



A wholly owned subsidiary of U.S. Bank



Jennifer Blake-Parson and Thomas Hack

August 4, 2021



Presenters



Thomas Hack
Appraisal Compliance Manager
Thomas.hack@usbank.com
952.208.3331



Jennifer Blake-Parson
Operational Risk Manager
Jennifer.blake-parson@usbank.com
952.208.3314

Roles and Functions

Red Sky Risk Services, LLC

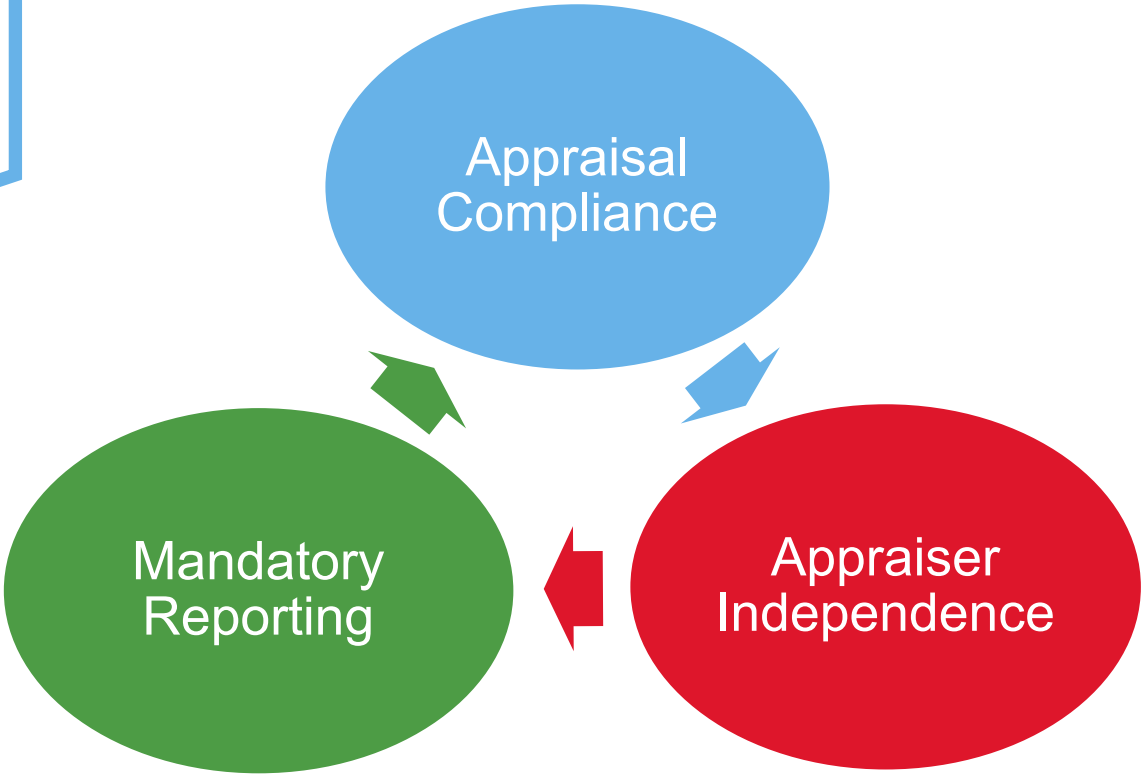


Wholly Owned
by U.S. Bank

Federally
Regulated

Only does U.S.
Bank Appraisals

Appraisal Investigation Team Roles



Compliance - Referral for Investigation

USPAP, Lender Requirements, Fannie Mae, Freddie Mac, FHA Requirements

Credibility and Support

Misleading

Intended User Expectations

Minimally Compliant

Competency or Ethics

Appraisal Investigation Team (AIT) Investigation Process



Mandatory Reporting

Factors Considered

- Severity of violations – reference the Appraiser Disciplinary Action Matrix from The Appraisal Foundation
- Were the appraisal results significantly impacted for a consumer's primary residence?
- Is there a competency concern?
- Is there an ethics concern?
- Mitigating/Aggravating Circumstances

Exclusionary Committee

11 Members from throughout the Bank

- Credit Risk, Mortgage, Legal, Post Funding Review, Red Sky
- Knowledgeable with appraisal requirements

Committee hears cases for inclusions and removals

- Presented by the Appraisal Investigation Team

ALL decisions made by Committee only

- No input from anyone in loan production

No input on mandatory reporting

- ALL mandatory reporting is decided by AIT
- Voluntary Disciplinary Action Matrix



