



# TREC Advisor

*The agency exists to safeguard the public interest and protect consumers of real estate services. In accord with state and federal laws the agency oversees real estate brokerage, appraisal, inspection, home warranty and timeshare interest providers. Through education, licensing and regulation, the agency ensures the availability of qualified and ethical service providers, thereby facilitating economic growth and opportunity in Texas.*

**INSIDE THIS ISSUE:** *New CE Posting System (page 1) From the Administrator (page 2) What are TREC's Top Complaints (page 3) Proposed Rules (page 4) Qualifying Course Revisions Due (page 4)*

## ***THE NEW CONTINUING EDUCATION (CE) POSTING SYSTEM***

The new Continuing Education (CE) Posting System is up and running! This new system makes it possible for approved CE providers to post course completion information directly into the TREC data base. This functionality will complement recent amendments to the Commission rule regarding the timing of payment of the CE Deferral Fee (see below).

The Commission and CE providers want to make sure that credit is awarded as soon after course completion as possible so license holders can timely renew their license without having to incur the CE Deferral Fee. Commission rules have always required that CE providers submit course completion information to TREC within 10 days after a course is completed (reference §535.75 of the Rules of the Commission). The posting system will support the provider's ability to not only meet that timeframe but

beat it. CE providers will no longer be required to fax, email, or "snail mail" CE course completion documents to the Commission. However, providers will still be required to retain course completion documents in a paper or electronic file for TREC review and audit.

This is a timely reminder for license holders that CE should be completed well before the license renewal date so CE can be reflected in TREC's records and the license can be renewed timely without the need to purchase an extension. License holders attending courses offered within 10 days of their license expiration date are on notice that they will need to purchase the 60 day extension if their CE is incomplete or hasn't been posted to TREC records when they renew.

TREC has emailed notification of the availability of the posting system with instructions on how to register and create a password to the operations manager of record for all CE providers. In a few

days CE providers may also access the TREC website for direction and instructions on how to post to the new system and may contact TREC Education staff at 512-936-3120 if there are questions. CE providers are excited about the new posting system and the ability to control when course completion credit is actually awarded to students.

### **CE DEFERRAL FEE REMINDER**

The CE Deferral Fee is now due at the time of your renewal.

Effective Jan. 1, the \$200 fee is charged at the time you renew if your TREC record does not show completion of all required CE.

Payment of the fee gives you a 60 day extension from your expiration date to complete your CE.

To avoid paying this fee, take your CE well in advance of your expiration date to allow time for your education provider to submit your CE credits to TREC.

## From the Administrator

Now that the new year is a month old, we are settled in and operating smoothly under the rule and fee changes that took effect on January 1, 2015. License renewal fees were reduced as promised. Continuing Education rosters are now uploaded directly to the TREC database by CE providers, ensuring that class completion data is more timely recorded, which directly enhances another timely renewal process improvement.

Everyone understands that completing CE classes is a requirement of renewing your license. Our online access tool now warns you if you are trying to renew a license and our records do not show your CE having been completed. That gives license holders a final reminder and the option to 1) complete the CE before renewal or 2) purchase the 60 day extension for \$200. If you have not completed your CE before you renew, purchasing the extension is the only other available alternative.

The 84<sup>th</sup> Legislature is now in session and our attention naturally turns to working cooperatively with our stakeholders groups to both advance and protect the interests of license holders. We are working closely with the Texas Association of Realtors to ensure that the measures we are seeking will receive a fair hearing and pass this session. Among them are provisions to clarify education requirements, end diversions of funds to purposes unrelated to the practice of real estate, and protection of the recovery fund from unwarranted claims. Enhancements sought include updating terminology to cover certain areas of practice

and revising key notices to consumers and clients. Other elements that we hope to improve involve increased emphasis on education for promulgated contracts, more flexibility for continuing education, and enhanced

confidentiality of complaint investigations. We'd appreciate your help in getting these topics addressed and passed when you come to the hill in April. Stay tuned for progress reports all through the Spring.

