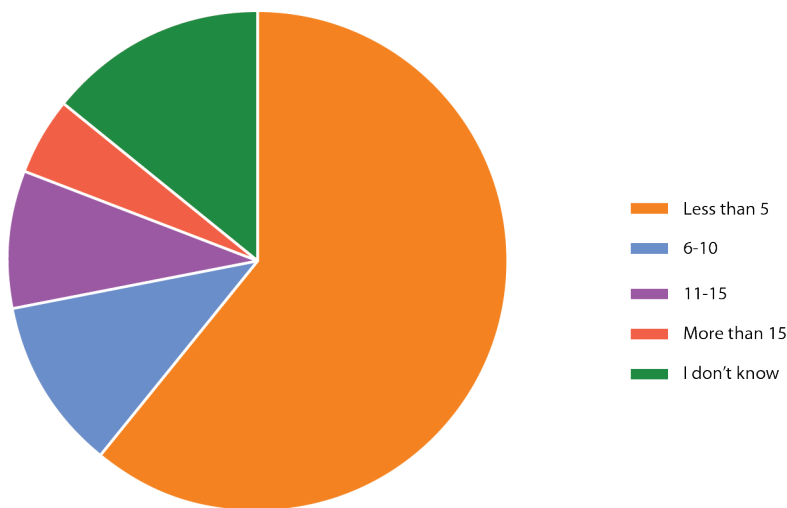
What is the approximate dollar value of fraud in your organization?



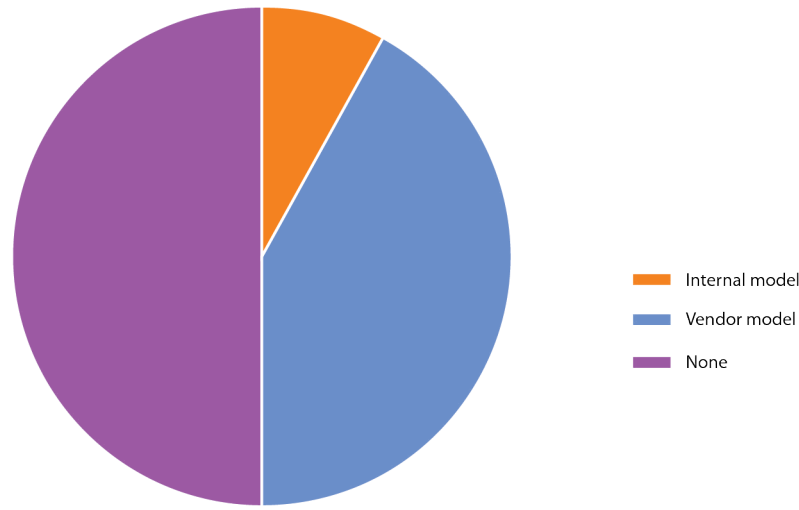
### How many appraiser complaints did you file with State Appraisal Boards last year?



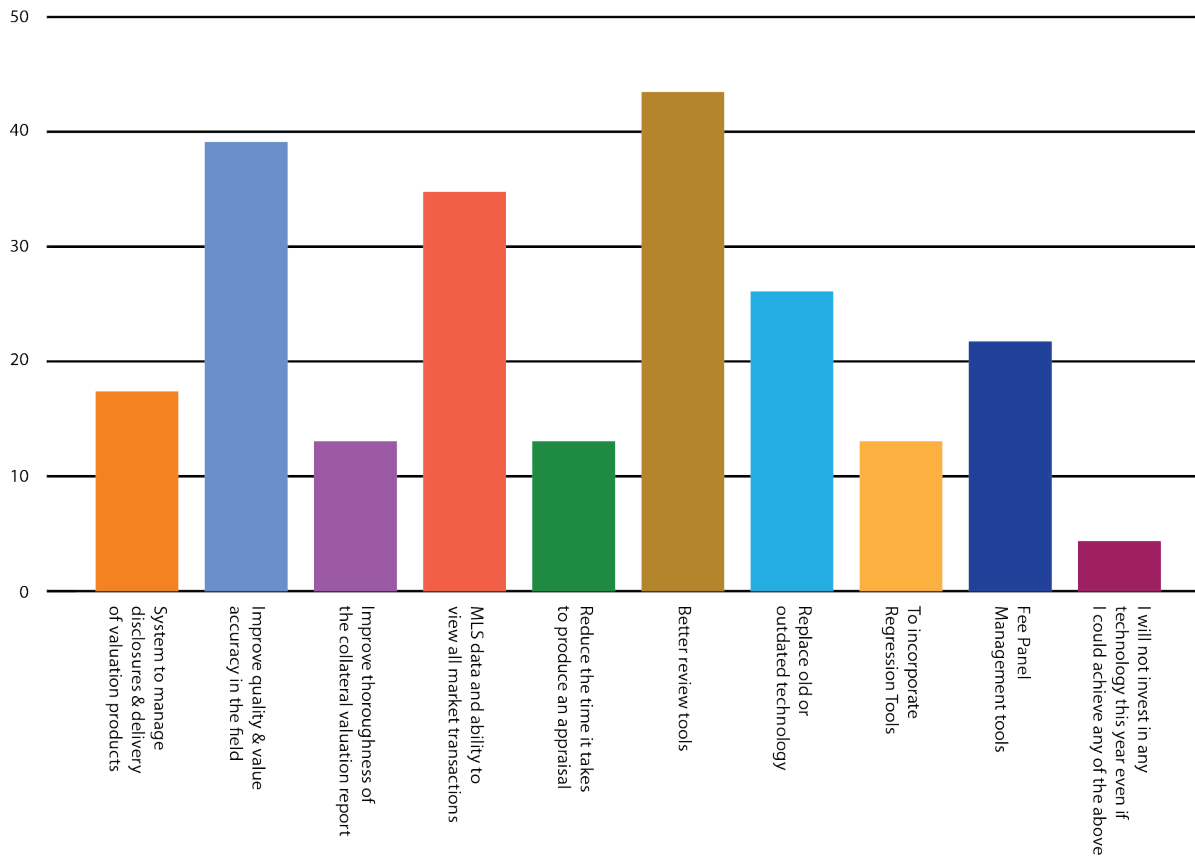
### With mandatory reporting how many complaints do you anticipate for the next 12 months?



