

# Appraisal Technology

## Special Report

Uniform Residential Appraisal Report

Client: \_\_\_\_\_ Address: \_\_\_\_\_

Property Type:  Purchase Transaction  Refinance Transaction

Contract Price \$ \_\_\_\_\_ Date of Contract \_\_\_\_\_

Is the property seller the owner of public record?  Yes  No

Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower?  Yes  No

**Note: Race and the racial composition of the neighborhood are not appraisal factors.**

Neighborhood Characteristics			One-Unit Housing Trends			One-Unit Housing Price
Location	<input type="checkbox"/> Urban	<input type="checkbox"/> Suburban <input type="checkbox"/> Rural	Property Values	<input type="checkbox"/> Increasing <input type="checkbox"/> Stable <input type="checkbox"/> Declining		PRICE
Built Up	<input type="checkbox"/> Over 75% <input type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%	Demand/Supply	<input type="checkbox"/> Shortage <input type="checkbox"/> In Balance <input type="checkbox"/> Over Supply			\$(000)
Growth	<input type="checkbox"/> Rapid <input type="checkbox"/> Stable <input type="checkbox"/> Slow	Marketing Time	<input type="checkbox"/> Under 3 mths <input type="checkbox"/> 3-6 mths <input type="checkbox"/> Over 6 mths			Low
Neighborhood Boundaries						High
Neighborhood Description						Pred.
Market Conditions (including support for the above conclusions)						
Dimensions	Area	Shape				
Specific Zoning Classification			Zoning Description			
Zoning Compliance <input type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming (Grandfathered Use) <input type="checkbox"/> No Zoning <input type="checkbox"/> Illegal (describe)						
Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use? <input type="checkbox"/> Yes <input type="checkbox"/> No						
Utilities	Public	Other (describe)	Public	Other (describe)	Off-site Improvements	
Electricity	<input type="checkbox"/>	<input type="checkbox"/>	Water	<input type="checkbox"/>	Street	
Gas	<input type="checkbox"/>	<input type="checkbox"/>	Sanitary Sewer	<input type="checkbox"/>	Aley	
FEMA Special Flood Hazard Area <input type="checkbox"/> Yes <input type="checkbox"/> No			FEMA Flood Zone	FEMA Map #	FEMA #	
Are the utilities and off-site improvements typical for the market area? <input type="checkbox"/> Yes <input type="checkbox"/> No. If No, describe						
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No						



**VALUATION REVIEW**  
There is no comparable

**OCTOBER RESEARCH LLC**

# ABOUT US

Valuation Review is a production of October Research, LLC specializing in business news and information for the valuation industry and real estate appraisal professionals, and is published 24 times a year.

Contact information:  
October Research, LLC  
ATTN: Valuation Review  
3046 Brecksville Road, Suite D  
Richfield, OH 44286  
Tel: (330) 659-6101  
Fax: (330) 659-6102  
Email: [contactus@octoberresearch.com](mailto:contactus@octoberresearch.com)

CEO & Publisher  
Erica Meyer

Editorial & Publishing  
*Editorial Director*  
Chris Freeman

*Editors*  
Tara Quinn, *The Title Report*  
Katherine Bercik, Esq., *RESPA News*  
Andrea Golby, *The Legal Description*  
Mike Holzheimer, *Valuation Review*  
Robert Rozboril, *Dodd Frank Update*

Seminars and Webinars  
Nathan Marinchick, *Director*

eCommerce  
Rick Harris, *eCommerce Director*  
Daniel Kearsey, *Graphic Designer*

Sales & Marketing  
Frank Carson, *Senior Account Executive*  
Jake Dean, *Sales Support*

Circulation / Customer Service  
Kathy Hurley

Business Offices  
Sam Warwar, Esq.  
Michelle Easter, *Accounting*

TO SUBSCRIBE, PLEASE GO TO  
[www.OctoberStore.com](http://www.OctoberStore.com)

Copyright © 1999-2016  
October Research, LLC  
All Rights Reserved.

Any copying or republication without the express written or verbal consent of the publisher is a violation of federal copyright laws and the publisher will enforce its rights in federal court. The publisher offers a \$500 reward for information proving a federal copyright violation with regard to this publication. To obtain permission to redistribute material, obtain reprints or to report a violation of federal copyright laws, please call 330-659-6101, or email: [customerservice@octoberresearch.com](mailto:customerservice@octoberresearch.com).



