

The Review Appraisal, Friend or Foe?

<http://hubpages.com/hub/thereviewappraiserfriendorfoe>

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Depending upon where we fit into the collateral assessment process, our involvement in Appraisal Review may be limited or extensive and we may view it as a “Friend or Foe” given our past experiences. Review appraisals are performed for a variety of reasons including whether the appraisal complies with standard appraisal guidelines all the way to random quality control. Some lenders require thorough and sometimes multiple reviews of all appraisals prior to funding a loan while others are much less concerned about reviews. Some reviews are prepared prior to loan approval and others after the loan has been funded. Reviews sometimes take place years after the original appraisal was prepared, where loan portfolios or blocks of loans are sold. Certified appraisers prepare some appraisal reviews and some reviews are prepared by individuals who may never have had an appraisal class. If you’re thinking that this Review Appraisal process is as clear as the “Muddy Mississippi” perhaps some additional discussion will help.

There are a variety of types of appraisal reviews depending upon the purpose of the review. The review process sometimes is a simple critique of an appraisal and may or may not offer a different value conclusion than that of the original appraisal. In other cases the process may require a detailed comparison analysis of data available in the appraisal to that of additional data found in the marketplace by the reviewer not included in the original appraisal. An appraisal review may or may not include the inspection of the subject property and or the comparable sales found within the appraisal by the review appraiser. It could be performed on a form containing, as few as one page or multiple pages may be required.

In an attempt to bring some order to all of this potential chaos listed below is a summary of information on the different types of appraisals.

- **Administrative Review:** The administrative review is a general review of an appraisal usually prepared by an employee in the underwriting department of a financial institution. This person may or may not be an appraiser but has been designated as a review appraiser by the financial institution based upon his or her perceived expertise in the collateral assessment field. The purpose of this review is to determine the overall suitability of the appraisal for assessing the potential collateral represented by the subject property. Administrative Reviewers usually do not concern themselves with technical issues; rather they are more “bottom line” type people.

- **Technical Review:** The technical review is a review of an appraisal by another appraiser employed to evaluate the appraisal and sometimes the data included within the appraisal. Technical Reviewers can be “nitpicking.” Technical reviews are generally broken down into two categories as shown below:

- (1) **Desktop Review:** Desktops are the most basic forms of the Technical Review and are prepared as the name suggest without leaving the office. This review may or may not include verifying the existence of the data contained within the appraisal and or the suitability thereof. If there was no attempt to address the data, this must be stated within the review. The review would at a minimum include a summary of comments addressing the appropriateness of the appraiser’s methodology and value conclusion. The review appraiser may offer a contrary opinion of value, however this constitutes a new appraisal on the part of the review appraiser and requires that the appraiser follow the Uniform Standards of Professional Appraisal Practice (USPAP) for the preparation of an appraisal. Assuming the responsibility for a new appraisal usually involves more time and work on behalf of the Reviewer. Some appraisers do not feel qualified to render a value opinion without performing an exterior inspection of the property and the comparable sales.

(2) Field Review: Field reviews are usually considered the most comprehensive of all of the review appraisal types. The Field Review as implicit in its name would include an inspection of the subject property. The inspection may be limited to an exterior inspection or could include an interior inspection, which is rare. The inspection process could also include an exterior inspection of the comparable sales found within the appraisal. Interior inspections of comparables typically do not occur since the occupant usually is not a party to the process.

The review would at a minimum include a summary of comments addressing the appropriateness of the appraisers methodology and value conclusion. In cases where the review appraiser is in disagreement with the appraised value usually he or she is expected to provide an alternative appraised value. This process usually requires additional research and perhaps additional comparable sales.

It is anticipated that most of us having a need to hire an appraiser to perform an Appraisal Review will require a Technical review since salaried staff personnel prepare most Administrative Reviews.

In summary, a Desktop Review product is usually is less expensive, quicker to obtain and typically will not yield an alternative value. The Field Review, to the contrary, costs more and takes longer to prepare. It, in most cases, offers no time or cost advantages over that of a new appraisal, but does offer some advantages where ferreting out market conditions are of a concern.

Once the decision has been made as to the type appraisal required for a particular review requirement, there are typically four appraisal forms to choose from. These are listed as follows.

1. URAR Appraisal Desk Review (Desktop -DRF1)
2. Residential Appraisal Field Review Form (Field FNMA 2000)
3. Residential Appraisal Review Short Form (Desktop 2006)
4. Residential Appraisal Review Narrative Form (Desktop or Field 2004)

Those forms listed are provided by most of the national appraisal form providers and are available to most appraisers. One of the most popular and perhaps the “pick of the litter” is the 2006, which may be used as either a Desktop or Field Review. This form is particularly versatile in that it is capable of being used as a convertible form from a Desktop to a Field Review on the fly, depending upon the findings and opinion of the appraiser. In cases where the appraisal is a clean and acceptable product, a Desktop will be the end product. Where an alternative value and a field review are required in the reviewer’s opinion, the same review form may be used. The convertible form is especially valuable in that the client can order a Convertible Review Appraisal allowing the appraiser the option of deciding which product is required saving time and money. The process of the appraiser having to get back to the client, when a Desktop is not enough can be time consuming thereby delaying the process. It can also save having to order a second Field Review after the Desktop Review is submitted with no final value.

Yes, the Review Appraisal can be our “Friend” if it is understood and properly employed. Those who see it as a “Foe” most often are those who do not understand its virtues. For a Review Appraisal to be the most effective collateral assessment tool, those ordering the product can benefit from having a basic understanding of the different types of product available and how the tool will be used prior to placing the order. The Review Appraisal can serve as an authoritative source for avoiding or reducing risks inherent in borderline loans. It can in some cases serve as a negotiating and communication tool where loan originators and underwriters may otherwise be unable to find common ground. Your author votes for “Friend.”

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