Appraiser Independence

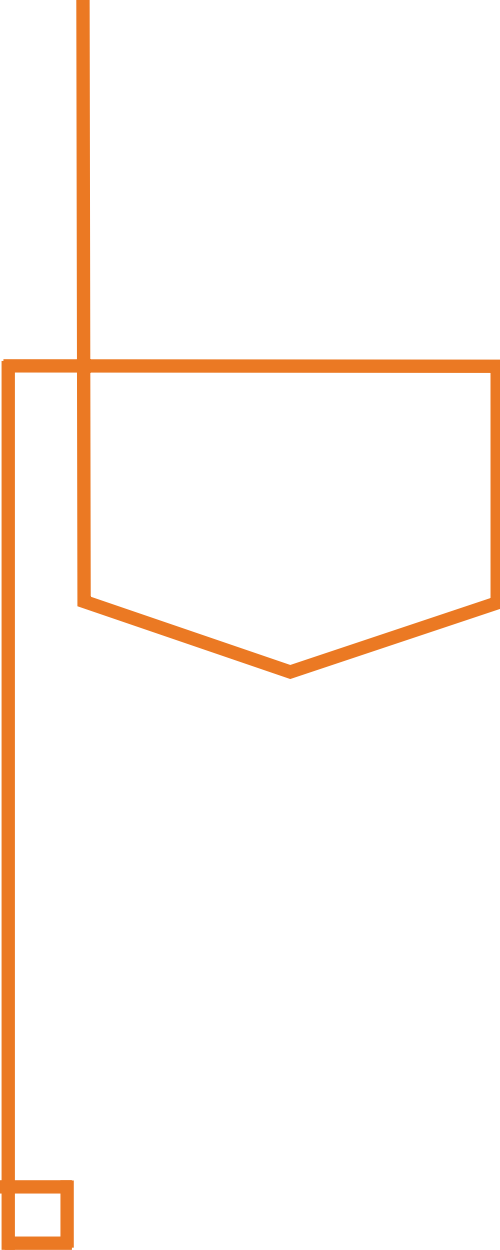
Appraiser Independence is taken
SERIOUSLY at U.S. Bank and Red Sky

ALL concerns are investigated by the
Appraisal Investigation Team

Every Letter of Engagement contains

- Appraiser independence Hotline
1.855.720.9884
- Appraiser Independence Email box
appraiserindependence@usbank.com

Common Concerns





Common Referral Reasons

External Influences

- Golf Courses, Parks, Lakes
- Busy Roads, Railroad Tracks, Commercial Properties

Complex Properties

- More amenities and more GLA often means there is more explanation necessary
- Special use/purpose equals more explanation

Highest and Best Use

- Guest homes
- Multiple lots

Common Referral Reasons cont.

Templates

- Outdated commentary-citations
- Generic information that pertains to any property

Reconciliation

- Many Appraisers have a good idea what the answer should be but struggle with telling you how they got there
- Should discuss data and approaches to value specific to the property being appraised
- Weighting of comparable sales
- Are you reconciling toward the low/middle/high end of the range and why?

Examples of Compliance Concerns



Competency

Two Unique Complex Properties

Appraiser was asked questions for clarification

1st appraisal – Multi family, small town

- *“I am sorry, but upon further reflection, I feel that I do not have the appropriate competency to complete this report adequately, therefore, I am going to have to decline this assignment.”*

2nd Appraisal – leasehold interest-Landlocked

- *“After further review of the revision request, I feel that this report is **beyond my competency**, I hereby decline this order.”*

Appraisal Requiring Attic Inspection

Appraiser's photo from appraisal



Appraisal Requiring Attic Inspection

Customer Photos



Conflict of Interest???

Appraiser is also a Real Estate Agent

The appraiser's office address, phone and email are the same as the real estate office.

The listing and selling agent's work out of the same office as the appraiser.

***This MUST** be disclosed because of the potential conflict



Scope of Work

Driving-Inspecting Comparable Sales

The 1004 Scope of Work states that you are inspecting comparable sales at least from the street.

- Reviewer asked for photos of the comparable sales.
- Appraiser stated that they don't drive comparable sales because their territory is rural in nature.
- Appraiser stated that they added to their appraisal certification that they inspect comparable sales "IF POSSIBLE"
- You can add additional certifications but cannot take away from what is preprinted in the scope of work.

