THOUGHT LEADER

Ensure appraisal compliance while providing a better borrower experience

GLOBALDMS®

Mortgage lending institutions are required to be compliant with all federal and state regulations, in addition to GSE, VA and FHA mortgage lending policies. There are numerous challenges in meeting this burden, but the appraisal process has its own set of complexity and nuances that make it particularly difficult. Attempting to manually address the plethora of requirements can squander significant resources. Global DMS® helps mortgage lenders seamlessly comply with the Appraiser Independence Requirements (AIR), ECOA Borrower 3-day delivery rule, PCI compliance, collateral program quality monitoring, the third-party oversight requirement, as well as Supplier Diversity. For over 20 years, mortgage lenders have trusted our profound understanding of the real estate appraisal compliance challenges they face and our proven track record of helping them meet their regulatory obligations. Global DMS leverages its experience, technology and best practices to offer the industry's only appraisal platform that guarantees compliance, EVO™.

When it comes to managing the appraisal process lenders have three options to maintain compliance. They can choose to manage their appraisal process in-house, using internal staff to play the role of the Appraisal Management Company (AMC) or leverage a traditional third-party AMC, or a hybrid of both. Each method has their merits and disadvantages but there are compliance risks with either option. Regardless of the approach, AIR compliance is of paramount importance

and has significant risk and consequences if not managed properly. Most lenders understand that the rule in principle is designed to prevent production staff, like loan officers, from directly or indirectly coercing, extorting, inducing, bribing, intimidating, compensating or colluding with a person preparing real estate valuations. What most lenders are unaware of is that each person who violates this section shall forfeit and pay a civil penalty of up to $10,000 for each day the violation continues and $20,000 each day for any subsequent violation.

In these uncertain times, where staffing availability, retention, consistency and expense can be problematic, mortgage technology can provide a significant operational lift – especially in regard to appraisal process automation. Technology that creates a virtual firewall between parties to enforce AIR, while still allowing for authorized communication between the loan officers and valuation professionals, minimizes friction in the process. This best-in-class solution integrate with the lender's Loan Origination System (LOS), providing secure and simplified ordering, tracking and delivery of the real estate appraisal and its supporting documentation that is needed to close the deal. Unfortunately, not all systems are created equal and many lack the ability to dynamically adjust to the lender's unique workflow, resulting in costly customizations and slow implementations.

Certain lenders require loan officers to take credit cards payments for the appraisal at the point of sale, while others want to deliver a branded, personalized and secure credit card payment request email message to the borrower later in the process. With a 100% configurable solution, the lender has the flexibility to react to the borrower's needs while also ensuring PCI compliance for processing credit card transactions.

The importance of the borrower experience cannot be denied, yet surprisingly so many lenders still insist on physically mailing the appraisal report to the borrower via snail mail. This outdated process increases the time it takes to close the loan, adds significant costs of printing, packaging, and postage, and undermines transparency.

Lenders that elect to utilize AMCs often have limited visibility into the process, yet unknowingly have the same amount of risk. In relation to utilizing third-party vendors, such as AMCs, the CFPB clearly communicates: "The lending institution is not absolved from responsibility of the third party's compliance." Lenders who incorporate an appraisal management software that can appropriately support an AMC model, an in-house appraiser panel model, or combination of both, will reduce their collateral risk significantly. The ability to manage valuation requests, communications, complex AMC auto-assignments, automated appraisal reviews, UCDP and EAD submissions, and more will undoubtedly save time, save money, and save borrowers.