OCTOBER KNOWLEDGE...  
RESEARCH THE COMPETITIVE ADVANTAGE  
LLC

# EDITOR'S NOTE



## Technology tools provide expediency, accuracy to the appraiser

Dear Readers,

In the world of business, and in other professions I'm sure, the question has often been asked, "Do you want it done fast or do you want it done right?"

Appraisers would prefer both. The utilization of technology is the best course of action for those who determine property value and truly allow them to enjoy the "best of both worlds."

Chances are, you use some kind of technology every day you work on appraisals, even if it's just turning on your computer to scan or email a report. But are you getting the most out of what new technologies can bring to your business and your work?

Valuation Review's Appraisal Technology special report will give the appraiser information about the many kinds of technologies enabling them to do their jobs efficiently and compliantly.

Technology never will limit the appraiser entirely in terms of actually going to an evaluation site to do the work. Imagine, though, how little time they will spend at their desks in the office knowing that most of the data, measurements and the multitude of numbers they need will be waiting for them on the desktop computer thanks to the electronic capabilities they can use right at the property's location.

The usage of today's technology tools can help take burdens off of the appraiser's shoulders – the burden of not only answering to AMCs and lenders as to what the determination of value is, but how you came up with such a number and what devices were used in arriving to such conclusions.

In this Appraisal Technology special report, you will find all of the tools you will need to tackle any and all appraisal assignments with confidence, leading to precision, accuracy, expediency, and of course, compliance.

Your valued editor,

Mike Holzheimer  
Editor  
[mholzheimer@octoberresearch.com](mailto:mholzheimer@octoberresearch.com)

## Table of Contents

- 3 'Use it or lose it' can be the motto for appraisal technology

---

- 5 Collateral Underwriter: The facts and myths after a year

---

- 6 EAD adaptable for some, technologically challenging for others

---

- 8 Appraiser compliance, technology go hand-in-hand

---

- 10 'Mobile' appraisers make for efficient appraisers

## 'Use it or lose it' can be the motto for appraisal technology

In today's world of appraising, like in most businesses, technology is here to stay.

With all of the demands on the appraiser to get the job done and to have a complete and accurate report, it just isn't wise for valuers of both residential and commercial property to shy away from these electronic devices.

Though complex in some ways, technology is here to help. As one expert said, "Technology forces you to either run with the pack and stay in the race or get lost in the shuffle and finish out of the money, literally."

R3 Review CEO **Brent Jones**, whose company is a developer of technology software, spoke to such a notion of "getting into the technology game."

"In the appraisal industry, we've been slow to adapt," Jones said. "You look at the usage amount of statistical programs to help abstract adjustments and help with the heavy lifting, the usage is miniscule compared to the overall numbers in our industry. Some lenders are coming back to ask the appraiser, 'How did you support this adjustment?' Until we see more of this, appraisers aren't going to change the way they do things."

Appraisal Institute President **Scott Robinson** said younger appraisers especially have seen the benefit of integrating technology into their work.

"I think technology is a remarkable marketing tool for the appraisal profession," he said. "For the younger appraisers, they want to 'work to live and not live to work.' Younger appraisers accept the technologies available to them and are eager to be in the profession so they can utilize those tools. The flip side on technology is that with all of the advancements, people expect 24/7 results. Technology, though, is here to stay. It's not going anywhere.

"Social media has forced the older generation into technology," Robinson added. "For example, they want to interact with their grandchildren, so they have to text. Some of these appraisers have said that they can't believe they waited so long to use technology and to embrace it. The 'old horse-new tricks' mentality works better in the appraisal profession than in any other line of work. Technology is a bullet and it is up to you in terms of how you use it. If appraisers don't use technology, they will fall by the wayside."

At the 2016 Appraisal Institute conference in Charlotte, N.C., keynote speaker **Jack Uldrich**, a best-selling author and global futurist, focused on the technology challenges facing appraisers today.

"Appraisers should find a 'reverse mentor' who sees the world from a different perspective and to look at things in the opposite direction," he said. "Appraisers need to help younger individuals into the value profession."

Uldrich also suggested that valuing "smart" buildings will be a huge challenge, and a significant opportunity, for appraisers.

"With future technology tools, we need to solve problems before they become problems," he said. "Appraisers need to think about valuations and where they are going. Technology tools will get better and faster in the future."

The question then is asked with regards to appraisal technology, are we at a tipping point?

