

More Appraisal Changes? What is UAD?
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Residential appraisal reporting changed as of September 1, 2011, for all appraisals being completed for a loan being sold to Government-Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, at the direction of the Federal Housing Finance Agency (FHFA). Over 80 percent of all residential appraisals are for loans being sold to the GSEs, so naturally they created a joint effort to effectively assess risk on the mortgages purchased. All HUD appraisals must be compliant with the new format January 1, 2012.

So, what are these changes?

The Uniform Appraisal Dataset, UAD is the first step in the Uniform Mortgage Data Program (UMDP) process. UMDP will provide an electronic submission of appraisal data with a uniform dataset and file format. This development provides standardization of residential appraisal reports to benefit the entire mortgage industry and enhance appraisal data quality and consistency.

The actual appraisal report forms are not being changed, instead the focus is on developing clear appraisal definitions that will produce standardized responses to key data fields in the appraisal report. These data fields are the ones the GSEs have determined to be material to understanding the value and for which the data, in their opinion, had previously been deficient.

In the past most Appraisers considered most properties as average. Now the condition ratings are C1 -C6. The ratings are very specific for example, the C3 rating definition is, "The improvements are well maintained and feature limited physical depreciation due to normal wear and tear. Some components, but not every major building component, maybe updated or recently rehabilitated. The structure has been well maintained"

The quality ratings also have very specific definitions Q1-Q6. Date and number formats have been standardized and the forms allow values to be selected from a predefined list.

The UAD compliant appraisal report forms are:

- Uniform Residential Appraisal Report "URAR" - (1004/70)
- Exterior Only Inspection Appraisal (2055/2055)
- Individual Condominium Unit Appraisal Report (1073/465)
- Exterior Only Inspection Individual Condominium Appraisal Report (1075/466)

Appraisal software companies worked diligently providing the Appraiser's software updates prior to the deadline of September 1, 2011. Many have programmed help screens to instruct the appraisers to ensure accuracy and compliance. Reviewers are alerted to the UAD compliant form by the notation at the bottom stating "UAD Version 9/2011" or similar.

Valuation Management Group has upgraded its software to electronically review for UAD compliance prior to the technical review on all required forms.

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As a Community Bank how does the UAD impact your bank?

If you make loans that are sold to the GSEs you must already be in compliance for any appraisal report with an effective date as of September 1, 2011.

If you do not sell loans to the GSEs or HUD, you have a decision to make. Do you want to accept appraisal reports in the UAD compliant format?

VMG's suggestion would be yes. UAD will become the standard in residential appraisals and you will receive a better quality and more reliable report. As Appraisers continue to get comfortable with the format they will find it difficult to switch back to the previous way of completing the reports. UAD will create efficiencies for lending underwriters by providing consistent appraisal reporting with clear definitions and requirements.

The following links are provided for more information on the UAD:

- <http://www.valuationmanagementgroup.com/UMDP>
- <https://www.efanniemae.com/sf/lqi/umdp/index.jsp>
- <http://www.freddiemac.com/learn/uw/umdp.html>

Valuation Management Group is a National Appraisal Management Company specializing in commercial and residential appraisal management for community banks. VMG was recently recognized by Inc500 as the 22nd fastest growing company in America.