

Mortgage Ma

The New Look of Ap



Takeover:

Appraisal Management in Lending

BY MIKE FLOYD

Ask any mortgage professional what the main catalyst of change in the mortgage industry is and their answer will almost certainly be “compliance.” Regulations brought on by the government have resulted in organizational changes for many businesses in the mortgage sector, including lenders, servicing vendors, appraisal management companies and more, in an effort to create more transparency in what can sometimes be an opaque industry. When implementation of these new regulations first began after the sub-prime mortgage crisis, many lenders, both large and small, scrambled to build full departments and teams to better manage the workload. These teams were effective at first—creating multiple processes aimed at keeping the lending organization compliant and operationally stable. However, as regulatory adherence slowly transitioned into the “new normal” of mortgage, the processes once initiated to manage regulations, in turn, made it more difficult for lenders to see a clear picture of their compliance. This became especially evident during audits, when the redundant crossover between departments created confusion and delays.

Now that the mortgage industry has accepted new regulations and rules as a standard operating procedure, more lenders are revisiting their processes and streamlining where possible to create a clearer compliance overview. One facet of mortgage that has seen such realignment is the appraisal industry. Many larger-scale lenders are now combining origination and servicing appraisals into one joint department. While origination and servicing appraisals differ greatly in how they’re processed, both require ample review and management oversight. The

compliance commonalities between origination and servicing appraisals indicate that it is an excellent starting point for testing the effectiveness of joint departments. The operational processes may be different, but the desired end result—timely, high quality appraisal reports—is the same.

How do these departmental mergers translate to the appraisal industry at-large? As is standard in the mortgage industry, new processes in appraisal management more often than not result in changes for the greater appraiser population. While appraisers do work independently from lenders and appraisal management companies, actions taken by the latter often trickle down and impact daily processes for appraisers themselves. When confronted with industry-scale changes, appraisers should take an inventory of their own systems, timelines and workflow. Keeping a pulse on the actions of large-scale lenders will help the appraiser population better manage their future expectations and goals, and ensure that they aren’t blindsided to a point where business is impacted. Outlined below are three changes that appraisers should expect as a result of large lenders merging their appraisal departments, and how it could potentially impact their business.

The appraisal review process will involve more scrutiny

Appraisal review could be considered the greatest source of delay and confusion between lenders, appraisers and appraisal management vendors. Review rules differ between lenders and loan types, and new compliance regulations add increased scrutiny to appraisal reports that, at one point, would have been deemed acceptable. When merging origination and servicing appraisal departments, we expect lenders to craft a highly knowledgeable and specialized core staff to manage

collateral underwriting across the department. No longer will several people from different teams manage the review of a single appraisal report, but appraisers should expect the lender’s specialized collateral underwriting team to closely inspect and scrub every report against their individual rules. While this may mean more scrutiny from lenders during the review process, these focused checks and balances will hopefully lead to reduced revisions per order and a smoother report submittal process.

Appraisers and AMCs will now consistently work with the same lender team

In addition to compliance, the current high demand for appraisals has led to many lenders and vendors streamlining their departments into a team-based format in an effort to manage the expectations and results of a specific area or locale. Rather than entire departments processing appraisal orders as they arrive, teams are now being established based on market or client. These teams have full ownership of their market, which makes pulling reports, data and other essential information much easier during compliance audits and reviews. When reaching out to lenders, AMCs should expect to encounter the same people time and time again. Not only will this allow appraisers and vendors to build rapport with specific team members, but it will also establish primary points of contact if any issues arise.

Staff appraiser opportunities will grow nationwide

As lenders embark on this operational overhaul, the value of establishing a staff appraiser team has become more evident. Adding staff appraisers to a joint origination and servicing appraisal department has the potential to streamline operations significantly. Many lenders and appraisal management companies are now considering this format for a few reasons. Staff appraisers can provide immediate relief for markets that are difficult to assign—in turn, creating a more effective operational process. Having appraisers on staff can also provide lenders and AMCs with valuable information on the current state of a specific market and what can be done to improve turn-times. Finally, staff appraisers can provide valuable insight on current regulations and how future compliance changes can impact origination, servicing and the industry at large. Having this kind of insight immediately on hand could be the key determinant in the success of a joint appraisal department.

As most have come to learn over the last few years, change is the only constant in mortgage. Adaptability and a willingness to alter processes to better suit the current market will help companies thrive and move forward. Appraisers who monitor these trends and make the most of the opportunities that accompany them will be best positioned for a long, successful career in the mortgage industry.



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