

APPRAISAL / VALUATION RULES

after
DODD-FRANK

Presented by:
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PRESENTATION TOPIC

Section 1472 Dodd-Frank Wall Street Reform and
Consumer Protection (Section 129E of
the Truth in Lending Act.)

Section 226.42 Federal Reserve Board Regulation Z
(effective April 1, 2011)

OTHER SOURCES

INTERAGENCY APPRAISAL AND
EVALUATION GUIDELINES
(INTERAGENCY GUIDELINES)

FANNIE MAE/FREDDIE MAC
APPRAISER INDEPENDENCE REQUIREMENTS
(ANNOUNCEMENT SEL-2010-14 DATED: OCT. 15, 2010)

HUD MORTGAGEE LETTER
(2009-28 DATED: SEPT. 18, 2009)



TIL COVERAGE

■ LOANS

- Appraiser independence requirements apply to all credit transactions secured by the principal dwelling of the consumer (Closed end and HELOC).

TIL COVERAGE

■ PARTIES

- Rule applies not only to a person who extends consumer credit secured by a consumer's principal dwelling, but also to any person who provides settlement services in connection with a consumer credit transaction secured by a consumer's principal dwelling.

PROHIBITIONS

GENERAL RULE

- The value assigned to the consumer's principal dwelling in connection with a covered transaction must be based on the independent judgment of the person that prepares valuation.

PROHIBITIONS

1. A violation occurs when a person with an interest in the underlying transaction compensates, coerces, extorts, colludes, instructs, induces, bribes, intimidates, a person, company, firm, or other entity conducting or involved in a “valuation” appraisal.

PROHIBITIONS

2. Mischaracterizing the value of the property. A person who prepares a valuation shall not materially misrepresent the value of the consumer's principal dwelling in a valuation.
3. No covered person shall falsify, and no covered person other than a person who prepares the valuation shall materially alter, a valuation.

PROHIBITIONS

4. Seeking to influence an appraisal or otherwise encourage a targeted value.
5. Withholding or threatening to withhold timely payment for the appraisal report or for valuation management functions rendered when the appraisal report or services are provided for in accordance with the contract between the parties.

EXCEPTIONS

An “interested party” may –

1. Ask a person that prepares a valuation to consider additional property information, including information regarding comparable properties.
2. Ask for further details, substantiation or explanation of the value conclusion.
3. Ask a person that prepares a valuation to correct errors in the valuation.

EXCEPTIONS

4. Obtain multiple valuations in order to select the most reliable valuation.
5. Withhold compensation for breach of contract or substandard performance of services.
6. Take action permitted or required by applicable federal or state law or agency guidance.

CONFLICTS OF INTEREST

- No certified or licensed appraiser conducting an appraisal and no appraisal management company procuring or facilitating may have a direct or indirect interest, financial or otherwise, in the property or transaction involving the appraisal.

CUSTOMARY & REASONABLE COMPENSATION FOR FEE APPRAISERS

- Creditors and their agents shall compensate fee appraisers at a rate that is customary and reasonable for comparable appraisal services performed in the geographic market of the property being appraised.

CUSTOMARY & REASONABLE COMPENSATION FOR FEE APPRAISERS

A creditor shall review the following factors:

- Type of property,
- The scope of work,
- The time in which the appraisal services are required to be performed,
- Fee appraiser qualifications,
- Fee appraiser experience and professional record, and
- Fee appraiser work quality.



CUSTOMARY & REASONABLE COMPENSATION FOR FEE APPRAISERS

- c. Customary Reasonable Compensation may be established by objective third-party information, such as government agency fee schedules, academic studies, and independent primary private sectors survey.
- d. Any fee study shall exclude assignments ordered by appraisal management companies.

CUSTOMARY & REASONABLE COMPENSATION FOR FEE APPRAISERS

- e. Where the appraisal involves a complex assignment, the customary and reasonable fees may reflect the increased time, difficulty and scope of the work required for such appraisal and include an amount over and above the customary and reasonable fee for noncomplex assignments.

CUSTOMARY & REASONABLE COMPENSATION FOR FEE APPRAISERS

e. Texas Two Step:

- **Step one** - the creditor or its agent must first identify the recent rates paid for comparable appraisal services in the relevant geographic market; and
- **Step two** - once these rates have been identified, the creditor or its agent must then review the listed factors (*i.e.* "the type of property; the scope of work; the time in which the appraisal is required to be performed; and the fee appraiser's qualifications, experience, professional record and work quality) and make any appropriate adjustments to these rates to ensure that the fee appraiser's **compensation is customary and reasonable for the particular appraisal assignment.**

PENALTIES

- First violation civil penalty of not more than \$10,000 per day any violation continues.
- Subsequent violations of \$20,000 for each day any such violation continues.