

## 2015 Calendar

[GREC Brokerage  
Course & Trust  
Accounts Class  
Dates:](#)

**Class Schedules  
To be Announced**

[Link to the  
Georgia Real  
Estate  
License  
Laws, Rules,  
and  
Regulations](#)

[Link to GREC  
Disciplinary  
Sanctions View  
Current  
Suspensions  
and  
Revocations](#)

Georgia Real Estate Infobase

[Click Here](#)



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## Broker Audit Preparation

The Georgia Real Estate Commission conducts hundreds of routine "Office Practices and Trust Account Reviews" each year to ensure that the Brokers and firms are in compliance with the current GREC rules and regulations. Routine reviews start with an "Office Practices and Trust Account Review" package mailed to firms which are chosen randomly by the GREC. The packages are mailed from the GREC to the firm's mailing addresses on file with the GREC. The "Review Package" includes a questionnaire about office practices and trust accounts and related rules and regulations. The "Review Package" also includes instructions and other resources to be used by the Broker for the successful completion and submission of the questionnaire and requested documents. The firm's Broker is responsible for the completion of the questionnaire and the submission of the questionnaire and requested documents to the GREC on or before the due date shown on the package cover letter. The completed questionnaire and requested documents are due to the GREC from the firm's Broker within 2 to 3 weeks from the date the package was mailed from the GREC.

To prepare for the audit, brokers can actually access the GREC "Office Practices and Trust Account Review" package at any time. The link to the document is as follows:  
<https://www.grec.state.ga.us/PDFS/Other/GREC%20Office%20Practices%20and%20Trust%20Account%20Review.pdf>

## School Audits on Track

The Commission has begun another series of routine audits of approved Real Estate Schools licensed in Georgia. Every licensed school must maintain records of student attendance, credit, completion, as well as course outlines, bibliography of texts used, student evaluations, instructor qualifications, advertising, and other materials as outlined in Rule 520-2-.02. This information must be maintained and made available to the GREC upon request for a period of 5 years. <http://rules.sos.state.ga.us/docs/520/2/02.pdf>

## Tips for Obtaining Instructor CE

Real Estate Instructors licensed in Georgia must have 24 hours of continuing education credits to renew their instructor license. Hours may be obtained by attending the Annual School meeting each year OR by attending at least two Annual School meetings and completing 12 hours of continuing education approved for Instructors. The [GREC Online courses](#) are now approved as Instructor Continuing Education credits. The [GREC Brokerage Course & Trust Accounts Class](#) and the [Common Violations Class](#) also meet requirements for Instructor CE Credit.

**Updated  
Format!**

## GREC Online Courses

[Click Here](#)

Also approved for  
[Instructor CE](#)

Comments or  
Suggestions  
[Click Here.](#)



To sign up to  
receive the  
GREC  
RENewsletter  
[Click Here](#)

[Link to the  
Georgia Real  
Estate  
License Laws,  
Rules, and  
Regulations](#)

**Georgia Real Estate  
Commission**  
Suite 1000  
International Tower  
229 Peachtree Street NE  
Atlanta, GA 30303-1605  
Phone 404-656-3916

### 11th Annual GREFPAC Education Conference March 4, 2015 Cobb Galleria Centre

The Georgia Real Estate Fraud Prevention and Awareness Coalition (GREFPAC) is comprised of professionals from all aspects of the real estate industry, working together and with federal, state and local regulators, law enforcement agencies, and concerned individuals to create environments that promote honesty, openness and fairness in real estate transactions. The agenda is being finalized, and outstanding speakers will address evolving fraud trends, as well as best practices to detect and prevent fraud. CE credits will be available for attorneys, real estate brokers, and salespersons, appraisers, and CFEs. For additional information: [www.grefpac.org](http://www.grefpac.org). The registration link is <https://www.123signup.com/register?id+vcsnf>.



1. **On July 1, 2015: required hours of continuing education increase from 24 to 36.**
2. **On July 1, 2016: 3 of the 36 hours must be on the topic of License Law.**

### 12 Tasks I can do on the [GREC website](#):

1. See a list of my total number of hours of CE credits.
2. See a list by date and hours of those courses I have taken for which credit has been submitted to GREC.
3. Verify and print my license history/status report.
4. Look up other licensees by name or firm and verify their license status.
5. Renew my license.
6. Obtain a list of approved schools.
7. Research the License Law, Rules, and Regulations.
8. Look up GREC sponsored class schedules and access online courses.
9. Review material in the Georgia Real Estate Infobase.
10. Print a pocket card or frameable copy of my license.
11. Update my mailing address for GREC records
12. Update my email address for GREC records.