Inspection of Subject Outbuilding

Appraiser was asked for interior picture of the outbuilding

Appraiser provided photo



Actual Building Interior from another appraisal



Excuse: "It was too muddy to walk over to the building"

Creative Writing

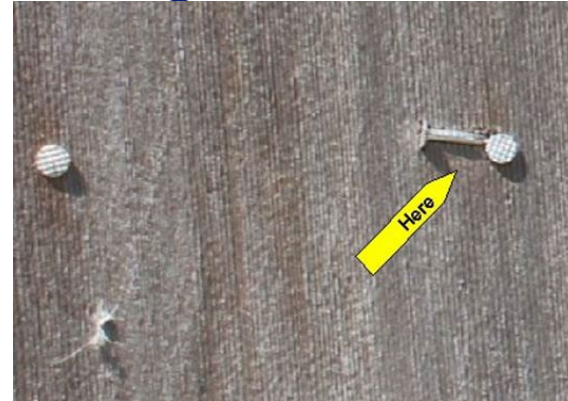


“The appraiser notes the presence of a fence that creates the feel of a stockade” “Inside the stockade one gets the feeling of containment that doesn’t help the homes marketing

“... the feel of a prison camp.”

There have been a host of bad choices for this property and it began with lot selection”

Creative Writing cont.



The subject development project considered bad idea after bad idea...

"The appraiser brings 18 years of construction experience...and in that period have never witnessed a more amateur application of wood shake siding"

"The appraiser can't come up with one reason why the ceilings should have a 10' height and the truth is, the high ceilings don't make the home feel larger."

Applying to an AMC Panel and Submitting Sample Appraisals

When applying to an appraiser panel or with a new client

- Select your best work samples.
- Make sure that the appraisal is complete.
- Provide your appraisal as it was submitted to your client.

Don't represent someone else's work as your own

- Appraiser submitted an appraisal which he supervised on removing the inspecting appraiser signature and adding his.
- The same appraisal was submitted by the person who he supervised previously.

2055 Exterior with Inspection

“Road Closed”



Is this sufficient for exterior inspection???

1004 URAR Requires Inspection

Appraiser Exterior Photo

Subsequent Appraisal

Original Appraisal



1004 URAR Cont.

Street Photos

Original



Subsequent



*Original appraiser did not provide any interior photos, which led to questions.

Comparable Sale Selection

- Comparable sales were limited for 1 bedroom properties.
- Appraiser got creative with comp selection and photos
- Both photos were from online sources, but the appraiser chose to use only the first one of the screen porch by the water

Original



Additional online photo



Overstated GLA???

- Appraiser had 3,752 SF GLA
- County Records had 3,003 SF GLA
- When asked about the difference the appraiser had included 2 story areas as GLA
- Revised report corrected the GLA and added a \$30,000 16ft ceiling adjustment, so the value wouldn't change.

Original Report

	Total	Bdms.	Baths	Total	Bdms.	Baths		Total	Bdms.	Baths		Total	Bdms.	Baths		
Above Grade																
Room Count	8	4	2.1	7	3	2.1		0	9	4	2.1		0	9	4	2.1
Gross Living Area 40	3,752 sq. ft.			3,245 sq. ft.			20,300	3,380 sq. ft.			14,900	2,784 sq. ft.			38,700	

Revised Report

	Total	Bdms.	Baths	Total	Bdms.	Baths		Total	Bdms.	Baths		Total	Bdms.	Baths		
Above Grade																
Room Count	8	4	2.1	7	3	2.1		0	9	4	2.1		0	9	4	2.1
Gross Living Area 40	3,003 sq. ft.			3,245 sq. ft.			-9,700	3,380 sq. ft.			-15,100	2,784 sq. ft.			8,800	
	16 FT CEILINGS			NONE			+30,000	NONE			+30,000	NONE			+30,000	

Recent MN Consent Order #1

Appraiser authorized an unlicensed individual to perform inspections on their behalf.

The person inspecting failed to report a shared driveway.

Investigation Results

- Appraiser failed to provide a true copy of their workfile
- Two (2) Month Suspension
- Take 3 courses that DO NOT count toward CE
- Pay \$675 in Investigative Costs



Recent MN Consent Order #2

Appraiser included demographic information in report – Fair Lending

Outdated references to USPAP, unsupported adjustments, assemblage

Investigation Results

- Appraiser failed to provide a true copy of their workfile
- \$2,000 civil penalty
- Take 15 Hour USPAP Course
- Pay \$697 in Investigative Costs

Positives (+) with Appraisers Today

Data - Appraisers are better at finding and analyzing the data and including it in their reports.

Market Supported Adjustments – Appraisers are seeing the need to support adjustments with market data and not just make them from experience.

Workfiles – Appraisers understand the need to maintain complete workfiles. This will support and protect you during an investigation or litigation.

Understanding Requirements – You are the expert!!! Know when something being asked is inappropriate or non-compliant and appropriately stand your ground.

Recommendation Something to Consider

Know and Understand - USPAP Standard 2 Real Property Appraisal Reporting

- Be clear and accurate
- Include sufficient information for the Intended User to understand your appraisal
- Summarize methods and techniques used
- Summarize the information analyzed and reasoning supporting analyses, opinions and conclusions

Questions???

