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Connections

Official Publication of the
Association of Texas Appraisers, Inc.

You know what they say about making assumptions...



Steve Kahane, ATA-R
ATA President

When was the last time you sat down with the chief appraiser for FHA? Never? How about the VA? Still no? Then you missed ATA's mid-year meeting where we hosted a panel of the top brass from

FHA, VA, Fannie Mae and Freddie Mac. Somehow, the little organization that started around the Pospisil breakfast table, managed to convince them all to join us in a question-and-answer session. Thank you to everyone who made that possible, especially Cathy Harper, Candy Cooke, Malinda Griffin and Teresa Walker.

We also had the updated national USPAP course with the additional fair housing and bias components. USPAP is not known for being an exciting class, but it was surprisingly entertaining. The Appraisal Foundation did a good job creating some thought-provoking scenarios. If you missed it, we will be offering USPSP classes in Houston and Dallas later this year. Check the events page on ATA's new [website](#) for details.

There was a lot of confusion regarding extraordinary assumptions. They came up in two areas, drive-by appraisals, and desktop appraisals. There is a feeling among many appraisers that they should be able to make an extraordinary assumption that the information they receive from property data collectors (PDCs) is complete and accurate. There are a few problems with this. An extraordinary assumption is specific to one property or

assignment. If it is used on all appraisals reported in a certain way, it is an ordinary assumption, but that too is incorrect. The desktop forms all contain certification statements saying the appraiser has relied on 3rd party documents. Just like we rely on tax records, title reports or surveys, we rely on PDC inspection reports. If the survey and tax record showed different lot sizes, wouldn't you try to figure out which was right? If you couldn't, might you tell your client you don't have the information necessary to produce a credible result and request a new survey? The same is true for a PDC report. If you have reason to believe it is inaccurate or incomplete, you would have to reconcile the conflicting information or expand the scope of work and ask to inspect it yourself.

Similarly, many appraisers believed they could assume properties to be in average condition for drive-by inspections. Not so. You must have a basis for your conclusions of quality and condition just like you have to have a basis for any conclusion you make in an appraisal. You might base the condition on photos of prior listings or appraisals, online sources or even the property owner. That's right, the property owner. The 2055 drive-by form lists 'information provided by the property owner'. If you have reason to believe the information by the homeowner is inaccurate, you would have to expand the scope of work necessary to produce a credible result. If the exterior showed significant deferred maintenance, you might doubt the owners claim of a complete interior remodel. That might mean converting the assignment to a 1004 with a full inspection or it could mean asking for photos or copies of prior appraisals, something to reconcile the conflicting information so you are able to draw a credible conclusion.

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Upcoming Industry Meetings:

- Mar. 28—AQB Public Meeting
- Apr. 20-23—ACTS - Colorado Springs, CO
- May 16-18—The Appraisal Foundation Board of Trustee Meeting, Indianapolis, IN
- Aug. 16-17—ATA 19th Annual Meeting, Georgetown, TX
- August 19-21—Valuation Expo, Las Vegas
- Sept. 14-17—Appraisal Summit, Las Vegas
- Oct. 28-30—AARO, Boston, MA

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Still unsure? Take a look at the Scope of Work Rule in USPAP.

For each appraisal and appraisal review assignment, an appraiser must:

1. identify the problem to be solved;
2. determine and perform the scope of work necessary to develop credible assignment results; and
3. disclose the scope of work in the report.

An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results.

Comment: Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data re-searched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal or appraisal review assignment. Credible assignment results require support by relevant evidence and logic. The credibility of assignment results is always measured in the context of the intended use.

Thank you all who were able to join us in San Marcos. I look forward to seeing you all again August 16th and 17th in Georgetown.

