

The SAMCO Bulletin Board



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Cram Downs and your Client

SAMCO's community bank clients, who are your clients as well, typically utilize Fannie/Freddie guidelines as their appraisal standards. Conforming to these appraisal standards may be stressful in the beginning, but it is extremely important that these guidelines and SAMCO's requirements are met with every appraisal report. Non-compliance may result in a lower quality rating with SAMCO and fewer assignments. I know you don't normally hear this stated so boldly, but there is an exceptionally good reason for this - our clients. You and I have a responsibility to provide the best product possible for the community bank. Have you heard of "cram downs"? This is when a Fannie/Freddie loan is forced back onto the community bank. When the mortgage is forced back (crammed down) to the community bank, it forces a loss to the bank by requiring a fixed rate mortgage to be held as a portfolio loan. The appraisal is the FIRST item looked at in that file when the Fannie/Freddie audit is performed and is the most common reason for a cram down. If the appraisal has not met their appraisal standards, then we have failed our client, the bank, because Fannie/Freddie will force the community bank to take back that loan for a significant loss. Adhering to the requirements and completing appraisals within the designated turn-time will raise your quality ranking. SAMCO values all of its appraisers and encourages careful review by the appraiser of each and every completed assignment to ensure all appraisal standards and USPAP are met.

SAMCO understands the challenges appraisers are facing, especially in rural areas. This does not exempt appraisers from complying with appraisal requirements however. SAMCO is always available to discuss your challenges. We have been in the appraisal business for 30 years, most in rural areas. We understand your challenges and want to work with you to provide the best report possible. It's easier to work on as you are writing the report, not after it's completed and sent in. So don't hesitate to call and share.

The estimate of value is always your decision. With unique properties, writing a defensible report is challenging. Your goal and SAMCO's goal is to write the best, most defensible reports possible, and working together we can do that!

NOTE: Appraisals are as unique as the individual subject properties. SAMCO understands that occasionally there will be an appraisal that simply will not conform to Fannie/Freddie guidelines. In those instances a very complete "Search Parameters and Results" paragraph is required. SAMCO also understands that the appraiser's best comparable may not conform to guidelines. In that instance though, those comparables that do not meet guidelines should be placed in the second grid, as supporting information.

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*ATTENTION MULTIPLE APPRAISER COMPANIES: Please forward the supplied information to each appraiser within the company.