



Appraising the Arizona Market

It's no secret the appraisal process in the Arizona mortgage market today can be frustrating at times. To really understand what is taking place in the appraisal community I think it's important to understand how we got here.

From 2002 – 2007 an appraisal in Arizona wasn't scrutinized like it is today. *If* an appraisal was needed for a home loan it was rarely questioned, it just needed to be in the file. The liberal mortgage lending practices in those years created an environment where just about anyone could qualify for a home loan, FHA, VA, whatever. This ultimately led to a significant increase in home sales and as the demand increased so did the value of real estate in Arizona. Every real estate related industry was expanding at warp speed which included the appraisal arena. New appraisers were being trained on the run and Arizona mortgage lenders weren't questioning the content of an appraisal; so, most anything was game!

On the heels of the one of the largest economic downturns in US history, Fannie Mae & Freddie Mac in 2009 implemented the HVCC (Home Valuation Code of Conduct) policy. FHA adopted a similar policy for their FHA Loans in late 2009. The intent of these new policies was to correct abuses within the mortgage lending and appraisal industries. One of the most significant changes was how mortgage lenders would order appraisals going forward and the inability of the Arizona mortgage officer to discuss value related questions with an appraiser. Since loan officers could no longer order appraisals or communicate directly with an appraiser, lenders needed a neutral third party to do so.

Many Arizona mortgage lenders turned to Appraisal Management Companies (AMC's) to handle the process for them. Unfortunately this may have led to a whole other set of problems. I hear from the real estate community often that it's not uncommon today to see an appraiser from Buckeye being sent to appraise a home in Fountain Hills and has no immediate market knowledge of the area. I'm happy to share with you that Cherry Creek Mortgage Company does not contract with a large AMC; we manage the Arizona appraisal ordering process in house and actually have an appraisal department that is devoted to ordering and directly communicating with our approved Arizona appraisers. This is a great benefit to our Arizona clients we serve!

There's no question the Arizona market experienced some of the largest real estate devaluation in the entire country over the last few years! Lenders lending today to fund Arizona mortgages do scrutinize appraisals like never before. Working with an Arizona mortgage lender that has review processes in place when issues arise helps to ease frustration. We are here to assist you; don't hesitate to call!

Kelly

Quote of the Week: An investment in knowledge pays the best interest. ~ Ben Franklin

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