

Sales Concessions

I wish to bring as new business my concern and many other appraisers within our state and others. It has been an issue for many years but with today's market and the ongoing possibilities of mortgage fraud it is time for something to be done to protect the consumers, real estate agents, lenders, and appraisers.

What is being talked about is not reporting sales concessions so that all parties are aware of them. It is required by Fannie Mae, Freddie Mac, USPAP, and others that appraisers make adjustment for sales concessions, but it is difficult to find them when it is not recorded. As all know, if sales concessions are not adjusted it will inflate the value and the market.

We all know that concessions have been around for a long time and that appraisers are to adjust for what the market calls for. We have heard that the concessions are typical and I am here to say that we do not know what typical is any more. Fannie Mae and FHA have attempted to clarify this (see Mortgage letter 2205-02)

This is not just a local or state problem; the State of Colorado Real Estate Commission is trying to formulate an advisory opinion to address the problems associated with undisclosed seller concessions that are negatively impacting the local housing market. It was stated that until the opinion was released, real estate professionals should be aware of the potentially fraudulent aspects of failing to disclose particular details of the transactions and cognizant of the fact that seller concessions are under scrutiny.

The potential impact of mortgage fraud is very clear. If fraudulent practices become systemic within the mortgage industry and mortgage fraud is allowed to become unrestrained, it will ultimately place financial institutions at risk and have adverse effects on the stock market which we have heard and read about. Consumers, lenders, and investors may lose faith in our profession. This may result in higher interest rates and fees paid by borrowers and limit the amount of investment funds available for mortgage loans.

There can be a fix for this and one way is to have the information about the concessions noted where the parties that are involved in the transactions would show what the sales contracts show as seller concessions. The local MLS should have a place that shows the concessions. If the property is sold by the owner it should be required that it is documented by some other means such as County records. We know that the State of Missouri is a Non-Disclosure state but it could be implemented that only licensed professional have access to the information.

I would like to open this up for discussion and try to get support from this group to see if there is a way to help our profession of appraisers, real estate agents and brokers to show that we are concerned about what is going on.

[Links to letter and information](#)

- 1) http://faq.fha.gov/cgi-bin/answers_hud.cfg/php/enduser/std_adp.php?p_faqid=2343&p_created=1196619464&p_sid=4b7cAMbj&p_accessibility=0&p_lva=&p_sp=cF9zcmNoPTEmcF9zb3J0X2J5PSZwX2dyaWRzb3J0PSZwX3Jvd19jbnQ9NjkmcF9wcm9kcz0mcF9jYXRzPTAmcF9wdj0mcF9jdj0mcF9wYWdlPTEmcF9zZWYyY2hfdGV4dD1jb25jZXNzaW9ucyBhZGp1c3RtZW50cw**&p_li=&p_topview=1
- 2) http://faq.fha.gov/cgi-bin/answers_hud.cfg/php/enduser/std_adp.php?p_faqid=274&p_created=1136419106&p_sid=4b7cAMbj&p_accessibility=0&p_lva=&p_sp=cF9zcmNoPTEmcF9zb3J0X2J5PSZwX2dyaWRzb3J0PSZwX3Jvd19jbnQ9NjkmcF9wcm9kcz0mcF9jYXRzPTAmcF9wdj0mcF9jdj0mcF9wYWdlPTEmcF9zZWYyY2hfdGV4dD1jb25jZXNzaW9ucyBhZGp1c3RtZW50cw**&p_li=&p_topview=1
- 3) www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/05-2ml.doc
- 4) <http://oa.mo.gov/ahc/case/landfair07-1635RA.NTC.doc>
- 5) <http://www.rothgerber.com/showarticle.aspx?Show=990>
- 6) http://www.fincen.gov/news_room/rp/files/MortgageLoanFraudSARAssessment.pdf
- 7) <https://www.efanniemae.com/utility/legal/pdf/fraudupdate0208.pdf>
- 8) http://www.state.tn.us/commerce/boards/treac/documents/Newsletter_Feb08.pdf

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