

Why competency matters

Fannie Mae requires that an appraiser be competent in the scope and scale of an appraisal before accepting the assignment. But why is that important?

There is, of course, the Uniform Standards of Professional Appraisal Practice (USPAP), the standard that all appraisers must follow when performing appraisal duties. The USPAP 2020-2021 Edition Competency Rule states, in part:

“An appraiser must determine, prior to agreeing to perform an assignment, that he or she can perform the assignment competently. Competency requires: 1. The ability to properly identify the problem to be addressed; 2. The knowledge and experience to complete the assignment competently; and 3. Recognition of, and compliance with, laws and regulations that apply to the appraiser or to the assignment.”

Beyond the standards, there’s an equally important reason for an appraiser to have competence in the appraisal assignment they are undertaking: the public trust. This includes the consumer’s trust that the appraisal is performed with the highest level of competence and expertise, and that the assignment results are credible.

This consumer trust in the process underpins much of our mortgage finance system. We’ve all seen the headlines about poor appraisals that either undervalue or overvalue homes. Setting aside the potential bias issue, some of this can be attributed to lack of competency by individual appraisers. These headlines, much like the blame heaped on appraisers after the 2008 housing crash, erode public trust in the appraiser profession.

When performing desktop appraisals, for instance, an appraiser doesn’t visit the property. They may not have discussions with the homeowner or drive the neighborhood, and possibly may not live in the state where the property is located. Before accepting, appraisers must ensure they have access to and understanding of the data and tools needed to perform the assignment to ensure that the report produced is credible and engenders trust in the results.

This is true for hybrid appraisals as well. This kind of appraisal assignment is made after a property data collector has visited the subject property to collect factual data on the home, along with measurements and photographs that will be shared with the appraiser. To maintain trust in the process, the appraiser performing the hybrid appraisal must be competent and experienced in the actions required to complete the appraisal process, including understanding the market area and selecting appropriate comparables.

Fannie Mae’s requirement that the appraiser be competent before accepting an assignment benefits all parties to the transaction by ensuring the appraisal can be performed with the highest level of professionalism, accuracy, and efficiency.



A closer look at competency

The appraisal profession, as well as the markets in which appraisers work, are constantly changing. If an appraiser isn't growing their competency, they may be falling behind. Factors like specific geographic knowledge, property type expertise, access to local data sources, appraiser licensing, adherence to the Uniform Standards of Professional Appraisal Practice (USPAP), and (if required by the client) adherence to the appraisal requirements in our *Selling Guide* impact an appraiser's qualifications and their competency to perform an assignment.

One important distinction between USPAP guidelines and our *Selling Guide* is that we require the appraiser to be competent before accepting the assignment. Fannie Mae does not allow the flexibility of becoming USPAP-competent after assignment acceptance.

The first step to growing competency is identifying which knowledge areas are lacking or in need of refreshing. Is a property type unfamiliar? Is a market unexplored but open to expansion? After determining the area of focus, the appraiser can then build competency to produce credible assignment results for future appraisals.



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Let's take a moment to talk about geographic competency. Geographic proximity does not equal competency. The reverse is also true. Extensive knowledge of a market doesn't disappear overnight, even if the appraiser relocates farther away. However, while geographic proximity does not equal competency, proximity is advantageous for developing competency.

Appraisers can gain competency in a variety of ways:

- **Learn through doing.** Some knowledge and skills are developed through practical, boots-on-the-ground experience dealing with numerous appraisal problems that are part of a subject property's unique set of attributes.
- **Learn from peers.** Working with an experienced appraiser or mentor who already has the desired competency to solve unfamiliar problems can expand one's own competency. Ongoing discussions with colleagues help appraisal professionals stay informed about emerging issues and market changes.
- **Obtain better tools.** Identify new tools, apps, data sources, and analytical methods. Learn how they work and how they can inform the appraisal. Understand how to validate alternative data sources.
- Review federal, state, and local laws that involve the subject property and any impact they may have on the valuation.

Gaining and maintaining competency requires constant learning because of one constant factor: change.