"I would say no," Bradford Technologies CEO **Jeff Bradford** said. "In terms of technology for the appraisers, we still have some growing to do and have technology become more user-friendly. There is a fine line between what appraisers have been doing and what they need to

do – that’s the big transition.

“The software out there today has tried to bridge some of those gaps. There needs to be some educational components in using what I call regression techniques,” Bradford said. “Appraisers using these techniques and truly understanding them have been difficult. Some make the transition, some don’t. Our challenge in technology is to present these regression tools not as an ‘easy button,’ but a tool easier to use with confidence.”

Bradford suggests that appraisers haven’t reached that place where they are using these types of tools with confidence. In fact, the profession may be years away from seeing it. There is an upward swing, but the profession has the early adopters and the general mass, according to Bradford. Technology industries have their focus now on those early adopters.

“There is still the attitude with some appraisers that if my fellow or neighboring appraiser isn’t utilizing and using technology, I’m not going to either,” Bradford said. “Many have the belief that nobody is forcing me to use technology; it costs more, so I’m not going to do it. This, again, is our challenge.”

Bradford Technologies this year went on a 51-city tour, where the company officials instructed appraisers on how to best utilize technology for analysis. Bradford also indicated that there is a mindset that the iPad can do everything in the field. That notion, however, has gone by the wayside.

“The iPad is great for collecting data, but not great for producing a 25-page appraisal report,” he said. “There might be efficiency in collecting data, it may have speeded things up, but it hasn’t changed the game. There is a jump in efficiency, but not a jump in the appraisal itself. This is where the appraisal profession must take a leap forward.

“We want appraisers to re-establish themselves as goal standards for valuation,” Bradford added. “Companies that are using huge amounts of data resources are basically second-guessing the appraiser. We want to help appraisers be more transparent in their analysis in terms of answering how are the comps picked? What is the methodology behind it? How do they rank and score the properties?”

Technology also can help when it comes to adjustments, which can be more difficult because one has to look at the markets involved. With markets, there could be many properties to analyze, and regression tools are the only way to do just that. But Bradford warns about that “easy button” approach – when appraisers get questioned on how they came up with the adjustments, they may answer, “I don’t know, the software did it.”

And when that happens, according to Bradford, the appraiser loses all credibility.

“We take a different approach,” he said. “We don’t give the appraiser that ‘easy button’ and stop there. Rather, we try to get them to understand their methods for determining value technologically, and drive it towards success. It’s a slow process. Are we eventually going to see every appraiser use some type of market analysis with a component to it? Yes, that day will come.”

There are many developers continuing to improve and expand on software to try and make life easier for the appraiser. Bradford says the whole idea of technology usage is to get appraisers to do what they do best with the elimination of the “busy-body manual work.” Other experts also see a trend in more appraisers utilizing the technology and adapting themselves to methods that can only help them do the work.

“There is a growing recognition that appraisers must embrace technology to provide the critical efficiency that is needed for this to be a thriving, growth-oriented and financially rewarding profession,” First American Forsythe Appraisal President and CEO **John Forsythe** said. “There is no silver bullet that changes everything, but an ongoing series of hardware and software advancements can have a positive impact.

“Each year, there are a variety of studies and research surveys that go out to the valuation professional community,” Forsythe added. “Many of them ask not only if appraisers are using technology, but how they are applying it to their daily workflow. For several years, the answers have been pretty stable in that the vast majority is using tablets and other mobile devices primarily for taking photos and a few rudimentary steps in the appraisal lifecycle. So, we are not seeing large-scale adoption of these necessary tools and data.”

Forsythe also emphasized the idea that software and data tools are key pieces of the puzzle as well.

“Industry leaders like our new parent company, First American Mortgage Solutions, are really well-positioned to align with this new reality and affect the kind of changes and improvements in accuracy, transparency and consistency that the appraisal industry needs,” he said. “We have at our disposal not just hardware in the form of tablets and laptops, but also a rich suite of data, analytics, statistical aggregation expertise and technology — including a proprietary vendor management platform and ACI’s appraisal software solution. There are other similar solutions out there as well, and all appraisers need to begin to understand that a comprehensive and integrated approach to valuations that seamlessly blends all of these various elements is the future of our profession.”

# Collateral Underwriter: The facts and myths after a year

Compiling appraisal reports is one of the more time-consuming aspects of the job. The last thing appraisers want to do is waste more time by having to go back into the report and correct mistakes spotted by AMCs, lenders and the clients.

