Valuation Review

February 16, 2009 Your source for 24/7 valuation industry news: www.valuationreview.com **Volume 7, No. 19**

Industry panel leads appraisers from HVCC analysis to action plan

Experts say emphasis on quality could lead to boost in fees, but upgrading skills will be key.

When major change rocks a large industry such as mortgage lending, the repercussions are widespread.

Certainly, with the new Home Valuation Code, specific groups within the industry have had different reactions. Appraisers, lenders and appraisal management firms all bring their own perspective on the strengths, weaknesses and likely effects of the HVCC. Representatives from those groups came together in a roundtable forum for a recent audio seminar titled "Appraising Under the HVCC: Your Survival Plan" to answer questions such as:

- Who benefits under the code?
- How will the HVCC affect the quality and cost of appraisals?
- What options are available to lenders to comply?
- What does the code mean for the AMC business?
- What can appraisers do to stay relevant in the mortgage business?

The following are several highlights from the show. CD copies of the program are available at http://www.octoberradio.com.

The code's reach

Aside from the specific rules within the code, which have been covered in detail in recent editions of *Valuation Review*, one of the first things to consider with the HVCC is its potential reach. Although it currently applies only to loans sold to the Fannie Mae and Freddie Mac, some expect the rules will spread to other parts of the industry, given the current focus on fraud and appraisal quality.

"It seems likely that the sound business practices that are coming out of this agreement will be readily adopted," said **Kathy Coon**, chief appraiser with technology provider FNC. "Why would you want to skirt around something that allows someone to still pressure appraisers? The whole point is to get off appraisers' backs and let them do their jobs."

Other members of the panel indicated that Fannie and Freddie's market share — approximately 75 percent of all first mortgages — will eventually turn the code

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UPFRONT

ONDECK

Marketing an appraisal business isn't as simple as it used to be. Whereas many traditionally relied on word-of-mouth referrals and perhaps Yellow Pages listings, today's appraisers have to consider online social networks, how to attract blog readers and establishing trust and expertise in online venues. We'll bring readers up to speed in our next edition with advice from consultants and valuation firms that are moving forward with new online initiatives.

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into a default standard for the entire industry, including non-GSE areas such as VA and FHA lending.

"In my experience, you'll see these become best practices within the banks," said **Tony Pistilli**, chief retail appraiser with US Bank. "Rather than have two separate processes, one for brokers and one not for brokers, banks will conform to the most compliant process. It's good common sense and good due diligence to follow the code. A lot of banks will adopt that as their full process."

The AMC question

Perhaps the top question appraisers have been asking since the HVCC's debut last March is: Will business have to flow through AMCs in the future? **Steve Albert**, executive vice president with AMC Allstate Appraisal, said his company's panel appraisers are asking if they can expect to see more orders.

"I don't necessarily feel there's going to be a rush to AMCs from lenders," Albert said, as it's clear lenders have more options than just AMCs, such as engaging appraisers directly. "But I think there will be an increase in the number of lenders using AMCs who haven't in the past, simply because they feel that in doing so, they'll be able to abide by the true letter of the code's intent."

His company expects to see more opportunities to provide appraisal services nationally for businesses it hasn't worked with in the past.
"But we're not being overwhelmed by calls from lenders who invariably are choosing AMCs," Albert said. "Everyone is making that decision over the next couple of months."

The code and appraisal fees

The experts predict the code will lead to a boost in fees for appraisers.

Any change in compensation probably won't be dramatic, Albert said. In proposals Allstate is drafting for lenders preparing for the code, fee is just one of their considerations in selecting an AMC, and it isn't the primary factor — "they're looking for quality," Albert said.

"So the end result may be some upward pressure on fees being paid to appraisers, but that's not going to be an AMC's specific response. There's not a mandate yet."

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From analysis to action

Panelists on the "Appraising Under the HVCC: Your Survival Plan" program gave listeners an overview of opportunities to pursue under the new code. The following are a few of their recommendations

Get certified to stay relevant
The number of licensed (non-certified) appraisers in the market will likely shrink as industry trends continue to favor the higher qualifications that come with certification, according to estimated from **Joe Magdziarz**, vice president of the Appraisal Institute.

"FHA has precluded licensed appraisers from performing appraisals for them," he noted. "I would anticipate that would happen eventually in HVCC."

Licensed appraisers typically have a lower level of required education that does not meet the AQB 2008 standards, he added, and those appraisers should consider taking coursework to get certified.

Think outside the code
One of the best options for appraisers to consider under the HVCC is FHA appraising. HUD has not adopted the code for FHA loans.

"Unless they do, (appraisals) can still be originated by a mortgage broker," Magdziarz said.

He also distinguished between mortgage brokers and loan correspondents. Although there's only a subtle difference between the two from a licensing standpoint — a net worth requirement set by individual states — correspondents will be able to order directly from appraisers.

Another area that's gaining attention among appraisers is quality assurance and quality control. The code calls for a minimum of 10 percent of all appraisals to be reviewed.

"You can solicit lenders and your local client base to provide reviews for them," Magdziarz explained.

The Institute is offering a reviewing seminar and plans to add a review designation in coming months.

Steve Albert of Allstate Appraisal advised appraisers to diversify their business in areas such as attorney work, relocation business, litigation support, post-funding or investigative appraisal review work.

"There really are an enormous number of reasons why appraisals or reviews are ordered that don't have anything to do with Fannie or Freddie," he said.

However, because of the GSEs' market share, appraisers can't completely ignore them as a good source of business.

"Appraisers have to conduct themselves as businessmen, just as they're conducting themselves as appraisers, at least for a portion of the workday or workweek," Albert said. "Advertising, marketing, getting involved in communities or professional organizations, attending trade shows and becoming visible — that's what we do, and it helps us stay in business."