

Tech companies see opportunity in new GSE appraisal rules

Several technology providers have lauded new appraisal rules recently announced by Fannie Mae and Freddie Mac, declaring that their systems will help lenders comply with the new "appraiser independence" standards. Find out what some of the companies are saying.
(3/11/2008)

Some appraisal technology companies praised proposed new rules from Fannie Mae and Freddie Mac that are designed to promote appraiser independence, saying their technology platforms help achieve just that.

Under investigation by the New York Attorney General **Andrew Cuomo**'s office for their business practices during the housing boom earlier this decade, Fannie and Freddie agreed to the new standards in return for the AG's office dropping the investigation.

The new standards bar mortgage brokers from ordering appraisals and prohibit lenders from using in-house appraisers as well as, in most cases, appraisal management companies that they own or control. As of Jan. 1, 2009, Fannie and Freddie would no longer buy home loans from lenders who fail to follow the new guidelines, according to the proposal. Fannie and Freddie have agreed to observe a 90-day comment period, during which industry leaders or concerned citizens may share their thoughts and try to shape the new rules.

Calgary-based Zaio Corp. led the charge of tech companies that used the new rules as a marketing opportunity, saying that its platform already promotes the appraiser independence called for in the Cuomo-Fannie-Freddie agreement.

"We believe the best way for lenders to ensure appraiser independence and comply with these new policies is to rely upon and leverage Zaio's independence, appraiser expertise, and proprietary technology solutions that, to our knowledge, are not available from any other service provider," said **James Kirchmeyer**, the company's chief marketing officer, in a statement.

Zaio's business model is predicated on a database that would store an appraisal report on every residential property in the U.S. Lenders would then order these pre-completed appraisals as part of initiating their loan processes. Because the appraisals in the database would be complete before the loan process begins, lenders wouldn't have the opportunity to influence appraisers in their valuations, Zaio's theory goes.

"Zaio is believed to be among the very few corporations not having affiliated business

relationships with lenders or title insurance companies and is thus already in compliance with the new policies,” the company said.

Also jumping on the bandwagon was FNC Inc., a Mississippi-based collateral management technology provider. CEO **Bill Rayburn** said in a statement that the company’s Collateral Management System for enterprise lenders and its Collateral Headquarters platform for community banks will help users comply with the new standards when they order appraisals.

"Documentation of the entire loan process is critical, as is evidence of appraiser independence, compliance to USPAP standards, and indications of appraisal or appraiser violations," Rayburn said. "We provide clients with solutions for all of these issues."

FNC said its platforms include an “auto-assignment” feature that helps to promote appraiser independence: FNC’s software automatically assigns orders randomly but equally to appraisers on a lender's approved vendor list, according to the statement.

California-based ValuFinders also has what it touts as a solution to the appraiser independence problem in the form of its Appraisal Concierge system, which is designed to connect appraisers with lenders or others who order valuation reports.

“The Appraiser Concierge is an independent assigning portal that protects all of the parties from the pressures of undue influence and collusion while allowing the lender and the (appraisal management company) the ability to carry on a business relationship while delivering an independent valuation,” ValuFinders CEO **Joe Williams** said.

Regardless of what the final rules implemented by Fannie and Freddie after the comment period look like, Williams said appraisers are ready – and so is his company.

“Appraisers are prepared,” he said. “All they need is for the government to point them to a source, such as Appraiser Concierge, to use to receive and deliver their reports in an independent environment.”

Source: <http://www.valuationreview.com/>