Our next regularly scheduled meeting is on Monday, February 9<sup>th</sup>. The Texas Association of Realtors midyear meeting will begin the weekend prior and the legislative session will have begun, so if you are in town, please stop by to see your commission at work. We promise the Commission will continue do its part to assist you in serving Texans with the highest standards in the real estate profession. Our appreciation goes out for your continued support and for making our job easy with your professionalism. Thank you for your commitment to excellence in all we do. Aim high!



Douglas E. Oldmixon

### IMPORTANT DATES TO REMEMBER

TREC Commission Meeting—February 9

ESAC Working Group Meeting—March 31

ESAC Committee Meeting—April 7

*Check the TREC website regularly for postings of all of our upcoming meetings.*

## *What are TREC's Top Complaints?*

Last June 2013, we discussed TREC's top complaints ("What Am I Doing Wrong?"). As we start 2015, here's an update for 2014.

### **What Am I Doing Wrong?**

Probably nothing. 99 percent of real estate agents have no violations in the past two to three years. Since we all want to keep it that way (or do even better), we'll list the various categories of violations and let you know the rough percentage for each.

### **The Subjects of TREC Complaints**

Despite the low number of violations, the Standards & Enforcement Services Division is frequently asked – what are your top complaints?

The division received over 1000 complaints related to brokers and sales agents in Fiscal Year 2014 (September 2013 through August 2014). Based on data tracked from fiscal year 2014, as well as staff impressions, here is what we are seeing a lot of:

- About 22 percent of complaints relate to leasing and property management (mostly the latter):
  - Leasing/Property Management - Misappropriation, includes misappropriation, commingling, and failure to properly account for money
  - Leasing/Property Management - Other, includes general negligence, referrals, etc.
- About 8 percent of complaints relate to advertising
- About 8 percent of complaints relate to unlicensed activity
- About 6 percent of complaints relate to licensure issues such as criminal background history, application disapprovals, probationary licenses, etc.
- About 6 percent of complaints relate to broker supervision, which is a broker's failure to supervise sponsored salespersons
- About 5 percent of complaints relate to a breach of fiduciary duty, which includes false promises
- About 5 percent of complaints relate to TREC administrative actions such as bad checks to the agency, or a license holder's failure to cooperate or to provide current contact information, etc.

- And about 33 percent of complaints are in the miscellaneous category of "Sales – Other", which includes general negligence, rebates, improper referrals, and earnest money issues
- What else?

We also receive a number of complaints related to a license holder's actions as a principal in a transaction (about 3 percent), failure to disclose (about 2 percent), intermediary/IABS violations (about 1.5 percent), improper form usage (about half a percent), and sales misappropriation (about half a percent).

We receive a large number of inquiries related to advertising, but we do not receive a large percentage of signed complaints on that issue. Because we do not accept anonymous complaints and typically cannot conduct a covert investigation, we are very limited in what we can do with an unsigned complaint.

In addition, we frequently enforce issues arising out of criminal background checks on renewals when the license holder fails to timely disclose a plea of guilty or nolo contendere to a criminal offense involving a felony or fraud (under "licensure issues" above). Another area where we frequently find violations is a broker's failure to register the broker's or salesperson's dba or assumed name with us (under "administrative" above).

### **Where can I find out more?**

If you want to know more, please go to the "Complaints" tab and then the "disciplinary actions" section (left side of page) on our website [www.trec.texas.gov](http://www.trec.texas.gov). That area provides some details regarding many of the complaints (see also this newsletter under "TREC Enforcement Actions"). The Enforcement FAQs (in the same section on our website) address many other recurring issues, including some examples. Finally, we publish a monthly staff report called "Complaint Subject Categories" which details the categories and percentages cited in this article. That report is on our website under the "News & Public Data" tab and "Monthly Staff Reports" (on the left side of the page).