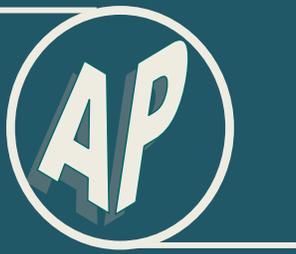


### *Focus on Terminology: "Office Practices"*

Webster's dictionary defines **practice** as "actual performance or application; a repeated or customary action; the usual way of doing something; systematic exercise for proficiency; or the continual exercise of a profession."<sup>\*</sup> One of the reasons for performing audits is to verify that the firm has procedures in place to meet regulatory requirements which are designed to protect the public interest.

Office practices include all those procedures, actions, policies, and tasks developed to satisfy requirements and insure productivity of the firm. The broker is responsible for developing and enforcing the office practices of the firm. Often a managing broker or office manager oversees and supervises the actual implementation of those policies and practices.

Every brokerage firm must have an Office and Procedures Manual that sets out the office practices of the firm. The "Office Practices and Trust Account Review" package can be a useful tool to develop or re-evaluate existing office practices.



# The Appraisers Page

### Useful Links:

[GREAB Web Site](#)

[Appraisal Act](#)

[GREAB Disciplinary Sanctions](#)

## Major Appraisal Changes To Roll Out Later This Month

By: D. Scott Murphy, SRA

It seems about every three years Fannie Mae and/or one of the other Government –Sponsored Enterprises (GSE’s) comes out with a major change.

2005 Fannie Mae and Freddie Mac came out with completely new appraisal forms.

Freddie Mac Form 70 March 2005

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Fannie Mae Form 1004 March 2005

### 2008 Implementation of the Market Conditions Addendum to the Appraisal Report (Form 1004MC)

Inventory Analysis	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Total # of Comparable Sales (Settled)	31	22	15	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> D
Absorption Rate (Total Sales/Months)	5.17	7.33	5.00	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> D
Total # of Comparable Active Listings	58	53	43	<input checked="" type="checkbox"/> Declining	<input type="checkbox"/> Stable	<input type="checkbox"/> Ir
Months of Housing Supply (Total Listings/Ab Rate)	11.2	7.2	8.6	<input type="checkbox"/> Declining	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Ir

### 2011 UAD – Uniform Appraisal Dataset

Site	9,004 sf	10,454 sf	0   13,939 sf	0   8,712 sf
View	N,Res;	N,Res;	N,Res;	N,Res;
Design (Style)	DT2,colonial	DT2,colonial	DT2,colonial	DT2,colonial
Quality of Construction	Q4	Q4	+5,000 Q4	-10,000 Q4
Actual Age	10	9	0   10	9
Condition	C4	C4	+5,000 C4	-10,000 C4

### 2015 CU

#### Introducing Collateral Underwriter

Collateral Underwriter™ (CU™) is a proprietary appraisal risk assessment application developed by Fannie Mae to support proactive management of appraisal quality. CU will:

- Provide additional transparency and certainty by giving lenders access to the same appraisal analytics used in Fannie Mae's quality control process.
- Perform an automated risk assessment of appraisals submitted to the Uniform Collateral Data Portal® (UCDP®) and return a CU risk score, flags, and messages to the submitting lender. CU will provide a numerical risk score from 1.0 to 5.0, with 1 indicating the lowest risk and 5 indicating the highest risk.
- Be available at no charge so lenders can take full advantage of the application for quality control and risk management purposes. CU performs an automated risk assessment of appraisals submitted to the Uniform Collateral Data Port and returns a risk assessment and flags, and messages to the submitting lender.
- CU risk score and messages will be available to all UCDP users in real-time through UCDP and in the Submission Summary Report just like Fannie Mae's original Proprietary Messages. No registration or additional technology integration is required.

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Georgia Real Estate Appraisers Board

January 2015

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By: D. Scott Murphy, SRA

- Fannie Mae will provide access to the web interface for Fannie Mae Sellers and their correspondent customers to support in-depth appraisal analysis.
- CU will be integrated with DU (Direct Underwriter) in the first half of 2015 to give lenders a holistic view of risk. This will provide a foundation for future waiver of representations and warranties on value, and Fannie Mae is working with their regulator, FHFA, on timing and details.

“Our goal is to provide relief on appraisal representations and warranties in the future, and we will work with FHFA to do so,” said Andrew Bon Salle, Executive Vice President, Single-Family Underwriting, Pricing, and Capital Markets. “We want to be the business partner of choice for lenders by providing the tools and products lenders need. Collateral Underwriter will help lenders build their businesses safely and strongly.”

