



A Guide to Collateral Review

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What We Will Discuss

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- Variance vs. Fraud
 - Trends with the Industry and Collateral Review
 - Education - a review of some current red flags
 - When a lender might consider tech review
 - Appraisal Fraud Prevention


Variance and Fraud

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- Mistakes happen, but...the major difference is the *Intent* to misstate or mislead
 - Appraisal Fraud - an inflated or misleading report. In a basic fraud scenario, the appraisal order starts with a Predetermined Value and the comp search is built around this value.

Appraisal Trends: 2001-Current

- The need for speed in the refinancing boom
 - Consumers' desire to use their home's equity – Let's get it now...
 - The appraisal report went unnoticed
 - Appraisers have been asked for a desired value by the loan officer
- The lack of appraisal due diligence and basic report understanding

Be on the Lookout for...

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- Appraisal is ordered by the buyer, seller, or realtor
 - Owner information listed is not in agreement with other loan docs
 - Appraisal date is prior to sales contract
 - Comp Photos do not match the local Assessor's photos
 - Comps are > 1 mile from the subject property and are not verified as recorded
 - Comps used in report do not exist
 - Upon reviewing an appraisal, the original appraiser claims that someone has compromised her/his identity

When to Consider Appraisal Review

- Stick to the basics – read the appraisal
 - The appraisal's reference points – address, occupant, recorded comps - should all be in agreement with other loan documents
- Pre fund reviews are essential – Underwriters are key in this stage
 - Employee Fraud Awareness Training is recommended
 - The use of vendor tools

Appraisal Fraud Prevention

- Ensure Appraiser Independence
 - How do you currently order an appraisal?
 - Does your firm have a fraud hotline?
 - Respond to Appraiser ID Theft Claims quickly
- Consider reviewing your appraiser's
 - Past Performance
 - License
 - E & O Insurance
- Consider participating in the MBA Fraud & Ethics Committee



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Because...

We Are Each Other's
Resource!