## *Rules Proposed for Adoption at February 9, 2015 Commission Meeting*

### **§535.53. Business Entity; Designated Broker**

The proposed amendments clarify the requirements necessary to apply for a business entity broker license and add language regarding what is required to meet the “in good standing” with the Commission standard set out in §1101.355 of the Texas Occupations Code for a broker to act as a designated broker for a business entity.

### **§539.81. Funded Reserves**

The proposed amendments clarify what the Commission considers an acceptable “admitted insurer” that a residential insurance company can use to cover the liability remaining under the outstanding residential service contracts written in Texas in lieu of maintaining a funded reserve. This amendment will enable the Commission to ensure that consumers of

residential service contracts have adequate protection as new insurance products become available to residential service companies.

### **§535.212. Education and Experience Requirements for a License**

The proposed amendments revise the options through which an applicant may satisfy the field work component of the substitute experience requirement. The proposed amendments define the term “interactive experience training module,” increase the methods of delivery to satisfy each training option and reduce the required hours under one option to lower costs and promote hands-on training. The proposed amendments also extend the deadline that eliminates one option to allow course providers more time to develop courses for the other two options.

## ***REMINDER OF DEADLINES FOR REVISION OF QUALIFYING (CORE) COURSES***

We’re fast approaching the February 17, 2015 deadline to submit revisions to the Law of Agency courses offered by alternative delivery methods. Many qualifying (core) education providers have already submitted their courses. Note that providers are instructed to submit courses far enough in advance to allow for review and approval so the new versions are available when required. Providers should be sure to advise any students currently enrolled in a Law of Agency course that has not been revised to complete the course prior to the February 17th deadline to ensure that qualifying credit can be awarded. TREC Education staff is working hard to review courses as they are submitted to allow providers enough time to make courses available for students before or by the deadlines.

Law of Contracts and Promulgated Contract Forms courses offered via classroom delivery must be revised and approved by March 3, 2015. The deadline for the alternative delivery versions of these two courses is June 3, 2015. Providers who do not submit revised courses for review and approval prior to the deadlines will find that students will not receive qualifying, pre-licensure credit. In instances in which courses have not been approved based on the required content revisions, providers may have to issue refunds and/or direct students to retake the course from another provider. For specific details, please read §535.62 of TREC rules and reference the September 2014 issue of the Advisor which included some frequently asked questions regarding this topic and included a chart listing the revision deadline dates for each course. If you have additional questions regarding this subject, please send an email to [education@trec.texas.gov](mailto:education@trec.texas.gov)

## *TREC Enforcement Actions*

The Texas Real Estate Commission has published enforcement actions taken in December. To read the full report and get access to all of the enforcement actions taken by the Commission please go to the TREC website and click on "Complaints and Consumer Info" and then [click "Disciplinary Actions"](#).

### ***EDUCATION SPECIALIST II JOB VACANCY AVAILABLE***

TREC's Education & Licensing Services Division is looking for well-qualified individuals to fill two Education Specialist II vacancies within the Education Section. We are searching for applicants who have a four year college degree with at least two years' experience reviewing complex documents and ensuring compliance with regulatory standards. Experience in the field of adult education is important!

Applicants must have knowledge of general business procedures and be able to perform data entry. They must have a professional image, strong communication and organizational skills, be willing to multi-task and function as a team player. If you or someone you know in the Austin area is looking for a challenging job and meet these qualifications, please go to the TREC website at [www.trec.state.gov](http://www.trec.state.gov) to review the job posting and consider submitting an application.

## *TREC Employee Updates*



**Bruce Wooley**

*Agency TOP Performer*

Bruce is the chief investigator for the Texas Real Estate Commission. He is a consummate professional in everything that he does. His institutional knowledge, and professional leadership of the TREC Enforcement Investigative team are invaluable. Bruce has been with the agency over two decades and is one of the best investigators the agency has had. When faced with a problem, Bruce is always willing to go above and beyond to make sure his team is solving them.

