



Shining a light on Appraisal Fraud

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Appraisal Industry Update

- AQB (Appraiser Qualifications Board)
 - Updated the minimum requirements to hold a license
 - College degree requirement lessened
 - Experience credits and amount of time required has been lessened
 - Must be adopted by each state's appraisal board

Appraisal Industry Update

- National Registry
 - www.asc.gov
 - Only for licensed and certified

What is the appraisers job

- To prepare an unbiased opinion of market value
- Appraisers do not DETERMINE market value - they INTERPRET market value

Appraising is both science and art

- In order to properly value a property the appraiser must use both
- Science says to use these rules to find comparable
- Art is the ability to chose between comparables and weight the sales
- Art is very important in reconciliation

What is gross living area

- ANSI measuring standard
- Open area with no floor space does not count
- Stairs count on both levels
- Interior measurements must take into consideration thickness of walls to equate to an exterior measurement

Perspective

- Good Appraisal vs. Bad Appraisal
 - Homeowner
 - Buyer - seller
 - Agent
 - Loan officer
 - Fannie/Freddie
 - AVM's
 - Review appraiser
 - Lender/underwriter/risk management

Zillow

- Zillow is not always high
- Zillow is not always low
- Zillow is always wrong!!!

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Fannie Score

- Is the score a reflection of the quality of work performed by the appraiser or a reflection of the complexity of the property itself

Fannie Score

- Is the score a reflection of the quality of work performed by the appraiser or a reflection of the complexity of the property itself
- The very best appraiser with the very best comps and data will very well score a high Fannie score on a very complex or unique property

Bad Appraisal vs. Appraisal Fraud

- Bad appraisal
 - Inaccurate physical data
 - Measured the house incorrectly
 - Did not verify size of the lot
 - Incorrect categorization of rooms
 - Poor comparable selection
 - Chose “sales” not “comparables”
 - Chose very different styles
 - Comparable significantly different in condition

Bad Appraisal vs. Appraisal Fraud

- Bad appraisal
 - Inadequate adjustments
 - ZERO IS AN ADJUSTMENT
 - Doesn't warrant an adjustment or can't prove the adjustment
 - Adjustment made in the wrong direction
 - CIA and CBS

Bad Appraisal vs. Appraisal Fraud

- Bad appraisal
 - Inadequate reconciliation
 - Simply averaged
 - Took what the computer said
 - Did not consider all the other indicators of value

Bad Appraisal vs. Appraisal Fraud

- Fraudulent appraisal
 - Generally requires intent to over state or under state value
 - Uses incorrect or fabricated physical data
 - Uses unverified or non-arm's length sales
 - Over extends distance parameter when suitable comparables are more proximate
 - Ignores prior sales of the subject or the comparables



Conclusion

Appraisal Red Flags:

- “Across the board” adjustments - all positive or all negative
- Appraisal value not bracketed by unadjusted sales prices
- Use of “off market” or “for sale by owner” comparables - these may be non-arms length transactions
- Large difference in appraised value and prior sale without detailed and supportable improvements