



THE APPRAISAL FOUNDATION
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TO: All Interested Parties

FROM: John S. Brennan
Director of Appraisal Issues

RE: White Paper: *Requests for Reconsiderations*

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Issue

For as long as there have been appraisals, there have been clients and other users of appraisal services asking appraisers, on occasion, to reconsider a completed appraisal. As with virtually everything, some such requests are more valid and reasonable than others. Nevertheless, across the country, appraisers continue to receive requests for reconsiderations on a daily basis. It is not the intent of this paper to either champion or demonize such requests; rather, the intent is to recognize that such requests exist, and to examine ways that might ease common stress points inherent in the process.

One factor that complicates requests for revisions is that there are no consistent industrywide policies, guidelines, or forms related to this process. Furthermore, over recent years there have been changes in statute and policy with respect to appraiser independence obligations, which has resulted in some confusion among users of appraisal services (and appraisers) as to exactly what may be asked and provided in such requests.

It is important to distinguish these requests from a request to make corrections or address errors or inadequate information in an appraisal report. As stated in the *Uniform Standards of Professional Appraisal Practice (USPAP)*, “**perfection is impossible to attain.**” Therefore, every appraiser either has produced (or will produce) an appraisal report containing at least one typographical error, omission, etc. in their career. This paper does not address requests for corrections.

This paper is intended to provide information to assist appraisers, users of appraisal services, and others, with a greater awareness and understanding of issues surrounding the reconsideration process and offer some suggestions for those who wish to build a more relationship-driven and consistent method.

Background

As mentioned above, reconsideration requests are nothing new, and many of the current processes in place have, on occasion, resulted in frustration among the parties. So how do we move forward with a process that accomplishes its intended purpose, but does not create uneasiness between the parties?

First, let's examine the past. Appraisers have shared stories about receiving requests for corrections or clarification from a loan processor or underwriter, only to find the information already contained in the appraisal report. Many appraisers have shared a common response to such inquiries: **"Have you actually *read* my report?"**

Some appraisers also say there have been times where **they've received a** reconsideration request that consisted of nothing other than a printout of many sales in the area, occasionally including some of the same sales that the appraiser used as comparable sales in the appraisal report in question. Others have **related tales of being "pressured" to use sales that are less comparable** in the hope of being able to support a different value.

This narrative is not intended to give a black eye to users of appraisal services (in fact, appraisers have also shared very *positive* stories related to reconsideration requests as well). And there are also cases where users of appraisal services have shared negative reactions by appraisers to valid reconsideration requests. One example involved a user of appraisal services contacting an appraiser to let them know a reconsideration request was forthcoming, only to have the appraiser **respond by saying, "Do you know I can have you arrested for that?"** Indeed, there have been misunderstandings by all parties, as understanding exactly what is and is not permitted under Dodd-Frank and other policies has proven to be a challenge.

It is true that once an appraisal has been completed, most appraisers hope **they don't see or hear** about that appraisal again. Competent and ethical professional appraisers should not get defensive when receiving a valid reconsideration request, but it does happen, just as some doctors may react negatively when patients seek a second opinion. Being a professional means being remaining open- **minded to questions about what you've done (or have not done).**

Understanding the friction points and why they occur is important if there is to be an effective process. And if both appraisers and users of appraisal services appreciate that that they are partners, not adversaries, all the better.

Finding Common Understanding

Some appraisers believe (whether true or not) that some users of appraisal services do not fully understand what an appraiser can and cannot do. Briefly, USPAP:

- Requires an appraiser to be independent, impartial, and objective;
- Requires an appraiser to perform assignments without bias; and
- Prohibits an appraiser from accepting an assignment that includes the reporting of predetermined opinions and conclusions.

On the other hand, some users of appraisal services believe (whether true or not) that some appraisers do not fully understand what they *can* be asked to do after completion of an appraisal. The Dodd-Frank Act of 2010 included some important provisions to protect appraiser independence. And that same law included specific exceptions that do not constitute a violation of appraiser independence, including asking an appraiser to:

- Consider additional, appropriate property information, including the consideration of additional comparable properties to make or support an appraisal;
- **Provide further detail, substantiation, or explanation for the appraiser's value conclusion; or**
- Correct errors in the appraisal report.

Understanding what may and may not be asked of an appraiser is foundational to an effective process.

Potential Best Practices

Given past history and understanding what is and is not allowed, where do we go from here? Obviously, it would be ideal if there was one consistent process that both appraisers and users of appraisal services could agree upon. Since that does not currently exist, perhaps a set of voluntary best practices developed and agreed to by all parties would be the next best thing. Some important pieces to consider might include:

- Strict adherence to appraiser independence requirements.
- Strict adherence to USPAP requirements.
- Use of a common form or format that provides all of the necessary information for a proper reconsideration request, including the requesting entity, the source of the information the appraiser is to consider, all appropriate contact information, etc.
- Implementing certain practices, such as:
 - Establishing timeframes under which a user of appraisal services could request a reconsideration.
 - Establishing timeframes under which an appraiser should respond to a reconsideration request.
 - A limitation on the number of requests that could be requested for any particular appraisal.
 - Requests should contain only factual information, not personal opinions or preferences.
 - A limitation on the number of additional sales for the appraiser to consider.
 - Requests should include only sales that closed prior to the effective date of the appraisal report.
 - Requests should include appropriate *rationale* for the selection of sales submitted (e.g., proximity to the subject property, similarity in physical characteristics, recent date of sale, etc.) Submitting sales solely because they sold for higher prices would not be an acceptable rationale.

Conclusion

Today, many reconsideration requests are a source of apprehension for both appraisers and users of appraisal services. While this paper is not intended to be the single source of information on this topic, it is the hope of The Appraisal Foundation that it may be a starting point for discussion between parties to find ways to address the issues that exist today. Reconsideration requests are unlikely to go away any time soon; therefore, it benefits everyone to try and make the process as effective as possible.