Do you use collateral scoring with any valuation products?



If we were to invest in technology this year, it would be to: (Check all that apply.)





## What is the single biggest challenge to your appraisal department in the coming months?

*Volume of reviews*

*Keeping up with volume of reviews and getting quality reports from fee panel.*

*Pressure to reduce appraisal and review times*

*Expense issues.*

*Having loan officers follow policy 100% of the time.*

*Technology*

*Managing increased loan activity.*

*Managing the increased volume demands.*

*Technology platform limitations*

*Managing increased appraisal review volume as a result of an initiative to transition all appraisal review functions into our centralized appraisal review group.*

*Administration, paper work, etc.*

*Managing time vs. workload*

*Timely delivery of appraisals, but is directly correlated to volume. Secondly, still overall quality and understanding of the valuation process; not geo-specific, but nation-wide.*

*Doing more reviews with less, utilizing technology*

*Amount of work for the amount of staff*

*Turn Times of the Appraisal Process*

*Staffing*

*Changing interest rate environment and impact on housing*

*Ensuring regulatory compliance, meeting our own policy standards. Getting more eyes on the products we provide and ensure quality*

*Complying with new disclosures*

## Anything we forgot to ask and you would like to comment on?

*I'm not sure if it's a matter of supply and demand or if it's a matter of barriers to entry, but the requirements to enter the field are significant now. If it comes to a point where there is a significant shortage of appraisers, the lending industry will come up with an alternative. Do I consider this important? You betcha!*

*In the future more questions on how to handle valuation issues. Two appraisals with larger differences, review depth and providing a value, how to improve the market trend information*

*Appraiser attrition is a major concern with no known industry plan to bolster interest. Independent (fee) appraiser*

*income has gone down due to mandated AIRs while AMCs have become pimps and capitalized off appraisers willingness to accept lower fees just to get work. Government regulation (HVCC and now Dodd-Frank) has adversely affected positive aspects of the industry with it no mystery why young, career-minded individuals are not pursuing the appraisal as a vocation...other occupations yield greater rewards with less requirements or liability. State boards also instill bully-type fear in appraisers with common practices of "guilty until proven innocent" with no recourse for false accusations for malicious filings of complaints. In contrast, there appears to be inadequate consideration or pursuits by state boards for egregious acts.*

## What are the biggest challenges facing chief appraisers?

*Too few qualified appraisers in the market due to the distrust and abuse of the banking industry and AMCs. Most appraisers are doing a great job and fraudulent appraisals are not hard for reviewers to ferret out if they are familiar with market trends in their area. Of course, we are a local bank under a billion dollars so our appraisal problems are not of the same magnitude as our larger brethren*

*Constant internal audits and exams. Always ongoing. Also, pressure from production groups to reduce costs and increase turn times for valuation products and reviews.*

*Taking time off for vacation. I work too hard and don't relax enough.*

*Getting the training ourselves, seems we spend most of our day trying to train the public when they complain the value of their home with gold faucets, did not come out. Cost does not equal value.*

*Compliance issues for lenders. Valuation is pretty good across the board. When asked for revisions to a report, the primary reason is lack of support. Ultimately, finding competent appraisers to fill vacancies will be my biggest challenge.*

*Hiring and maintaining adequate staff. Training appraisers in the field to reduce revision requests*

*Compliance with state and federal regs and how to manage the business without getting the bank in trouble but also allow business to flow. We should be a solution and not a problem. Hiring quality people that understand the business.*

*Keeping all constituents happy: loan officers, credit risk personnel, internal auditors, and fee panel.*

*Keeping up with regulations and exams.*

*Balancing business and risk - the challenges remain the same, to find the "sweet spot"*

*Support from Executive Management. If Executive Management allows Sales to run the house, good luck and nice knowin' you Chief!*

*Juggling all requirements from the institution, regulators, and lines of business.*

*Appraiser incompetency*

*Industry understanding of issues and how to change the appraisal oversight process.*

*Understanding the impact the appraisal has on the lending process overall*