Steve

New Members

The ATA President and Board of Directors would like to welcome our newest members:

Kayla Adams, Rosenberg
Judith Boling, Harlingen
Joseph Boston, Arlington
Summer Brewster, College Station
Lance Bubela, Magnolia
Elizabeth Burdett, Joshua
Elizabeth Canfield, Corpus Christi
Joseph Copado, San Antonio
John Cosgrove, Houston
Carmen East, El Paso
Makeath Edmund, San Antonio

Julio Gonzalez, San Antonio
Michael Hanks, Pilot Point
Gerald Harbert, Cedar Park
Samuel Henderson, San Antonio
Casey Hoerth, Chandler
Allorie Kemp, Houston
Ahmad Khosravinejat, San Marcos
Kyle Martin, Kennesaw
Lauren Mavromaras, San Angelo
Cassidy Moore, Royse City
Randall Pierce, Corpus Christi
Lynn Ramirez, Arlington
Kim Ranson, McAllen
Rodney Reed, Helotes
Kenneth Schmidt, Cypress

Welcome!

Rye Selassie, Mckinney
Jennifer Soule, San Antonio
Robert Stratmann, Georgetown
Xavier Vera, Houston

Are you interested in joining ATA? Log on to www.txappraisers.org and click on Join.

Mark Your Calendars and Plan Now to Attend!

The Association of Texas Appraisers will hold meetings in **Houston (May 31)** and in the **DFW Area (June 21)**.

The meeting schedules will be:

- Friday - 8:30 a.m. - 4:30 p.m. - **2024-2025 7-Hour USPAP Update Class** - Each attendee must pre-purchase from ATA or bring their own copy of the **2024-2025 USPAP Publication**, the **2024 USPAP Guidance and Reference Manual (GRM)** and the **2024-2025 7-Hour National USPAP Update Course Student Manual**, either digital or paper copy. Instructor - Pam Teel, Teel Consulting Services.

Attendees will have the opportunity to network with fellow appraisal professionals at breakfast, breaks and lunch.

Who Should Attend

Anyone who needs to stay on the leading edge of appraisal issues, as well as professionals who are responsible for keeping appraisal processes in compliance.

Registration Fees (Fees increase \$20 14 days before the meeting.)

The fee to attend these meetings is **\$295** for ATA members and **\$395** for non-members (this price includes all course materials).

You also have the option to purchase your materials directly from the Appraisal Foundation. The fee for this is \$150 for ATA members and \$250 for non-members. **You'll need to bring a copy of these three (3) books (print or electronic) with you to class (no exceptions):**



- **2024-2025 USPAP Publication**
- **2024 USPAP Guidance and Reference Manual (GRM)**
- **2024-2025 7-Hour National USPAP Update Course Student Manual**

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Upcoming Meetings

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[Click here](#) to purchase these books online (\$145 total cost). Please allow plenty of time for printed copies to be mailed to you from the east coast.

You can, also, purchase one or more of these publications during the registration process.

Registration with payment must be received at least five business days in advance of the event to guarantee your registration. If you have not received an e-mail confirmation one week prior to the conference, please call ATA at (210) 837-7123, M-F, 9:00 a.m.-4:00 p.m. to confirm your registration.

Hotel Accommodations

Houston:

ATA's has blocked a few rooms at the Houston Courtyard Marriott Energy Corridor, 12401 Katy Freeway, Houston. Our contracted rate is \$94 + tax and it expires on May 13 (or when our room block is sold out). [Click here](#) to reserve your room.

Dallas Area:

ATA reserved a block of rooms at the Holiday Inn DFW South for \$139. Call **817-399-1800** and mention group code ATA to reserve your room. This property is located a few minutes from Six Flags over Texas. Bring the family and enjoy a fun day at the park.

Course Approvals

TALCB Provider: #8; Course: #48060; TREC Provider: #9974; Course: #48066

Exhibitors/Sponsors

If you are interested in exhibiting or sponsoring, please contact info@txappraisers.org or download the [exhibitor/sponsor form](#) here.

Cancellations/Refunds

Written requests received seven business days prior--full refund; fewer than seven business days prior--no refunds will be issued.

19th ATA Annual Meeting

The Association of Texas Appraisers will hold their 19th Annual Meeting and Education Conference August 16-17 at the Sheraton Georgetown Texas Hotel and Conference Center, 1101 Woodlawn Avenue, Georgetown, TX 78628.

The conference planning committee is busy finalizing the program and other activities.

