



Quality Assurance

GS AMC is required to assure that each appraisal report provided to our clients is checked in several categories. This is accomplished by either one, or both of the following:

1. Administrative 'Review'
2. Technical Review

Administrative Review

This is not a review in which value or report credibility is ascertained; or in which an opinion or opinions as to the reasonableness or propriety of adjustments made are opined. Rather, it is a scope of work compliance check in order to assure that common clerical type errors are caught and corrected prior to reports being submitted through the system. Items checked are clerical in nature: subject property address or other description sufficient to identify the property; appraiser signature, effective date of appraisal, date of report, insure a value was provided, that client specific requirements for included items are met, and (when used) issues identified in FNMA Collateral Underwriter have been, or are being addressed. This is not a check to determine the adequacy of explanation(s), but only to insure that some form of explanation is provided. This is an opportunity in which appraiser(s) may correct minor clerical omissions before reports become subject to peer or technical reviews.

Technical Review

This is any review performed under Standards Rule Three (SR3) in accordance with the Uniform Standards of Professional Appraisal Practices in effect on the date of the review; or for the effective date of the appraisal being reviewed.

If a differing opinion of value from the one reported in the appraisal under review is concluded, compliance with Standards Rules 1 & 2 are required.

All review appraisals will be performed by licensed or certified appraisers qualified to perform the reviews.¹

¹ Whenever required, licensure in the state in which the appraised property is located shall be assured.



Desk Reviews are traditionally considered administrative rather than technical reviews. However, as more and more clients use these as a vehicle to recommend or “adjust” concluded opinions of value they are included within this section.

GSAMC provides client services specific to the needs of their clients. All reviewers are required to remain objective and impartial. We do ‘not expect’ them to find exceptions for the sake of justifying their reviews; nor do we encourage overlooking appraisal report omissions or deficiencies.

Desk Review & Desk Review Appraisals are normally completed by expert in house staff appraisers; or where required by regulations² appraisers licensed in those states requiring licensure in that state. Clients and appraisers alike are reminded that a desk review is limited in scope and reliability to those items that can be adequately and accurately analyzed without inspecting either the subject property; rent or sales comparables, and the neighborhood or competitive market area. (NOTE: Nevada requires a Nevada licensed appraiser for desk or field review).

Field Review Appraisals (typically reported on FNMA Form 2000; though not necessarily in all cases). All field review appraisal assignments shall conform to the requirements of Uniform Standards of Professional Appraisal Practice (USPAP) SR3 and where required, SR 1 & SR 2.

Each review appraisal assignment is governed by its specific scope of work (SOW). On all appraisal reviews involving UAD format appraisals for FNMA, the ratings of comparables are expressed in absolutes rather than relative ‘for the area’ ratings as is customary in non UAD appraisal reporting. The reviewer should use the same FNMA rating scales as are used in the appraisal report in determining comparable sales quality and condition ratings - the so called C1; C2, C3, C4, C5 system and “Q” equivalents using the definitions contained within the appraisal report. *Text explanations may describe superior –inferior or average versus good condition comparisons where adjustments made, or not made are explained.* The reviewer must not super impose his or her own relative perceptions over the FNMA ‘C’ ratings except where disagreement exists with respect to whether the C-rating (or Q) itself was properly reported in accordance with FNMA definitions for them.

² All appraisal reviews performed on appraisals of Nevada real estate are performed by qualified, licensed or certified Nevada real estate appraisers.



Reviewers are reminded that there is almost always more than one way to measure market impact of physical or economic characteristics. The ‘test’ is not whether the appraiser adjusted the same way the reviewer would have, but whether the adjustment made is ‘reasonable and credible’. Adjustments must be adequately explained and supported within the appraisal text itself. Simply reiterating the obvious items already noted in the sales grid is not sufficient. If a \$50,000 adjustment was made for condition it’s obvious from the grid that it was adjusted. Restating that in the text portion is not an adequate explanation of an adjustment. The appraiser should indicate why specifically an adjustment was made as well as how the adjustment amount was determined.

Where alternate comparable sales are suggested the reviewer *must clearly indicate why the specific comparable or multiple comparables are more relevant (superior)* comparables to those used. Simply being newer or closer does not make a potential sale ‘more comparable’ or more relevant as a value indicator. The apparent impact on market value (or other defined value) opined must be reported if different from the original appraiser’s opinion of value.

Unless a declining or unstable market has been reported or described; or is otherwise determined to exist, the use of REO resales of previously foreclosed property transactions must be avoided unless it can also be demonstrated that those sales sold in the normal market range for similar non distress sale associated sales.

Where stable market conditions or increasing values are noted and concurred with, it is improper to use a lower than typical REO sale, or any other form of distress sale comparable without adjusting for differences in the sale condition or terms. Reviewers are discouraged from using REO sales unless they can definitively demonstrate they represent open market, arm’s length transactions that are the equal of non-distress sales on the effective sale dates.

Reviewers should not make negative assumptions. *Unless a potential negative condition or characteristic can be documented or demonstrated to have a specific impact, the reviewer must not opine that it DOES have a specific impact.* Indicating whether or not the appraisal report under review adequately addresses or explains the condition *is* appropriate.

