

Denver Appraiser Describes Fannie's Shift Away From Traditional Appraisals

This week's lead article is written by a trusted appraiser who is also a reader of this column. With his permission, I am reprinting an article which he sent to his email list, including me, last week. The underlined phrases are links that are clickable on my Substack.com posting of this article.

By Fred Rossiter, Residential Analytics, LLC

Covid-19, the ensuing low interest rates and low inventory, the dwindling population of Certified Appraisers, and high appraisal fees caused lenders to cry out for better, faster, and cheaper appraisals. Fannie Mae was listening and responded to the pressure. The result was the birth of Fannie Mae's modernization program.

Over the past year, Fannie Mae and Freddie Mac issued appraisal waivers (aka, Value Acceptance) and tested Value Acceptance + PDC (an appraisal waiver plus available data from their Property Data Collectors). Additionally, they've tested Desktop and Hybrid appraisals to round out their modernization program. The result now is that the standard appraisal is no longer the

default go-to appraisal product. Instead, lenders now have a range of appraisal products to use, all made possible by advances in technology and by Fannie Mae's huge database of sold properties.

I predict that the traditional appraisal will be required only when the borrower is not credit worthy, the loan-to-value ratio is very high, or the subject property is atypical, complex, or of high value.

Appraisers will not be required for most sales in our Metro Denver market. Appraisers are being taken out of the field and being replaced by technology and algorithms, and that seems to be just fine with Fannie Mae and the lenders.

Fannie and Freddie will begin to roll out their new UAD (Uniform Appraisal Dataset) appraisal report form to appraisers in 2024 so they can become acquainted with it. This one, new UAD form will replace all the old forms. And they are expected to issue more orders for Desktop and Hybrid appraisals. Appraisal software companies will start training appraisers on how to use their new software. The coming year will be like "training camp" for everyone and the use of the new forms and systems is expected to become mandatory in early 2025.

All this hullabaloo has hit the appraisal profession just when high interest rates have brought mortgage applications to an all-time low. The uncertainties of the recent antitrust case lost by NAR could complicate matters further. Will listing brokers have to work with unrepresented

buyers? Will buyer brokers disappear? What a mess!

In a recent Zoom meeting with industry notables and Fannie Mae representatives, I asked Fannie Mae how many appraisal waivers they were issuing. I was astounded when they answered that the current use rate was about 40% of originations and refi's and that higher use was anticipated when the market begins to improve.

I did an analysis of our high value market here in Metro Denver and calculated that about 18% of our sales are sold for cash. Add to that Fannie Mae's 40% of the market for waivers and fully 58% of the sales in Metro Denver no longer require an appraisal. An increasing number

of the remaining 42% of market sales will be satisfied by Desktop and Hybrid appraisals, which many appraisers currently refuse to do because of liability concerns.

All in all, 2024 is shaping up to be a challenging year for appraisers and real estate professionals!



New Price on Denver Bungalow

Originally listed at \$795,000, this 4-BR, 1½-story bungalow at 4047 King St. is now listed at **\$759,000** — and seller will contribute to buying down your interest rate! You'll love this quiet NW Denver neighborhood, the featured garden, and the newer 2-car garage built of matching brick. Video at DenverBungalow.info.

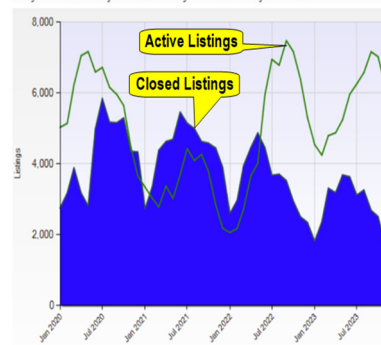
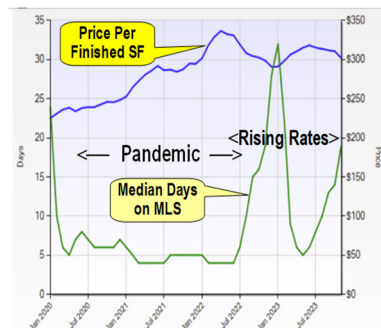


A Tale of 2 Markets: The Pandemic & Rate Increases

These two charts derived from our MLS (REcolorado) statistics from January 2020 (pre-pandemic) through this November, limited to an 18-mile radius of downtown Denver, illustrate the shift in market activity that occurred as the pandemic faded and the sharp increase in mortgage interest rates put a damper on buyer enthusiasm.

During the pandemic, homes sold so quickly that there were bidding wars, increasing the price per finished square foot of sold homes from under \$250 to nearly \$350. With the pandemic largely over and interest rates increasing, the price per square foot settled to around \$300, and the median days on market soared from 5 days to over 30 days last winter, dropping to under 10 days during the summer as buyers got used to the increases, but rising again this fall.

During the pandemic, the number of sold homes exceeded the number of active listings, reducing "inventory" to under one month, but as that eased and interest rates



started rising, the ratio of closed to active listings changed dramatically, increasing inventory four-fold and approaching a "balanced" or even a "buyers" market.

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Buildable Lot on Western Slope Golf Course

Come build your forever home on the 8th Fairway of the beautiful 18-Hole Cedaredge Public Golf Course. All utilities and high-speed internet are already on the lot. The back of the lot faces west with great mountain views of The Grand Mesa. A conceptual design for a home on this lot is available through the listing agent. When not playing golf, the area is a great location for outdoor enthusiasts! The quaint downtown area is in walking distance along the Surface Creek trail, and just 30 minutes away from this neighborhood is the Grand Mesa. The Grand Mesa is the largest flat top mesa in the country with over 300 lakes for fishing, lots of space for camping, hiking and biking, miles of groomed nordic ski trails, Powderhorn Ski Resort, snowshoeing, and miles of snowmobiling. Not to mention that the Gunnison River is only 15 minutes south and the entire area is beautiful Colorado wine country, with an airport just 45 minutes away! Listed by **Kim Taylor, 303-304-6778**.



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"I cannot do all the good the world needs, but the world needs all the good I can do." —Jana Stanfield

Jim Smith

Broker/Owner, 303-525-1851

Jim@GoldenRealEstate.com

1214 Washington Ave., Golden

Broker Associates:

JIM SWANSON, 303-929-2727

CHUCK BROWN, 303-885-7855

DAVID DLUGASCH, 303-908-4835

GREG KRAFT, 720-353-1922

AUSTIN POTTORFF, 970-281-9071

KATHY JONKE, 303-990-7428