Stay tuned for details. We will send you an email once it's finalized and registration is open.



Next TALCB Meeting

The next TALCB meeting will be held on **May 10 at 9:00 a.m.** at the Stephen F. Austin Building, Room 170, 1700 North Congress, Austin, TX.

appraiser to attend these board meetings as often as you can. This Board determines your future!

These Board meetings are open to the public. ATA encourages every Texas

Log on to <https://www.talcb.texas.gov/> and download the agenda and meeting materials.



Update from the TALCB Meeting



Brian Marlow, ATA-R
ATA Vice President

(Martha Gayle Reid Lynch).

TALCB is currently in their 'compliance review' session which takes place every 2 years. The Appraisal Subcommittee (ASC) will be monitoring the regulatory board through meetings and in person during April as part of their oversight process.

On February 13, 2024, TALCB Director, Melissa Tran, testified at the ASC hearing on appraisal bias in Washington, D.C. She covered topics related to how the state handles appraisal bias allegations and how TALCB is reducing the barriers to becoming a licensed appraiser. She informed the ASC that in October 2022 TALCB began working with the Texas Workforce Commission (TWC) Civil Rights Division for assistance on investigating bias complaints. When a complaint is filed that alleges appraisal bias, it is now turned over to the TWC to determine if a fair housing violation has occurred. Once the TWC is finished with their review, TALCB will continue a full investigation for USPAP compliance.

TALCB held their meeting on Friday, February 23, 2024.

Highlights from the meeting include:

Election of Secretary (Mark McAnally) and Vice-Chair

Director Tran recommended giving states more flexibility and support through grants for aspiring appraisers. She requested that the qualifying criteria of becoming an appraiser be examined to reduce barriers to entry into the appraisal profession.

The board voted on new rules including changes to *Section 153.12 Criminal History Checks* (amended language to better reflect to criminal history check process), *Section 153.16 License Reinstatement* which removed the requirement for re-examination and now requires demonstrating experience in compliance with USPAP, and *Section 159.110 AMC National Registry* which makes allowance for the board to place an AMC on inactive status if the registry fee is not paid.

Education & Examinations / Licensing

Certified General first-time testing applicants increased by 44% with the pass rate dropping from 44% to 23% TY/LY.

Certified Residential first-time testing applicants increased by 15% with the pass rate dropping from 81% to 56% TY/LY.

As of 12/2023, TALCB has 7060 active license holders. TALCB reports that the number of active trainees contin-

ues to decrease, however, the number of licensed appraisers continues to increase. TALCB received 369 applications in 2023 which is a decrease TY/LY.

As of January 2024, Texas had 39 PAREA participants, which is the most of any state.

Enforcement

As of December 2023, TALCB received 82 complaints. The primary source of complaints is from government sponsored enterprises being 52% while consumer generated complaints are at 37%.

To date, TALCB has referred 18 cases to the Texas Workforce Commission Civil Rights Division (TWCCRD) and has received 14 cases back. TWCCRD resolved 2 cases by conciliation and 12 cases were resolved without further action.

The next TALCB meeting will be held on May 10, 2024, in Austin, TX. The meeting can be attended in person as well as viewed live on-line. You can earn up to 2 CE hours for attending in person.

Further meeting details can be found on the TALCB website under "meeting materials".

Education & Examinations Division - December 2023 TALCB Examination Activity - Fiscal YTD and Monthly Comparison

Licensed Residential	First Time Test Takers				Repeat Test Takers				Exams Given (includes repeats)		Unique Applicants Examined	
	Passed	Failed	Total	Pass Rate	Passed	Failed	Total	Pass Rate	Count	Pass Rate	Count	Pass Rate
	FYTD 2024	20	13	33	61%	3	21	24	13%	57	40%	40
FYTD 2023	36	20	56	64%	11	18	29	38%	85	55%	64	73%
December 2023	7	3	10	70%	0	8	8	0%	18	39%	15	47%
December 2022	10	5	15	67%	2	8	10	20%	25	48%	21	57%

