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INSIDE...



1 • vignette part 2

2 • vignette part 2 (con't)

3 • RESPA regs  
• spot light

4 • calendar of events

Publisher... Jim Kirchmeyer • Research... Tom Kirchmeyer, SRA • Editor... Janice Gregor

For all your appraisal needs in all 50 states call 1-800-771-5246

Kirchmeyer & Associates Inc. • 40 Gardenville Pkwy • Suite 100 • Buffalo • NY • 14224  
Toll free 1 (800) 771-5246 Phone (716) 558-2800 Fax (716) 558-0164

## 2010 Dates to remember...

This list is not all-inclusive as some organizations have yet to firm up dates and locations. We hope to see you there!

**FEB 2010 - 23-26** MBA Servicing Conference  
Manchester Grand Hyatt, San Diego, Ca  
\* Kirchmeyer will be attending

**MAY 2010 - 23-26** MBA National Secondary Market Con.  
Hilton New York, New York, NY  
\* Kirchmeyer will be attending

**MAR 2010 - 16-21** ICBA National Convention & Techworld Con.  
Gaylord Palms Resort & Convention Center, Orlando, FL  
\* Kirchmeyer will be attending

**SEPT 2010 -12-14** CBA Home Equity Lending Conference.  
Hyatt Regency, Scottsdale, AZ  
\* Kirchmeyer will be exhibiting

**APR 2010 - 25-28** MBA Technology in Mortgage Banking  
Hyatt Regency Chicago, Chicago, IL  
\* Kirchmeyer will be attending

**SEPT 2010 -19-21** REO Five Star Conference and Expo.  
Sheraton Dallas, Dallas, TX  
\* Kirchmeyer will be attending

**APR 2010 - 25-28** MBA National Fraud Issues Conference  
Hyatt Regency, Chicago, Chicago, IL  
\* Kirchmeyer will be attending

**OCT 2010 - 24-27** MBA's 97th Annual Convention and Expo  
Georgia World Congress Center, Atlanta, GA  
\* Kirchmeyer will be exhibiting

**MAY 2010 - 17-19** PMC Predictive Methods Conference.  
The Ritz Carlton Laguna Niguel, Dana Point, CA  
\* Kirchmeyer will be attending, Jim Kirchmeyer speaking

**We thank you for your business!**

## A Vignette for Appraisers

**Hobson's Choice: Part Two**

By Tom Cusack - President, Cusack Center Inc.

Part One of this article outlined the requirements for appraiser competencies and addressed the issue of appraisal fraud and the outside pressures brought to bear on the appraiser's objectivity and expertise. Part Two continues this discussion.



**As Bernie returned from his break Mike picked up the conversation with Lou, the appraiser, exactly where he had left off...**

"So what's causing today's appraisal problems?"

"Until very recently these outside pressures on appraisers from people who had financial interests in the transaction were still being applied. Then, within the past year, a momentous agreement was struck with Fannie Mae and Freddie Mac."

"I heard something about this. It was initiated by New York State Attorney General, Andrew Cuomo. But I'm not certain exactly what it was. Please go on," Bernie apologized for interrupting.

"Fannie Mae and Freddie Mac

are two main secondary market players..."

"They buy mortgages from lenders in the primary market and they use those mortgages to back securities which they sell to investors, correct?" Mike explained with slight reservation.

"Correct. They also establish guidelines for appraisers so that objectivity will be preserved and risks will be managed to prevent losses due to subjective, inflated values," Lou continued.

"I remember from Professor Tom's real estate course that there are territorial guidelines

cont on page 2

for selecting comparables. There are also limits on the amount and number of adjustments made to these comparables as they are used to value the property being appraised," Bernie finished and looked to me for recognition.

"You are truly one of my brightest students ever!" I smiled.

"And what was this momentous agreement?" Mike asked.

"Fannie and Freddie agreed that they would not buy mortgages when the funding sources in the primary market had direct contact with the appraisers."

"So this was an intervention strategy to stop the pressure that we spoke about," Mike verified.

"But let me ask you this," Bernie requested, "if there are requirements in place to advance competency and prevent faulty appraisals and if this strategy eliminates the pressures to advance objectivity and prevent fraudulent appraisals, why are we having appraisal problems today?"

"Good question! Some of what you say is true and some is not. This momentous agreement has been unanimously embraced in theory by the appraisal profession. But they are not so sure about the practice part."

"So what they're saying is there is many a slip from the cup to the lip," Bernie was unable to restrain his pithy self.

"Precisely. This agreement has given birth to appraisal management companies (AMCs) who act as a buffer between the funding sources and the appraisers."

"On its face, yes. But, in some instances, these companies are owned by the funding sources or are their obscure subsidiaries. In other instances they are owned by appraisal companies, and some AMCs charge a service fee which they deduct from the appraisal fee. There are others that add an additional charge on top of the appraiser's fee. I'm not saying that all AMC's are bad. The good ones are usually run by appraisers. They provide a good service and pay appraisers well. The bad ones beat up the appraisers on their fees. They send work to whoever does it cheaper. This can create less than thorough, competent appraisals."