This is a well deserved honor for a great leader. Thank you for all that you do! Congratulations Bruce Wooley!



**Phil Green**

*Information and Technology Services*

Mr. Green worked for the state of Colorado for over 27 years at various departments in various roles including computer operator at Colorado Bureau of Investigations to the network and security manager for the state's Executive Branch. He has managed people, processes and projects to their completion and implemented the state's first Voice over IP for the Department of Natural Resources statewide saving money for Toll calling and other telecommunications costs. Mr. Green lives in Round Rock with his wife of 35 years. He has two children 33 and 31, two dogs and is NRA Marksman and reloader. He loves riding his motorcycle on trips with his wife.

# TALCB Bulletin



TALCB was created by an act of the Texas Legislature in 1991 to license, certify and regulate real estate appraisers in Texas under state and federal laws. In 2011, TALCB's jurisdiction was expanded to register and regulate appraisal management companies.

**INSIDE THIS ISSUE: Collateral Underwriter—The Next Big Thing (Page 1) From the Commissioner (Page 2) Proposed Rules (Page 3) AMC Fee Survey Announced (Page 3)**

## *Collateral Underwriter – The Next Big Thing*

The world of the residential mortgage lending has undergone immense change over the past few years and nowhere has that change been more pronounced than the changes related to appraising. Fannie Mae is now rolling out the next big change.

On January 26<sup>th</sup>, Fannie Mae, the nation's largest purchaser of residential mortgage loans, implemented a new set of tools to assist lenders in reviewing appraisals. These tools, called Collateral Underwriter (CU), leverages off the previously introduced Uniform Appraisal Dataset (UAD) and the Uniform Collateral Data Portal ((UCDP) by applying automated risk technology to develop an assessment of the appraisal report's risk. To quote Fannie Mae, "*Collateral Underwriter (CU) is a proprietary model-driven tool developed by Fannie Mae that provides an automated appraisal risk assessment to support proactive management of appraisal quality.*"

Collateral Underwriter neither approves nor rejects an appraisal. What CU does is identify areas of an appraisal that, based on the information available to Fannie Mae, indicates a higher risk associated with that appraisal. It should also be noted that a high-risk rating does not, in itself, prohibit Fannie Mae from purchasing a mortgage loan.

### **What is the Objective of Collateral Underwriter?**

The objective of Collateral Underwriter is to assist lenders with assessing property eligibility and appraisal quality prior to delivery. It does not provide appraisal approvals or denials, nor is CU meant to be a basis for the lender to make a credit decision.

### **How Does Collateral Underwriter Work?**

When an appraisal is submitted through the Uniform Collateral Data Portal (UCDP) the submitting lender will receive a risk analysis of the appraisal. The automated analysis includes:

- A comprehensive **risk score** on a scale of 1.0 (lowest risk) to 5.0 (highest risk) allowing lenders to segment appraisals by risk profile.
- **Risk flags** to identify appraisals with heightened risk of quality issues, overvaluation, and property eligibility or policy compliance violations.
- Detailed **messaging** to highlight specific aspects of the appraisal that may warrant further attention.

Additionally, Fannie Mae is making the CU's "dynamic web-based interface" available to lenders to perform additional, in-depth analysis using comparable sales data, market trends, mapping, aerial photography, public records, and other tools.

### **How Collateral Underwriter Measures Risk**

CU provides the lender with a risk score. This is a comprehensive assessment of the appraisal in a single score ranging from 1.0 (low risk) to 5.0 (high risk). Fannie Mae emphasizes their terminology is "low risk" to "high risk", not "good appraisal" or "bad appraisal".

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Even with some more cold weather ahead, the winter rains hold the promise of perhaps making a dent in the extended Texas drought. The AQB requirement for a “Supervisor/Trainee” course began as of January 1 for all new such relationships. January brought appraisers lower license renewal fees – as we promised. And what’s not to like about February – the NFL Super Bowl, Groundhog Day, St. Valentine’s Day, Mardi Gras, President’s Day – and most importantly, the Board’s meeting on Friday February 20<sup>th</sup> at 10 AM. Hope to see you there.