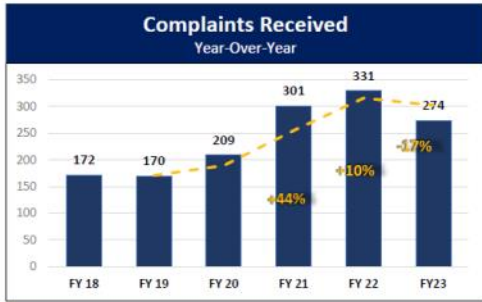
Certified Residential	First Time Test Takers				Repeat Test Takers				Exams Given (includes repeats)		Unique Applicants Examined	
	Passed	Failed	Total	Pass Rate	Passed	Failed	Total	Pass Rate	Count	Pass Rate	Count	Pass Rate
	FYTD 2024	30	24	54	56%	32	23	55	58%	109	57%	73
FYTD 2023	38	9	47	81%	13	19	32	41%	79	65%	58	88%
December 2023	5	3	8	63%	11	6	17	65%	25	64%	21	76%
December 2022	9	1	10	90%	3	6	9	33%	19	63%	17	71%

Certified General	First Time Test Takers				Repeat Test Takers				Exams Given (includes repeats)		Unique Applicants Examined	
	Passed	Failed	Total	Pass Rate	Passed	Failed	Total	Pass Rate	Count	Pass Rate	Count	Pass Rate
	FYTD 2024	6	20	26	23%	13	31	44	30%	70	27%	36
FYTD 2023	8	10	18	44%	10	20	30	33%	48	38%	29	62%
December 2023	1	6	7	14%	4	10	14	29%	21	24%	14	36%
December 2022	4	2	6	67%	4	7	11	36%	17	47%	16	50%

TEXAS APPRAISER LICENSING AND CERTIFICATION BOARD
ACTIVE CERTIFICATIONS AND LICENSES
 December 2023

FISCAL YEAR	END OF MONTH	GENERAL	RESIDENTIAL	LICENSE	TOTAL G.R.L.	G.R.L. CHANGE	TRAINEE	TRAINEE CHANGE	TOTAL	TOTAL CHANGE
2013	Aug13	2,367	2,371	470	5,208		724		5,932	
2014	Aug14	2,386	2,405	453	5,244	36	760	36	6,004	72
2015	Aug 15	2,408	2,415	434	5,257	13	779	19	6,036	32
2016	Aug16	2,426	2,425	416	5,267	10	789	10	6,056	20
2017	Aug17	2,398	2,407	423	5,228	-39	868	79	6,096	40
2018	Aug18	2,384	2,394	435	5,213	-15	938	70	6,151	55
2019	Aug19	2,366	2,412	430	5,208	-5	1,029	91	6,237	86
2020	Aug20	2,371	2,426	421	5,218	10	1,081	52	6,299	62
2021	Aug21	2,324	2,510	470	5,304	86	1,166	85	6,470	171
2022	Sept21	2,324	2,515	477	5,316	12	1,194	28	6,510	40
	Oct 21	2,335	2,521	484	5,340	24	1,233	39	6,573	63
	Nov 21	2,332	2,529	491	5,352	12	1,245	12	6,597	24
	Dec 21	2,331	2,549	492	5,372	20	1,285	40	6,657	60
	Jan 22	2,331	2,550	497	5,378	6	1,318	33	6,696	39
	Feb 22	2,327	2,557	504	5,388	10	1,368	50	6,756	60
	Mar 22	2,329	2,567	507	5,403	15	1,415	47	6,818	62
	Apr22	2,325	2,576	518	5,419	16	1,442	27	6,861	43
	May22	2,335	2,592	534	5,461	42	1,482	40	6,943	82
	Jun22	2,344	2,600	560	5,504	43	1,493	11	6,997	54
	Jul22	2,349	2,615	573	5,537	33	1,509	16	7,046	49
	Aug22	2,357	2,636	592	5,585	48	1,498	-11	7,083	37
2023	Sept 22	2,362	2,659	603	5,624	39	1,483	-15	7,107	24
	Oct 22	2,367	2,669	616	5,652	28	1,489	6	7,141	34
	Nov 22	2,361	2,680	619	5,660	8	1,475	-14	7,135	-6
	Dec 22	2,368	2,680	626	5,674	14	1,465	-10	7,139	4
	Jan 23	2,365	2,695	635	5,695	21	1,458	-7	7,153	14
	Feb 23	2,370	2,701	650	5,721	26	1,420	-38	7,141	-12
	Mar 23	2,371	2,711	662	5,744	23	1,407	-13	7,151	10
	Apr 23	2,368	2,714	669	5,751	7	1,400	-7	7,151	0
	May 23	2,363	2,719	665	5,747	-4	1,384	-16	7,131	-20
	Jun 23	2,377	2,733	674	5,784	37	1,369	-15	7,153	22
	Jul 23	2,379	2,730	673	5,782	-2	1,350	-19	7,132	-21
	Aug 23	2,388	2,742	675	5,805	23	1,327	-23	7,132	0
2024	Sept 23	2,394	2,756	673	5,823	18	1,311	-16	7,134	2
	Oct 23	2,393	2,766	671	5,830	7	1,284	-27	7,114	-20
	Nov 23	2,397	2,772	673	5,842	12	1,241	-43	7,083	-31
	Dec 23	2,394	2,784	669	5,847	5	1,213	-28	7,060	-23
December 2023										
Inactive Appraisers		GENERAL	RESIDENTIAL	LICENSE	TOTAL		TRAINEE		TOTAL	
		49	47	18	114		170		284	
									Out-of-State Temporary Registrations:	118
									Total All License Holders:	7,462

