

Collateral Risk Network Review Panel Discussion



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De-Mystifying Review



- **Reviews Conducted for Multiple Purposes**
 - Mortgage Lending
 - ✦ Pre-delivery QC (Compliance Review – OCC 2005-6)
 - ✦ Post-delivery Random or Adverse Audit
 - Portfolio Management
 - ✦ Pre-purchase QC
 - ✦ Periodic Audit
 - Litigation
 - ✦ Pre-Trial Consulting
 - ✦ Trial Expert Witness

De-Mystifying Review



- **Industry Confusion with the Term “Review”**
 - “Review” Does Not Automatically mean “Appraisal Review”
 - ✦ Clients “review” appraisals
 - ✦ “Desk Review” May Not Require Appraiser
 - ✦ Review Might Be For Completeness
 - ✦ Appraisers Can Review BPOs

Appraisal Review Without an Opinion of Value



- **“Appraisal Review”**
 - An Opinion about the Quality of Another Appraiser’s Work
 - Does Not automatically require an Opinion of Value.
- **USPAP Standard 3**
 - Opinion of Value in Appraisal Review is an option
 - An Opinion of Value is an Appraisal and must be developed under Standard 1
- **Advisory Opinion 20 (AO-20)**
 - Provides Illustrations of language in an appraisal review report **WITHOUT** an Opinion of Value and **WITH** an opinion of value.

Appraisal Review

With Reviewer's Opinion of Value



- **Advisory Opinion 20 (AO-20)**
 - **Addresses Appraisal Review Assignments That Include the Reviewer's Own Opinion of Value**
- **Two-Stage Assignment:**
 - **Appraisal Review-Opining on the Quality of Work Under Review (Standard 3 Compliance)**
 - **Developing an Opinion of Value**
 - **So it is BOTH a Review and an Appraisal**
 - ✦ **Standard 1 and Standard 3 Compliance**

Federal Regulations



ASC Policy Statement 1 - Statutes, Regulations, Policies and Procedures Governing State Programs:

- ✦ “Per these regulations, an appraiser performing an appraisal review which includes the reviewer providing his or her own opinion of value constitutes an appraisal.”

Federal Regulations



- **FIRREA, Title XI**
- Dodd-Frank Act 2010
 - ✦ Revised FIRREA, Title XI, Subsection 1110
 - ✦ Original Language – 1989: Prescribe Appropriate Standards for Appraisals
 - ✦ As Revised in 2010: – That such appraisals shall be subject to appropriate review for compliance with USPAP.

To Be... Or Not To Be Licensed or Certified



- **Reviews Not Requiring a Licensed or Certified Appraiser**
 - Client “review”
 - Litigation
 - Tax Appeal
 - Broker Price Opinion
- **Reviews Requiring a Licensed or Certified Appraiser**
 - FIRREA Title XI, where Appraisal is included
 - State Appraiser Regulations may go beyond FIRREA

Reviewer Licensing



- **Some States do not go beyond FIRREA:**
 - Appraiser License or Certification ONLY required if an Appraisal is included in the Appraisal Review
- **Other States require Appraiser License or Certification for Appraisal Review:**
 - License or Certification in ANY State
 - License or Certification in THAT State
- **Examples on Following Slides**

Reviewer Licensing



- **States that Require Reviewer to be Licensed in Any State:**
- **Delaware –**
 - ✦ “Any employee of an appraisal management company that performs an appraisal review shall... hold a valid appraiser license or certification in this or any state.”

Reviewer Licensing



- **States that Require Reviewer to be Licensed in Any State:**
- **Connecticut –**
 - ✦ “reviewers certified in another state and operating outside the state of Connecticut who are performing appraisal reviews regarding real estate located in Connecticut are not required to hold a Connecticut certification or temporary certification **if such appraisal review does not entail field work within the state of Connecticut**”

Reviewer Licensing



- **States that Require Reviewer to be Licensed in Any State:**
- **Vermont –**
 - ✦ “A registrant's employee reviewing finished appraisals shall be certified or licensed in good standing in one or more states and shall be certified at a level that corresponds with **or is higher than** the level of licensure required to perform the appraisal.”

Reviewer Licensing



- **States that Require Reviewer to be Licensed in That State:**
- **South Dakota–**
 - ✦ “any employee of, or independent contractor to, the appraisal management company that is utilized to perform an appraisal review... for a property located in South Dakota, **be licensed or certified and in good standing by this state;**

Reviewer Licensing



- **States that Require Reviewer to be Licensed in That State:**
- **New Hampshire –**
 - ✦ “Any employee of, or independent contractor to, an appraisal management company that performs a USPAP Standard 3 review of an appraisal report on property located in this state **shall be an appraiser with the proper level of licensure issued by the board.** Quality control examinations are exempt from this requirement as they are not considered a Standard 3 review.

