Multifamily Mortgage Business Lender Letter 15-16

To: Multifamily Lenders

From: Randy Berdine, Vice President for Multifamily Loan Review

Subject: Lender Letter 15-16 | Changes to the Multifamily Appraisal Review Engagement Letters

HIGHLIGHTS

Effective October 5, 2015, Fannie Mae announces changes to 4 Business Forms relating to Multifamily appraisal report engagement letters. The changes were made to align these Business Forms with the requirements announced in Guide Update 14-06 regarding Part II, Section 603 of the Multifamily Selling and Servicing Guide (the “Guide”). The following Business Forms have been updated:

- Engagement Letter for Appraiser (Joint Retention) (Form 4823);
- Engagement Letter for Review Appraiser (Joint Retention) (Form 4824);
- Appraiser Engagement Instructions (Lender Retention) (Form 4825); and
- Engagement Letter for Appraiser (Fannie Mae) (Form 4826).

Introduction

Fannie Mae has issued Lender Letter 15-16 which announces changes to align the above Business Forms with the requirements outlined in the Guide Part II, Section 603 - Appraisal Process.

A brief summary of the substantive changes include:

- Recognizes that appraisal reports are ordered using the Real Estate Information Management System ("RIMS"), and allows appraisals to be authorized electronically.
- Updates the format to reflect industry standards containing a letter contract with attachments and addenda.
- Reorganizes, clarifies language, and arranges paragraphs by category content. Paragraph sections were numbered and named for ease of reference (e.g., Regulatory Standards, Appraiser Qualifications, Work Scope).
- Differentiates between the appraisal firm and the appraiser. Parties in the modified agreement are Fannie Mae, the Lender, and the appraisal firm (business-to-business), rather than with the individual appraiser.
- Includes a fixed term clause, a choice of law clause, and a modified indemnity clause.
• Language changed to request a narrative appraisal in place of an appraisal review document and replaces the original two-phase review appraisal process.

• Includes open-ended daily penalty fees, additional services fees, and a cap on fees for additional services for flexibility in contract negotiations.

Other corrective and editorial changes were made to simplify language and ensure consistency.

With this publication, the Engagement Letter for Review Appraiser (Dual Appraisals) (Form 4827) will be retired.

Effective Date

This Lender Letter is effective October 5, 2015.

Contact Us

Please contact Randy Berdine at randall_berdine@fanniemae.com if you have any questions.

Associated Documents

The clean versions of the Forms are available at fanniemae.com/multifamily and in RIMS.