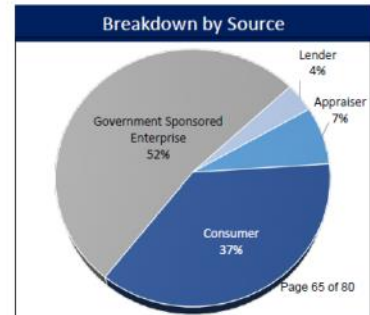
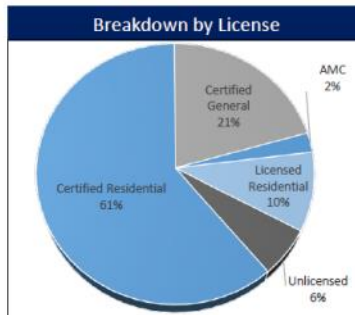
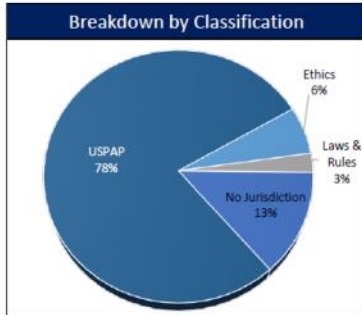
Complaints Received



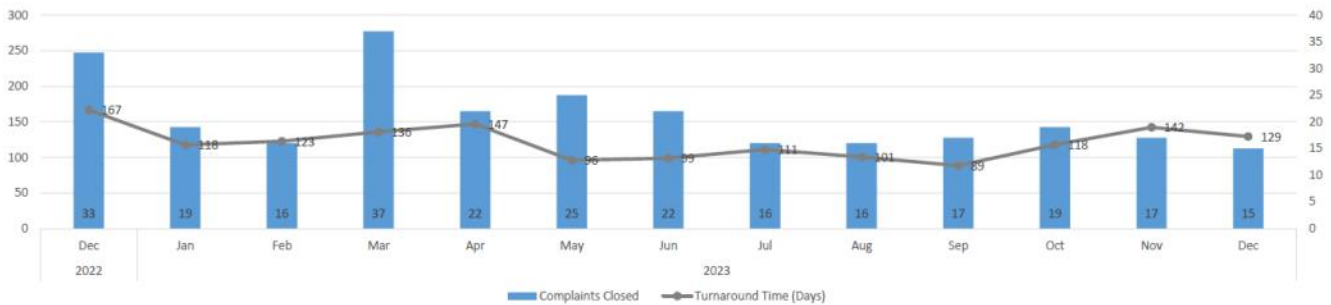
Fiscal Year 2024 Summary

82	Complaints Received
78	Respondents
<1%	License Holders Receive a Complaint

Fiscal Year 2024 Complaints Received by Category



Complaint Resolution



FY23 Complaint Outcome

269 Complaints Resolved

FY24 Complaint Outcome

Dismissals 93%

FY24 Dismissal Breakdown

- 4% Contingent Dismissal (3)
- 37% Standard Dismissal (23)
- 37% Dismissal with Warning (23)
- 22% Non-Jurisdiction (14)

