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Appraisal Insights for the Real Estate Professional

April 28th, 2005

## Appraiser Independence

By: Steve Handley, Branch Manager—Forsythe Appraisals, LLC- Phoenix

There is a strong focus on appraiser independence from everyone from Fannie Mae, Freddie Mac, Appraisal Subcommittee, Uniform Standards of Professional Appraisal Practice (USPAP), other professional appraisal organizations, lending guidelines and so on.

This attention results from growing concern on the accuracy of some appraisals. This is caused by the historical financial relationships between appraisers and loan officers. In many cases the appraiser is dependent on the loan officers for appraisal assignments and the loan officers depend on an appraised value at a number adequate to produce a loan.

Creating separation between these two parties is being implemented by many banks and national lenders. This is being accomplished by organizing a separate division to order appraisals or by utilizing a third party vendor to manage the appraisal process.

The Office of Comptroller of the Currency issued a “Frequently Asked Questions” document on the requirements for ordering appraisals, dated 3/22/05 as reference # OCC2005-6 attachment. This is worth reviewing.

Elimination of the “estimated value” on non- purchases is a good step in obtaining a more unbiased opinion of value.

The Appraisal Institute has dedicated a section of their website to this issue. Look for the “Appraiser Independence Action Center” at [www.AppraisalInstitute.com](http://www.AppraisalInstitute.com).

As an appraiser, it is clear that our guidelines (Uniform Standards of Professional Appraisal Practice) require us to provide an unbiased estimate of market value. If pressure is being applied for an unrealistic value, our own personal and professional code of ethics should make us question whether this client relationship is one worth continuing.

A well supported and documented independent valuation is one of the keys to a healthy lending environment and well secured mortgage.

## Mortgage Rates As of April 28th

30 Year Fixed: **5.78%**

15 Year Fixed: **5.33%**

1- year ARM: **4.21%**

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## Frequently Asked Questions

### **Q: *Who should report an obviously fraudulent appraiser?***

**A:** Anyone in the process has the right to report a fraudulent appraiser: it could be a loan officer, processor, underwriter, homeowner, or review appraiser, etc. They should send a letter and a copy of the appraisal to their state licensing board.