Reviewer Licensing



- **States that Require Reviewer to be Licensed in That State:**
- **Oregon –**
 - ✦ “Any employee or independent contractor appraiser of an appraisal management company that performs the act or process of developing **and communicating a reviewer’s own opinion of value** as part of an appraisal review for a property located in this state: (1) **Must be licensed or certified in this state** pursuant to ORS 674.100;

Reviewer Licensing



- **States that Require Reviewer to be Licensed in That State:**
- **Texas –**
 - ✦ **“A person who performs an appraisal review for an appraisal management company must be licensed or certified under Chapter 1103 with at least the same certification for the property type as the appraiser who completed the report being reviewed.”**

Reviewer Licensing



- **States that Require Reviewer to be Licensed in That State:**
- **Tennessee –**
 - ✦ **“Any employee or independent contractor of the appraisal management company who performs an appraisal review service on an appraisal done on real property located within Tennessee **must be an individual who holds a license as defined in § 62-39-102 or certification as defined in § 62-39-102.**”**

States Exempting Reviewer Licensing



- **Certain States Exempt Reviewer Licensing if Reviewer is an Employee of a Financial Institution**
 - Arkansas, Colorado, Missouri, Nebraska
 - North Dakota, Oregon
 - Delaware - For An Employer For Internal Use as a Full Time Employee of That Employer
- **Exemption Does not Apply if Reviewer Develops an Independent Opinion of Value – Becomes Appraisal**

Audit Reviews by AMCs



- **States that Require AMC to Audit Appraisals:**
- **Maryland** – No Audit Requirement
 - ✦ “**AMC requires appraisers** completing appraisals at its request to **comply with the Uniform Standards of Professional Appraisal Practice**, including the requirements for geographic and product competence.”

Audit Reviews by AMCs



- **States that Require AMC to Audit Appraisals:**
- **North Carolina –**
 - ✦ “have a system in place **to review the work of all independent appraisers** that are performing real estate appraisal services for the appraisal management company on a **periodic basis** to validate that the real estate appraisal services are being conducted in accordance with the Uniform Standards of Professional Appraisal Practice.”

Audit Reviews by AMCs



- **States that Require AMC to Audit Appraisals:**
- **Oklahoma –**
 - ✦ “have a system in place to **perform an appraisal review** of the work product of a **statistically significant number of appraisal reports submitted by each appraiser** who is performing appraisals for the AMC on a periodic basis to validate that the appraisals are being conducted in accordance with the USPAP and the Oklahoma Certified Real Estate Appraisers Act ...”

Audit Reviews by AMCs



- **States that Require AMC to Audit Appraisals:**
- **Texas –**
 - ✦ “shall review the work of appraisers performing appraisal services on 1-4 family unit properties collateralizing mortgage obligations by performing a **review in accordance with Standard 3** of the Uniform Standards of Professional Appraisal Practice (USPAP) of: (1) **one of the first five appraisals performed** for the registrant by each appraiser, prior to making a sixth assignment; and (2) a **total of 5%, randomly selected, of the appraisals performed**

Wide Variety of Approaches





Reviewer Licensing - AMC



- **Alabama** – “or the review and analysis of completed appraisals in Alabama shall be an appraiser certified in Alabama”
- **Georgia** – “ Any employee or independent contractor of an AMC who performs appraisal review services must be an individual who holds a valid appraiser license or certification issued pursuant to this chapter.”

Additional State Examples



- The following slides contain additional examples of the language within certain state AMC regulation legislation relating to licensing and certification requirements relating to topic of reviews.

Reviewer Licensing - AMC



- **Indiana –**
- a. “appraisal review” means the USPAP Standard 3 process of developing and communicating an opinion about the quality of an independent real estate appraiser’s work that is performed as part of an appraisal assignment made by an AMC. **However the term does not include:**
 - 1. an examination of an appraisal solely for grammatical errors, typographical errors, or similar errors; or
 - 2. a quality control examination for completeness.
- b. an individual who performs an appraisal review must hold a license or certificate under IC 25-35.1-3-8 or a license as a real estate broker under IC 25-34.1.

Reviewer Licensing - AMC



- **Maryland** – “Appraisal” includes (iii) a review assignment
- Licensure or certification of appraiser required
(c) An employee of or independent contractor to the appraisal management company that performs an appraisal review on a property located in the State shall be an appraiser licensed or certified in the State.