Fiscal Year 2024 Summary

68	Complaints Resolved
119 Days	Average turnaround time Sunset Goal: Resolve complaints within 180-day on average
<1%	License holders receive discipline

Appraiser Awards/Scholarship

Don't forget ATA's **Regional Outstanding Service Awards**. If you feel someone is deserving of one of the Awards, you can nominate them for an Outstanding Service Award. You can also self-nominate.

Also, don't forget about the **Pospisil Scholarship Award**. You can nominate (or self-nominate) to receive \$100 toward your education.

[Click here](#) for links to the Outstanding Service Award Nomination and Pospisil Scholarship Award forms.

Inside Access to Fannie Mae's Complaint Process



Isaac Peck
Working RE

For the last three years, there's been plenty of rumors and anecdotal reporting about the flood of state board complaints filed against appraisers by Fannie Mae and Freddie Mac.

Finally, we have an inside look (and some hard numbers) at how Fannie's complaint process works and how many complaints these Government Sponsored Enterprises (GSEs) are actually filing against appraisers.

In their September 2023 newsletter, Fannie Mae included a section titled "How State Tips Work," which explains its reporting process. Instead of referring to them as state board complaints, Fannie calls them "tips," writing that they "occasionally provide tips to state regulatory agencies" when they identify appraisals with "severe deficiencies."

Fannie reports that it filed 1,083 state board tips (complaints) against appraisers associated with its 2022 loan production—for just one year. Although we don't have the hard data from Freddie Mac, if we assume a similar proportion and procedure, this means the GSEs combined are filing in the neighborhood of 2,000 state board complaints against appraisers every year. (Freddie's loan volume is roughly 90 percent of Fannie's; \$684 Billion in loan acquisitions for Fannie and \$614 Billion for Freddie. In fairness to Freddie, perhaps they don't complain about appraisers with the same fervor as Fannie.)

That's a lot of state board complaints! Here are some of the key details about Fannie's process and what it means for real estate appraisers.

Not Automated

Fannie indicates that it never files its tips in an automated fashion and (1)

every complaint is reviewed manually, and (2) every complaint is issued as part of a loan buyback demand with the lender.

This is new information for many industry stakeholders who have been watching this issue closely. It has long been assumed that Fannie's Collateral Underwriter® (CU®) system was filing complaints in an automated manner (due to the large volume of complaints).

Fannie explicitly makes this point: "LQC [Loan Quality Center] reviews are not automated. Our expert analysts validate the appraisal results by asking questions like 'Do the comparable sale selections make sense?' 'Is the data accurate?' 'Did the appraiser make appropriate adjustments?' and 'Are we getting the most probable value?' in the context of a comprehensive database of property characteristics and market transactions," writes Fannie.

Buybacks First

One of the illuminating things about Fannie's explanation is that it indicates



Fannie is pushing a significant number of buyback demands on lenders relating to appraisal deficiencies. In other words, every state "tip" Fannie is sending has been preceded by a buyback of the loan in question. This means that Fannie must have forced a buyback of a minimum of 1,083 loans specifically for appraisal deficiencies (for 2022 alone). (Appraisers who are closer to the AMC/lender review process tell Working RE that this number is actually on the low end in terms of buybacks due to appraisals.)

A "buyback" in this context is when Fannie Mae or Freddie Mac force the lender to buy back the loan because of a deficiency noted in the appraisal. Buybacks also occur due to errors in underwriting, borrower income or credit, and so on. However, for the purposes of this analysis, Fannie is specifically telegraphing that it pushed 1,083 loan buybacks specifically because of appraisal deficiencies, and then filed a state board complaint.