With our new Governor sworn-in and the 84<sup>th</sup> Legislative session underway, we can expect some new members appointed to the Board this Spring and hopefully some positive action on legislative matters important to the Board. Working with the stakeholders at the Foundation Appraiser Coalition of Texas (FACT), we are seeking some enhancements to the appraiser license act, including clarifications surrounding complaint processing and the confidential nature of certain allegations until final disposition of the matter, after which the established facts, an analysis of the applicable law and any disciplinary penalties would be available for public disclosure. This would protect appraisers from the unintended consequences of unproven allegations and the potential for abuse of the Board’s investigative processes to gain an unfair advantage in a civil lawsuit. Other topics will be included in any bill that is filed and we’ll keep you informed of its progress through the session. Feel free to weigh in.

A new website for the Board will be ready for launch before the next meeting of the Board. I know you will find it much more intuitive and easier to use, easier

to update and also more attractive. Additional tools are being worked on that will assist with license status and renewal, finding other appraisers or AMCs, and tracking education and discipline. Once launched, we welcome your feedback.



Douglas E. Oldmixon

Lastly, if not already received, every appraiser and appraisal management company in Texas will receive notice of an online survey being conducted for the Board by the University of Houston’s Hobby Center for Public Policy. This survey will form the basis for an update to a prior study regarding fees paid in the marketplace of appraisal work in Texas. The 2012 survey and report was the first of its kind in the United States. The results and final report will be reviewed by the Real Estate Center at Texas A&M before being released. It is important that we gather data to enhance compliance with the federal requirement for banks and their representatives to pay “reasonable and customary fees” for appraisals of primary residences. Clearly this will benefit the appraisal industry in Texas. Please take a few minutes to respond to the survey. Thank you for your cooperation and assistance.

## IMPORTANT DATES TO REMEMBER

AMC Advisory Committee Meeting—February 12

TALCB Board Meeting—February 20

*Check the TALCB website regularly for postings of all of our upcoming meetings.*

## *Rules to be considered for adoption at the Board Meeting on February 20th*

### **PROPOSED RULES**

The Board proposed amendments to the following rules at the Board meeting on November 21, 2014. These proposed amendments will be on the agenda for adoption by the Board at the February 20, 2015 meeting.

#### **22 TAC §153.9. Applications**

The proposed amendments to this rule allow the Board to evaluate applications consistent with the exceptions authorized by the Appraiser Qualifications Board (AQB), including the exception for service on active duty in the United

States armed forces as announced by the AQB on October 21, 2014.

#### **22 TAC §153.21. Appraiser Trainees and Sponsors**

The proposed amendments would make this rule applicable to all appraiser trainees and sponsors and require all appraiser trainees and sponsors to take to the appraiser trainee/sponsor course within four years of their license renewal date. If adopted, the course requirement would become effective for all appraiser trainees and sponsors on September 1, 2015.

## *Fee Survey Announced*

The Texas Appraiser Licensing and Certification Board has commissioned an updated fee survey of appraisers and appraisal management companies that operate in Texas. The web survey will be conducted through the Hobby Center for Public Policy at the University of Houston and reviewed by the Texas A&M's Real Estate Center. The final results will be released in a report by June 2015 and will be available free on the Board's website. Results of a similar survey completed in 2012 are currently available on the Board's website.

An email with a link and a unique ID access code will be sent to all licensed and certified appraisers and all registered appraisal

management companies in the Board's database. This confidential survey is an opportunity for you to provide your opinions about current trends in the appraisal market in Texas and we encourage your full participation. Participation is voluntary and you may opt out of answering any of the questions.

If you have any questions or concerns with the survey, please contact the University of Houston - Hobby Center for Public Policy via email at [cmainka@uh.edu](mailto:cmainka@uh.edu).