Reviewer Licensing - AMC



- **Michigan** - An appraisal management company shall ensure that any employee or independent contractor of the company who is responsible for completing standard 3 appraisal reviews, or who performs a standard 3 appraisal review, on its behalf has a valid license as a certified appraiser.



Reviewer Licensing - AMC



- **Minnesota** - An employee of the appraisal management company that has the responsibility to review the work of employed and independent appraisers where the subject properties are located within this state, which include the reviewer's opinion of value or concurrence with the original appraiser's value, must be licensed according to chapter 82B and perform the review assignments in compliance with USPAP and chapter 82B. **This requirement does not apply to employees who review appraisals for completeness and compliance in connection with an appraisal management company's internal quality control processes, but who do not perform appraisal reviews that are subject to Standard 3 of USPAP.**

Reviewer Licensing - AMC



- **Mississippi** - Any employee of, or independent contractor to, the appraisal management company that performs a USPAP Standard 3 appraisal review of an appraisal report on property located in this state shall be an appraiser with the proper level of licensure in Mississippi.
- Quality control examinations are exempt from this requirement, as they are not considered a Standard 3 review.

Reviewer Licensing - AMC



- **Oklahoma** - Any employee of, or independent contractor to, the AMC that performs an appraisal review for a property located in Oklahoma shall be an appraiser credentialed in good standing in the State of Oklahoma.

Reviewer Licensing - AMC



- **Tennessee** - Any employee or independent contractor of the appraisal management company who performs an appraisal review service on an appraisal done on real property located within Tennessee must be an individual who holds a license as defined in § 62-39-102 or certification as defined in § 62-39-102.
- Letters of engagement shall include instructions to the appraiser to decline the appraisal review assignment in the event the appraiser is not geographically competent or the assignment falls outside the appraiser's scope of practice restrictions.

Reviewer Licensing - AMC



- **Kentucky** - A registrant shall require that if an appraisal report prepared by a Kentucky licensed or certified real property appraiser is reviewed by a state licensed or certified real property appraiser, the review appraiser shall also be certified by the Kentucky Real Estate Appraisers Board.
- **Louisiana** - A person who performs an appraisal review for an appraisal management company shall be licensed or certified in Louisiana.

Reviewer Licensing - AMC



- Montana - An employee or independent contractor of the appraisal management company that performs an appraisal review for a property located in this state:
- (1) must be an appraiser licensed or certified in this state; and
- (2) shall comply with the review provisions of the Uniform Standards of Professional Appraisal Practice.

Reviewer Licensing - AMC



- Nebraska - Any employee of or independent contractor to an appraisal management company that performs a Uniform Standards of Professional Appraisal Practice standard 3 appraisal review shall be an appraiser with the proper level of licensure in this state. Quality control examinations are exempt from this requirement as they are not considered a standard 3 review.

Reviewer Licensing - AMC



- **New Hampshire** - Any employee of, or independent contractor to, an appraisal management company that performs a USPAP Standard 3 review of an appraisal report on property located in this state shall be an appraiser with the proper level of licensure issued by the board.
- Quality control examinations are exempt from this requirement as they are not considered a Standard 3 review.

Reviewer Licensing - AMC



- Pennsylvania - (a) Conduct of reviews.—
- All appraisal reviews in this Commonwealth must be conducted for an appraisal management company by:
 - (1) a certified appraiser in good standing in this Commonwealth; or
 - (2) a certified or licensed appraiser in good standing in another state.

Reviewer Licensing - AMC



- **Utah** – (ii) An appraisal is classified by the nature of the assignment as a valuation appraisal, an analysis assignment, or a review assignment in accordance with the following definitions:
- (B) “Review Assignment..... “
- (1) Except as provided in Subsection (2), it is unlawful for a person to prepare, for valuable consideration, an appraisal, an appraisal report, a certified appraisal report, or perform a consultation service relating to real estate or real property in this state without first being licensed or certified in accordance with this chapter.

Reviewer Licensing - AMC



- **Washington** - (3) Any employee of the appraisal management company, or any contractor working in any capacity on behalf of the appraisal management company, that has any involvement in the actual performance of appraisal or appraisal review services or review and analysis of completed appraisals must be a state licensed or state-certified appraiser in the state in which the property is located, and must have geographic and product competence.
- This requirement does not apply to any review or examination of the appraisal for grammatical, typographical, or similar errors or general reviews of the appraisal for completeness.