"As I see it, the fact that funding sources have control over these management companies is a charade," Bernie pointed his finger at some imaginary injustice.

"As I see it," Mike observed, "appraisal companies who own management companies have conflicts of interest to give appraisal assignments to their own, affiliated appraisers and not to other non-affiliated ones."

"Unless the appraiser-owned management company uses a fair rotation system of approved and qualified appraisers, a combination of their own affiliated appraisers and independent appraisers. But quite frankly," Lou concluded, "as long as the funding source controls the work assignment and is allowed to choose which management company it will award the contract for appraisal work, the opportunity for pressure still exists."

"I think that funding these companies out of the appraisal fee is such an injustice. Why make the

appraiser pay for protection? The cure is as bad as the illness," Mike emphasized.

"What can be done?" Bernie questioned.

"I'm not exactly sure. But first I think we should all agree that the appraiser has been qualified by education and experience. Secondly, we should all agree that the appraiser must be left alone to validate the fair market value as the appraiser sees it."

"Excuse me, I need to clarify something," Mike interrupted. "If we leave the appraiser alone, as you suggest, could we still ask for a second opinion, if the situation justifies it?"

"Sure! If the situation justifies it, like if the appraisal is proven to be bad, we can give that provision up front. But it's imperative that we continue the protection against pressure. I suggest we establish some kind of not-for-profit appraisal management company that funding sources must deal with."

"This will eliminate the pressure for the deal," Bernie contributed.

"I think so. And this management company will also be required to be expert in appraisal theory and practice as well as monitor and review appraisers' work and make recommendations to licensing agencies for suspensions or revocations when circumstances warrant."

"This sounds like a workable solution!" Mike exclaimed.

"I think so but I'm open to other, better ideas," Lou admitted. "Lastly, I need to make one

important point. The cost for all the work done by this appraisal management company cannot, must not come out of the appraisal fee!"

"Perhaps the funding sources should be required to pay for these services. After all, it was their behavior that created the

need for the protection in the first place," Mike scolded.

Bernie smiled and quipped, "I think we all should sing a couple bars of we shall overcome."

We all lifted our coffee cups in unison.

## New RESPA Regs and Appraisal Fees

Many lenders and appraisal firms are having trouble interpreting the new RESPA regulations that came out January 1, 2010. One of the many confusing issues revolves around appraisal fees, the revised GFE (Good Faith Estimate), and the revised HUD-1 closing doc. I will not go into the nauseating details of new RESPA regs, but in a nut shell the doc states that the appraisal fee quoted on the GFE at application should not be changed and has to match the appraisal fee listed on the HUD-1. There are instances when the appraisal fee would be considered a 'changed circumstance' and an increase is allowed. The interpretation of the 'changed circumstance' rule varies depending on who you ask. I believe that HUD will have to further explain what an appraiser or AMC can or cannot do regarding appraisal fees, possibly in a future FAQ. And don't even get me started about the 10% bucket rule.

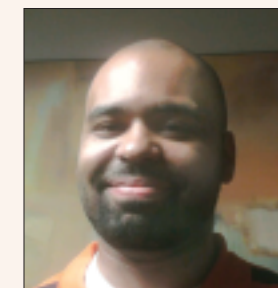
Sure, 95-99 % of all orders fall into the typical appraisal fee bucket, and the contacted appraisal fee should be applied and not altered by the appraiser or AMC. But there are times when an increase to the typical fee is warranted. What about that mansion on the waterfront that is 9,000 sqft with several outbuildings on 20 acres? What about that log cabin in the mountains on 100 acres with many barns and no comparables sales for 50 miles and no MLS in the area? The appraiser should and will quote a much higher fee to complete these assignments.

Here is a suggestion I have for any lender, loan originator, or anyone ready to quote an appraisal fee. When you are sitting down with the applicant, ask the following questions in order to identify a potential complex appraisal assignment:

- 1). Is the approximate Gross Living Area (GLA) of the dwelling over 5,000 sqft?
- 2). Is the site greater than 5 acres?
- 3). Does the property have excessive outbuildings?
- 4). Is the dwelling an unusual design or a historic home?
- 5). Is the property located on waterfront?

If the answer is YES to any of the above, the appraisal fee MAY be higher than the typical fee for this area. Please wait for an appraisal fee quote from us prior to completing the GFE. Then you will not have a problem with the fee listed on the HUD-1 closing doc. If you have any questions about the subject property or the appraisal fee, please contact us ASAP at 800-771-5246 and we would be glad to get you an answer.

## Employee Spotlight



**Keyoan Fox**

**OFFICE:** Buffalo

**DEPT:** Customer Service

**PHONE:** 716-558-2800 ext.172

**Toll Free:** 800-771-5246 ext.147

**FAX:** 716-558-2815

**E-MAIL:** keyoanf@kirchmeyer.com

Keyoan started with Kirchmeyer & Associates in July 2009. He has over 8 years of customer service experience with 5 of those years focusing mainly within the mortgage industry.

Keyoan spends his spare time playing basketball as he is a huge NBA fan and watching anything that's funny. He also enjoys traveling all over the east coast to visit family and friends.