For more information on AMC rules and regulations please go to the TALCB website [www.talcb.texas.gov](http://www.talcb.texas.gov).

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Flags identify three areas of possible concern. These areas are:

- **Property Eligibility and Policy Compliance:** highlights potential property eligibility or policy compliance violations.
- **Overvaluation:** statistical modeling estimates probability of material overvaluation. No opinion of value is provided.
- **Appraisal Quality:** identifies specific quality aspects of the appraisal that may warrant further attention.

### **Fannie Mae's Four Appraisal Quality Categories**

Let us focus on the appraisal quality. Fannie Mae breaks CU's analysis of appraisal quality into four areas.

**Data Integrity**-Are the subject's physical attributes and transaction terms accurately reported? Is the data plausible?

The single appraiser's body of work is reviewed for plausibility. If an appraiser provided information in the appraisal report that appears suspect, that area will be flagged so the lender may seek clarification.

- Example: is there information in the appraisal report that appears incorrect, such as identifying a three-bedroom residence with two-half baths? In this instance there may be an input error (0.20 baths was entered instead of 2.00 baths), which may be easily corrected.
- Example: is there information in the appraisal report that rates a five to seven year-old house as "C1" as to condition, with "C1" being a rating reserved for new construction?

The single appraiser's body of work is reviewed for consistency. Drawing on their large database, Fannie Mae will determine if the appraiser had used a property as a comparable sale in more than one appraisal report, and are the descriptions between the appraisal reports consistent?

- Example: if XYZ Main Street is used today as a comparable and is reported as selling for \$275,000, the same sale used in a different appraisal by the same appraiser should have the

same sale price.

The appraiser's data is also compared for consistency with his/her peers.

- Example: if XYZ Main Street is reported as selling for \$275,000 by one appraiser, the same comparable sale, used by other appraisers should report the same sale price. Should their sale price be different, this area would be flagged for further lender review.

Regarding peer data, Fannie Mae has processed over 20 million transactions since the advent of Uniform Appraisal Dataset (UAD), having observed the use of the same individual comparable transactions on an average of five times. Because of this database, Fannie Mae, through CU, is able to identify inconsistencies of a single appraiser's body of work relative to his/her peers.

Fannie Mae makes it clear they are not looking to split hairs. They do not intend to flag small differences in gross living area (GLA) or in cases where appraisers are split related to a property's condition rating (say C3 versus C4).

**Comparable Selection**-CU takes into account physical similarity, time, and distance when analyzing the overall relevance of comparable transactions chosen by an appraiser.

- **Physical Similarity**-CU does not assign a fixed weight for each of these factors, but instead uses all UAD-standardized features in an advanced statistical analysis to treat each appraisal and each market differently. Items reported in non-standardized format are not considered.
- The significance of the physical features is considered based on its impact on value and is model-derived and market-specific.
- **Time**-CU goes back one year in time from the effective date of the appraisal in identifying potential comparables. The importance of time is stressed in rapidly increasing or declining markets.
- **Distance**-if all else is equal; a comparable closer to the subject property is preferable. However, CU will treat each appraisal separately in analyzing distance taking into consideration whether the

location require a wider search for sales and the availability of sales. Urban versus rural might be one example.

Collateral Underwriter ranks the appraiser-provided comparables against a pool of alternate sales available at the time of the appraisal, not against arbitrary time, distance, or similar parameters.

As stated in a recent Fannie Mae webinar: “*Nearly every report Fannie Mae sees has some comment to the effect of ‘the appraiser provided the best comparables available’. CU will help lenders determine in which cases this comment is true and in which cases it is not.*”

**Adjustments**-CU produces statistically derived, market-specific adjustments for all UAD-standardized physical characteristics, date of sale, location, and sales type.

For physical characteristics, CU uses regression analysis to produce adjustments for property features. Different models are used for single family and condo property types. The magnitude of the adjustment for each physical feature may vary from market to market.