In the GSEs' buyback process, the lender is typically given three chances to rebut the GSEs' critique of the appraisal. Oftentimes, the appraiser is looped into the discussion and offered the opportunity to defend their work, but not always.

"Lenders then have a rebuttal period followed by an appeals process. If the lender is unable to resolve the concern by providing additional evidence in support of the appraisal, they ultimately remedy the situation either through a loan repurchase or a repurchase alternative, and only then do we notify the state of our concern," Fannie writes.

If you are an appraiser and one of your lender or AMC clients reaches out to you regarding a GSE buyback resolution request, take it seriously. Appraisers are advised to work closely with their client's appraisal review team (if they have one) as well as consult with an experienced local appraiser or US-PAP expert when writing their rebuttal.

Common Deficiencies

In the work we do with appraisers, we serve over 10,000 appraisers and we see a board complaint filed by the GSEs against one of OREP's appraisers almost every week. Here is a short list of the most common issues identified by Fannie Mae as justification for buyback demands and subsequently reported to state regulators:

- Failure to Adjust Comparables
- Inadequate Comparable Adjustment(s)
- Adjusted Value of Comparable Sale(s) Failed to Support Appraised Value

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Fannie Mae's Complaint Process (con't)

- Inappropriate Comparable Sale(s) Selection – Dated Comparable Sale(s)
- Inappropriate Comparable Sale(s) – Selection Due to Location
- Use of Physically Dissimilar Comparable Sale(s) – Gross Living Area
- Use of Dissimilar Comparable Sale(s) Due to Site Characteristics
- Use of Physically Dissimilar Comparable Sale(s) – Physical Features Reported Inaccurately
- Subject Physical Features Reported Inaccurately – Condition/Quality of Construction
- Comparable Sale(s) – Gross Living Area

State Responses Vary

How individual state appraisal boards or regulatory agencies choose to respond to the GSEs' tsunami of appraisal complaints varies widely by state. "State regulators have complete discretion on what to do with our tips. A tip may lead the state to investigate and can result in disciplinary action. We have seen many cases where the state required the appraiser to obtain additional education or mentorship as a result of the investigation," writes Fannie.

Some states require a complainant to sign the complaint. When Fannie was still developing its complaint process a few years ago, it was customary not to have an individual employee at Fannie sign the complaint. Even today, letters that Fannie sends are traditionally signed "Sincerely, Loan Quality Center Fannie Mae."

In some states, like California, this technicality meant that, at least in the early days of Fannie's complaint reporting, some of Fannie's complaints were categorically dismissed and not pursued further.

Joe Lynch, an appraiser in California, says his understanding of the Bureau of Real Estate Appraisers (BREAA) complaint process in California is that there needs to be an individual's name associated with the complaint. The REA 4001 California Complaint form requests a Certification Statement at the bottom of the form that reads:

"(Must be signed and dated to validate the complaint.)"

However, Fannie has lately been taking a more rigorous approach to state board complaints. Instead of simply sending an email signed by the "Loan Quality Center," in many cases, a Fannie Mae employee is filling out the complaint form and signing it individually. (In some states, the state board will redact the Fannie employee's name before forwarding it to the appraiser.)

Why?

One question that comes to mind is, why are the GSEs filing so many complaints against appraisers?

Fannie takes this question head on. "Through this process, we aim to be responsible members of society, helping protect the public trust by giving appraisers and regulators feedback about deficient appraisals impacting the secondary mortgage market. Too often the competitive pressures on appraisers focus on turn time or price. With state tips, we hope to incentivize competition for superior quality," Fannie writes.

Here, Fannie openly acknowledges the fee and turn-time pressure that appraisers are facing and makes an argu-

ment for quality. In other words, appraisers that are just focusing on doing quick work, or on competing for the

lowest fees, still have to produce quality work—or face the wrath of the GSEs and the state board. Or so Fannie seems to suggest.

