

Top 5 Dodd-Frank Appraisal Violations And How To Avoid Them



1 Violation of Appraiser independence

This may seem obvious but it makes our list as a reminder to you. Avoid any actions that may appear or allude to influencing the appraiser to place a certain targeted value on a property. You must also never intentionally withhold or threaten to delay payment to an appraiser when services are rendered within the scope of work between both parties.

2 Mistakenly using an appraiser who has a direct or indirect interest in the dwelling

One of the best ways to avoid this violation is to take your company out of the equation entirely when it comes to the appraisal. Consider outsourcing to an appraisal firm who can provide you options on the procurement and review process of all of your valuation needs.

3 Extending the line of credit to a consumer even though you know that appraisal independence may have been violated or the appraiser had interest in the dwelling

This rule is violated when the creditor extends credit to the borrower based on an appraisal where there is a violation of appraiser independence and or knowledge of the appraiser having a direct or indirect interest in the property. If there is any indication that you may be in violation, the creditor must document that due diligence has occurred to insure that the appraisal does not misstate or misrepresent the value of the dwelling according to section "(f) NO EXTENSION OF CREDIT of The Dodd-Frank Wall Street Reform and Consumer Protection Act.

4 Improper payment of appraisers

Appraisers must be paid a customary and reasonable fee on the appraisal services performed in the market area of the property being appraised.

You can avoid this violation by having pre-set and clearly defined fees with your AMC or appraiser that is fair based on the services rendered and market area.

5 Failing to report appraiser USPAP violations

According to section 14.7.1.2.1 under Mandatory Reporting, to avoid this violation, you must report any unethical, unprofessional or any compliance failures violating USPAP standards to the violators certifying or licensing state agency.