Adjustment differences in location and sales type are also calculated.

Regarding the adjustment process, rather than take a “lower is better” approach to the adjustments, CU will flag adjustments that are in the wrong direction or are significantly different than the appraiser’s peers and/or the adjustments derived from their statistical models. In such cases, it is anticipated by Fannie Mae that the lender will determine if the appraiser’s adjustments are adequately supported and reflective of market reaction.

**Reconciliation**-CU examines the relationship between the appraiser’s opinion of value and the adjusted and unadjusted ranges of comparable sales prices. CU looks for the following:

- Appraised values far outside the range of **unadjusted** comparable prices. While Fannie Mae does not require bracketing, they believe it is often worth a closer look at an appraisal when the subject is worth far more or far less than any of the comparables.

- Appraised values outside the range of the **adjusted** comparable values.
- Surprisingly, Fannie Mae received more than 20,000 appraisals from lenders last year that had a final value **outside** the range of the adjusted comparable values.
- Appraisals with **wide ranges** of value and **support** from a **single comparable**.

The key point is CU looks at values at both the upper and lower ends of the range of comparable values and other anomalies.

## Appraiser Takeaways

What does Collateral Underwriter mean to an appraiser’s appraisal practice?

Per Fannie Mae, Collateral Underwriter will analyze appraisals submitted in UAD format and on the Uniform Residential Appraisal Report (1004 form) and the Individual Condominium Unit Appraisal Report (1073 form) only.

Appraisers will not have access to Collateral Underwriter. In Fannie Mae’s view, CU was developed as an appraisal review tool for internal analysis and is now being made available to Fannie Mae lenders only, and only after submission of the appraisal through UCDP. Collateral Underwriter does not function as an independent property database.

Fannie Mae’s Collateral Underwriter will be able to score 97 percent of the appraisals submitted from the 50 states. The majority of the 3 percent unscored appraisals will be due to geocoding limitations.

Being model-based and interacting with Fannie Mae’s large database, both new construction and rural properties can be scored by Collateral Underwriter.

Collateral Underwriter will assist lenders to meet Fannie Mae guidelines “... *ensuring the appraiser has utilized sound reasoning and provided evidence to support the methodology chosen to develop the value opinion, particularly in cases that are not covered by Fannie Mae policy...*”.

Fannie Mae believes CU will not be overly burdensome on appraisers. As they observed in their recent *Collateral Underwriter (CU) FAQs*: “*Appraisers also have access to much of the market data used in the course of appraisal review and can reasonably be*

*expected to anticipate many questions that might arise, and address them proactively in comments on the appraisal report. Appraisers that make a good faith effort to use the most similar comparables, provide accurate and consistent data, and support their adjustments with market data and analysis can generally expect a minimum of CU feedback that would cause a follow-up request from the reviewer.”*

While Collateral Underwriter is not required to sell mortgage loans to Fannie Mae and not every mortgage loan originated will be processed through CU; it is anticipated most lenders will submit mortgage loan appraisals as part of their review process.

As has been observed, with Collateral Underwriter, Fannie Mae is asking lenders to continue to require appraisers to provide the level of quality in their appraisals that Fannie Mae has been always expected, but not always received.

#### **What Should Your Next Steps Be?**

Appraisers are not being asked to do anything they have not been expected to do in the past. Now, with Collateral Underwriter, there will be an additional level of review to assure these expectations are being met.

Ok, now that Collateral Underwriter is here, what should an appraiser do next?

**Review Your Appraisal Practice**-Are there areas of analysis or documentation that you might wish to revisit in light of CU?

The major impact on appraisers is focused on appraisal quality. This translates into applying recognized methods and techniques in our day-to-day appraisal practice (*USPAP Standards Rule 1-1(a)*)

and communicating their application through the appraisal report so the intended user(s) may properly understand (*USPAP Standards Rule 2-1(b)*).