In this respect, Fannie seems to position itself as an equalizer—their quality review and "tips" will force competition around quality, not just fees and turn-time. This is welcome news to appraisers who are being undercut on fees by their competitors, but likely provides no comfort to appraisers who are on the receiving end of a GSE "tip"—whether justified or not.

Claim Exposure

There is longer-tail, larger claim potential here that goes beyond the filing of a state board complaint by a GSE. If Fannie or Freddie successfully forces a buyback of a loan due to an appraisal deficiency, the lender may then need to hold that loan on its own books until maturity or it might sell the loan for a discount on the secondary market.

Either way, the lender might then bring a claim against the appraiser to recover any losses associated with the loan buyback. These types of claims do not occur on every buyback, but they do happen. The demands for these claims typically center around \$50,000-\$60,000 but can exceed \$100,000.

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ment for quality. In other words, appraisers that are just focusing on doing quick work, or on competing for the

(Continued on page 9)

Fannie Mae's Complaint Process (con't)

(Continued from page 8)

The percentage of buybacks that turn into lawsuits or demands is relatively small, according to our internal numbers—but some do.

What's an Appraiser To Do?

From a risk management perspective, there are a number of steps appraisers can take to protect themselves and minimize their exposure to these issues.

1. Take Note of GSE Requirements

To their credit, the GSEs actively engage with appraisers at both state and national conferences. Lyle Radke, Senior Director of Collateral Policy, and Scott Reuter, Chief Appraiser and Director of Valuation at Freddie Mac frequently give presentations live at appraisal conferences and via online webinars on the most common red flags they see and what to do instead. If you're an appraiser who is doing residential mortgage work, it pays to understand what the GSEs are looking for. Making appropriate adjustments, providing support for those adjustments, and selecting appropriate comparables appear to be high-priority issues for the GSEs. Focusing on profes-

sional development and taking classes centered on these particular topics may be a good way to ensure your protection.

- 2. Ensure Coverage for Disciplinary Proceedings:** Not all E&O insurance carriers provide coverage for disciplinary proceedings. A number of "insurtech" and generalist appraiser E&O providers are offering policies without key coverages that appraisers need (like Discrimination Claim Coverage!). This can be a costly mistake. It's not uncommon for appraisers to realize their policy doesn't cover regulatory or disciplinary proceedings until they receive a letter from their state board and reach out to their E&O provider. It pays to make sure your policy covers board complaints and other regulatory investigations.
- 3. Get Professional Support:** Too often, appraisers tend to go it alone. If you do end up facing a buyback inquiry from your lender client or you're defending against a state board complaint, it pays to get professional support and representation. Even if you are an expert writer and hands-down the best appraiser in your area, it pays to have a second set of eyes on your response. You want to consult

with folks who are intricately familiar with the high-stakes process you are likely experiencing for the first time. Working with another experienced appraiser, USPAP expert, and/or an attorney (depending on the circumstances) is the best way to protect your reputation and your business. OREP offers a free one-hour consultation with trial attorney Craig Capilla for all OREP Members facing regulatory complaints, as well as a free consultation with either Bob Keith, Former Executive Director of the Oregon Appraisal Board or Joshua Walitt of Walitt Solutions if the state board comes knocking.

Stay safe out there!

About the Author

Isaac Peck is the Publisher of *Working RE* magazine and the President of OREP, a leading provider of E&O insurance for real estate professionals. OREP serves over 10,000 appraisers with comprehensive E&O coverage, competitive rates, and 14 hours of free CE for OREP Members (CE not approved in IL, MN, GA). Visit www.OREP.org to learn more. Reach Isaac at isaac@orep.org or (888) 347-5273. CA License #4116465.



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Bobby Crisp, ATA-R Gives a Heart-Warming Tribute to Gale Pospisil

ATA's first executive director, Gale Pospisil passed away on January 9, 2024. Bobby Crisp, ATA-R, gave a heart-warming tribute to her at our 18th Mid-Year Meeting in San Marcos.

ATA was founded around her dining room table.

She loved her wine and she loved to dance.

Thanks Gale for all you did for the association. We are forever grateful.



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