Fannie Mae began receiving appraisals in electronic format from lenders in 2012, and built Collateral Underwriter to analyze that data. Collateral Underwriter leverages Fannie Mae’s market data and analytical models to perform a comprehensive assessment of the appraisal. The tool provides an overall risk score and detailed messaging to highlight specific aspects of the appraisal that may warrant further attention. Collateral Underwriter will be integrated with Fannie Mae’s Desktop Underwriter® software to seamlessly incorporate into a lender’s existing underwriting process. Using Collateral Underwriter during the origination of the loan will allow the lender to assess the appraisal and address any issues prior to closing and delivery to Fannie Mae.

Collateral Underwriter is the latest addition to a suite of Fannie Mae industry tools, including Desktop Underwriter and Early Check™, that help lenders make loans with confidence. These tools help lenders identify eligibility issues earlier in the process, providing more certainty that loans will meet Fannie Mae’s requirements.

What does this mean? The bottom line is that appraisals are going to be analyzed more closely than ever. This is not necessarily a bad thing. We all have seen some bad appraisals. Fannie Mae is trying to give lenders a more powerful tool to review appraisals and it seems they plan to “provide relief on appraisal representations and warranties in the future”. This is extremely appealing to lenders who are faced with repurchase requests from Fannie Mae on a regular basis.

What will happen is that every single appraisal uploaded to Fannie Mae will go through this Collateral Underwriter and will be scored. One of the primary sources for data is data submitted by other appraisers and possibly data from the appraiser himself. A big part of this relates to the adjustments and ratings applied by these other appraisers. Fannie Mae has compiled all this data they have collected on millions of appraisals in the subject area.

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So if 30 appraisers all used the same comparable and rated it C4 (condition rating #4 as defined by the UAD definitions) and the appraiser for the subject property rates it C3 (a superior condition rating) it would be flagged. The problem is that these definitions for condition and quality are rather general and it is often difficult to categorize a property in one specific category.

Appraisers use a variety of methods to determine the specific adjustments. Those include paired sales analysis, regression, and accumulated knowledge from years of experience appraising homes in the subject area, backed by bracketing techniques. I often state that appraising is as much if not more an art than a science.

Fannie Mae's approach is strictly science. They have no way to determine the true quality or condition of the subject or the comparable. Nor can they determine view or external influences. The rating system, which was put in place with the UAD forms, is not designed to create a relative relationship between properties but an absolute relationship. In other words, the subject and all the comparables could be rated the same but each comparable still requires an adjustment. Another issue, which impacts metro Atlanta, in particular, is the quality of public data. One source Fannie Mae will use is county assessor data. This data is very unreliable in most parts of Atlanta and other parts of Georgia. Unfortunately, not all appraisers subscribe to the more accurate databases such as Redlink and CompFlo.

Appraisers are concerned because Fannie Mae has stated that appraisers must use the regression analyses to determine each of their adjustments and document it in their report. Do you know how much time that will take? Anthony Roveda is EVP, Operations for Savvi Analytics, he states "there are over 40 different types of regression analysis and they all lend themselves to different predictive uses. Depending on the project, many types of regression will use multiple techniques to derive their solution but one in particular has a specific use. Hedonic Regression. Hedonic regression breaks down a good or service into component values, which is precisely how an appraiser values real estate – individual component values are accounted for in a sales comparison approach to derive a final value estimate with a constant (the subject property) and three or more variables (comps 1-3). One can assume that if Fannie Mae developed a model to check comparable adjustments it would more than likely be a Hedonic model. If that's the case there are solutions for appraisers, and when properly applied one can also assume that the CU isn't actually all that frightening. In fact, if anyone should be worried, it may be the reviewer or underwriter being presented with an appraisal performed by a savvy appraiser using Hedonic Regression to substantiate his or her adjustments". The problem is that this analysis takes a lot of "clean" data and a lot of time. This type of in-depth analysis is more commonly found in commercial appraisals, which take 30 days on average and therefore cost a minimum of \$1000.

What does this mean to lenders, agents and the general public? Expect more appraisal delays. Furthermore, do you think Fannie Mae is going to give the appraisers access to this tool and this enormous database – the people who actually helped Fannie Mae build the database? No. They have specifically excluded appraisers from access to it and instead are going to use it against appraisers. As time goes on, the appraisers who survive and are not blacklisted will demand higher fees to justify the additional time required to complete the extended analyses.