It is never the intent of the GSAMC review process to advocate a direction of value, either upward or downward. Each reviewer is expected and required to perform their



function in a competent and professional manner, fairly and without bias for or against the results of the appraisal under review.

Collateral Underwriter (CU) Risk Rating "Reviews"

FNMA has recently (See FNMA Lender Letter-2 02/04/2015) adopted a proprietary system of scoring appraisal reports and appraisers for supposed "collateral risk" using an automated system that incorporates aspects of AVMs; regression analysis and bell curves as well as numerous additional factors. Actually, the CU system does far more than that. Reasonable people would conclude it is itself a form of appraisal review despite the denials and parsing of language from FNMA to the contrary.

FNMA license agreements for use of the system require very specific limited events to take place before the results of a CU score may be communicated. The FNMA message text used to communicate the information from CU to the lender or AMC is prohibited from being used to communicate the CU findings to appraisers by the license restrictions. Despite this, it still gets used by some lenders. GSAMC is not permitted to communicate that text to appraisers as it would violate the licensing terms of the CU software.

FNMA also directs '**that some form of human intervention**' is required before some or all of CU's alternative comparable sales may be recommended to the original appraiser for use or explanation. It is not FNMA's intent that twenty+- 'new' comparable addresses simply be sent to the appraiser with no inkling of whether they are relevant or not.

Additional screening is required. FNMA recognizes that many of these potential 'comparables' may be excluded for a variety of legitimate reasons. They may not have been open market verifiable transactions; or they may have had significant additions not shown in FNMA's data, which now render them dissimilar; or there may be other easily determinable reasons that they should not have been used. It is FNMA's intent that preliminary screening be made to determine if an impact on value is 'likely' or 'may' have resulted had these sales been used.



It is incumbent upon the lender to explain WHY a comparable SHOULD be used, rather than to simply ask why twenty+- other unverified 'comparables' were not used. Most non-appraisers will not have the requisite training or appraisal skills to competently & effectively communicate this information to appraisers using their own words.

In some cases it may not be possible to determine if other comparables meet the FNMA test and requirements prior to communicating with an appraiser without first doing at least a desk review. The GSAMC Service Level Agreement(s) (SLA's) do not currently include no-cost desk reviews.

In such cases GSAMC will endeavor to see *if* sufficient information is apparent from a cursory review of data to warrant contacting the appraiser to (1) advise them that they have received an unsatisfactory CU score (3.0 or higher; with 3.5 being a risk rating that could affect how FNMA perceives their overall reports credibility into the future); & (2) to the extent legally permissible without being perceived as attempting to influence the direction of a value or property reporting conclusion GSAMC will communicate the apparent concerns to the appraiser in order to give them an opportunity to further explain, rebut issues raised, or modify their work *IF THEY* consider it to be appropriate or required in order to conform to USPAP.

1. Regardless of the appraiser response, no payments will ever be withheld from the appraiser, nor will the threat to withhold payment be made or allowed.
2. No threat of blacklisting or actual blacklisting will be made for an appraiser adhering to their position or opinions. This does not however mean that reports found to be substantively non compliant with USPAP would not be cause for being debarred from future work. GSAMC is bound by the Bureau of Real Estate Appraisers and State Law to screen for USPAP compliance. Separately and aside from CU issues, GSAMC cannot retain appraisers whose work does not meet the minimal standards of USPAP.
3. In the event that an appraiser is debarred for cause by GSAMC, we will immediately notify them of the specific reasons, and to offer them an opportunity to either rebut the claim(s), or to appeal the debarment by GSAMC (only). Debarment may occur for any of the following
 - i) Dishonesty (Legitimate disagreement is not dishonesty. Dishonesty is deemed to be deliberate deception in falsely reporting market data, property conditions, or significant comparative sale characteristics.



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- ii) Assault
 - iii) Theft
 - iv) Vandalism of appraised property
 - v) Failing to complete assignments without accepted withdrawal
 - vi) Repeated late deliveries without requests for extension
 - vii) Refusal to consider supported client requests for reconsideration (Agreement is not required but consideration of any new relevant information supplied by the client is.)
 - viii) Loss of license due to revocation or suspension. *Expiration of a license does not trigger debarment-merely suspense status until a current license and E&O policy is obtained.*
4. GSAMC has no control or influence over client blacklisting; appeals or reinstatements.
5. Where clients have provided names of appraisers that may not be used in appraisal assignments for their firm; when asked, we can only confirm yes or no that the appraisers name appears on a specific lenders do not use roster as supplied to us. We can only direct them back to that lenders appraisal administration department for any further inquiries. Do not use lists rarely provide more than the appraisers name and date they were listed. We do not have access to the specific reasons in almost all cases. If there is an exception, the appraiser will be so notified.

USPAP requirements for review appraisals change; as do the types of lender forms used to report them. It is also expected that CU procedures will change as the mortgage industry adapts to its use; problems are reported to FNMA, and appraisers raise new issues related to conformity to generally accepted sound appraisal practices; state or federal laws, and USPAP.

GSAMC will keep current on appraisal review requirements in the states in which it operates, modifying these policies and procedures as may be required in order to remain compliant with all regulatory requirements; and industry best practices..