**Seek Additional Information**-The best source of information regarding Collateral Underwriter is Fannie Mae. They have an entire webpage devoted to information on Collateral Underwriter. They have developed two webinars on CU basics (and are currently releasing others) and these webinars are worth the time and effort to view. Recordings of both webinars are available to all on a 24/7 basis and at not cost. See the link below.

Other information sources may include education providers who are developing classes to assist appraisers in understanding and meeting the requirements of CU.

Also, software companies are developing software tools to assist in documenting/supporting the adjustment process, a key part of Collateral Underwriter. One word of caution, the appraiser is responsible for his/her appraisal and appraisal report. You should not rely on a method, technique or tool you do not properly understand. It is the appraiser's responsibility to comply with USPAP and produce a credible appraisal report.

Last but not least, talk to your peers. Two heads (or many heads) are usually better than one.

More information on Fannie Mae's Collateral Underwriter (including links to the previously mentioned webinars may be found on the [Fannie Mae website](#).

# INSPECTOR INSIGHT



*The Texas Real Estate Inspector Committee is as an advisory committee to the Texas Real Estate Commission on matters pertaining to the licensing and regulation of real estate inspectors. The Committee recommends rules and policies that ensure inspections meet high professional standards and enhance consumer protection.*

***Inside this Issue: From the Administrator (page 1)  
CSST Update (page2)***

## ***From the Administrator***

It's the new year and activity is picking up around the agency. The 84<sup>th</sup> Legislative session has begun. The Inspector Committee has already held a meeting to consider comments received on pending rules and to deal with the CSST issue that continues to raise concerns among consumer advocates and others.

The Committee is making a recommendation to the Commission to amend the preamble to the standard report form to add text related to the potential hazard of CSST and similar gas distribution lines if not properly bonded. If interested, look at the materials online that are posted for the next Commission meeting. Of course, if approved for proposal, comments will be accepted and considered prior to the next Commission meeting in May. By that time, we will also know whether any action is being considered in the Legislature to impact this issue. Some other states have taken legislative action to require notices.

Also at the next Commission meeting, there will be a recommendation for appointment of

members to the Inspector Advisory Committee, two inspectors and all three public members. The evaluation committee will meet next week to consider applicants and conduct interviews as needed.



Douglas E. Oldmixon

The Inspector Committee and several of its subcommittees will meet again on Friday February 27 at the agency offices. You are invited to attend. Agendas and materials will be posted on our website at least a full week ahead, so watch there if interested. Thanks for all you do to ensure the Committee and Commission remain true to their charge to protect and serve the people of Texas.

## *Corrugated Stainless Steel Tubing (CSST) In the News?*

The Texas State Fire Marshall has a public education campaign ongoing addressing the potential risks associated with corrugated stainless steel tubing (CSST), a material used in natural gas distribution systems. Inspectors have no requirement to identify or report the type of gas distribution piping being used in a structure or report the presence of CSST in a structure. However Inspectors are required to report deficiencies in bonding and grounding within the electrical system, including bonding of CSST – if present. Expect to see some additional information being circulated about this product. Check out the information at [www.csstsafety.com/](http://www.csstsafety.com/)

In regards to the CSST safety education issue, the Committee has determined that the current requirements of the Standards of Practice adequately deal with the safety issue, but noted that individual inspectors are free to include additional information in the section provided for that specific purpose. One suggestion was to perhaps add a link to the site at [www.csstsafety.com](http://www.csstsafety.com).

At a recent meeting, the Committee voted to recommend adding some additional text to the preamble of current report form to alert consumers to the potential issues with CSST. The Commission will consider this recommendation at its meeting on February 9, 2015. Stay tuned.

### IMPORTANT DATES TO REMEMBER

Inspector Committee Interviews—Feb 2

Inspector Committee Meeting— Feb 27

*Check the [TREC website](http://www.trec.texas.gov) regularly for postings of all of our upcoming meetings.*