No report can be perfect, but appraisers hope to make the fewest mistakes possible to avoid a lot of questions, and a lot of migraines that come with risk-assessment models.

That brings us to Collateral Underwriter (CU).

Former Fannie Mae Western United States Senior Analyst **Brent Jones**, now the CEO for Las Vegas-based appraisal and software development company R3 Review, was at the front lines of development work for CU and has a unique perspective to look at the impact of the software and process more than a year after its implementation.

CU was designed to determine appraisal red flags at the front end and reduce the amount of repurchase demand at the back end. More than a year later, is this software doing what it was designed to do?

“For the lenders, absolutely,” Jones said. “It has reduced appraisal underwriting times significantly. For most appraisers, it has become a non-event. In the beginning, CU was so overblown with appraiser fears being ‘the sky is falling,’ and so on. There was so much uncertainty. Now, you hardly hear about CU unless you’re a rural appraiser or have a tough property where the model just won’t work.”

“For the majority of appraisers, CU has made their lives easier with fewer underwriting conditions.”

The adaptation to CU has been a little stagnant, according to most industry experts, and accountability has been something off of most people’s radars. Fears, uncertainties and misconceptions surrounded the appraisal profession as it relates to CU, although the opinion of the process continues to improve.

“When I was working with the CU model, I could tell where it would be good most of the time,” he said. “Certainly, it wasn’t going to be perfect. One misconception out there was the notion that Fannie Mae was looking to punish the appraiser with the installment of CU. That was simply not the case. The CU idea was to allow the lender to see the risk scores at the front end. Unless you’re a bad actor, appraisers wouldn’t be touched by this. CU was not designed to give appraisers the ‘boot,’ and the numbers reflect that.”

Jones also said that another fear when CU hit the appraisal market is that it would replace the appraiser. The model was not designed for that, he said, as CU has to get its data from somebody – namely, the appraiser.

“Without appraisals, the CU model really can’t work,” Jones said. “These systems (CU) were put in place understanding that appraisals will be used with appraisers doing the work. CU was well-thought out and years in the making. It has a huge impact regarding client-appraiser relationships because now with CU, underwriting conditions can now address specific topics red flagged in the report. Instead of the CU process being looked on as oppressive, it’s now backed up in fact.”

“Do appraisers like CU? No, but they should, because it’s saving them a lot of time regarding the majority of their files. Will CU replace the appraiser? No. It was never the point of CU to get rid of appraisers; the point was always education and to create a superior work product.”

One of the major concerns when CU launched was that the program would call into question the amount and kind of comps that an appraiser used within a report. That, Jones said, has not been the case.

“As for adjustments within the appraisal report pertaining to comparable sales, CU has changed very little,” Jones added. “One thing we are seeing is larger adjustments in GLA (gross living area), which is where all of the hard data came from when CU was launched. It was obvious that appraisers were understating living area adjustments. Appraisers have adapted to that and are more comfortable with higher price per square foot adjustments, depending upon the market they are in.”

The burden of full disclosure always has been the appraiser’s responsibility. CU makes it even more critical. The major red flags in the model are when close proximity comps are ignored, the appraiser has been inconsistent within his own body of work delivered into the model, and when there is a large differential between their peer reporting.

“If the model comps are different, that is a valid underwriting condition,” Jones said. “But too often, appraisers are asked to justify their work against their peers. That condition drives appraisers crazy, because the only real answer is I’m right and they are wrong. There are some risk scores the appraiser just can’t control because the property itself will create the risk. Rural areas, homes with views, homes that have been significantly remodeled sometimes just can’t be accounted for in the model.”

Fannie Mae knows this. It has a stringent review process before any disciplinary actions are taken, with many layers of human eyes on the process. So the key, as it always has been, is disclosure. Appraisers have choices to accept or not accept work based on property complexity. It is important to make sure that the report leaves no questions as to the appraiser's methodology and how he or she arrived at the results.

"The majority of appraisers have not done anything differently and won't until there are mandates for a higher quality work product," Jones said. "The adoption of the tools regarding adjustment support has been tepid. I can tell you from my own experience that having adjustment support methodology with my reports has allowed me to get more clients by demonstrating a superior work product. And when there is a question surrounding tougher adjustments, gated versus non-gated pools, etc., it is sure nice to know I have the work right there for the client to see.

"For lenders and their AMCs, these models allow them to focus on the higher risk files without having to spend a lot of time on the majority of files that received a low risk score," Jones added. "That is good news for appraisers."

As for changes, Jones would like to see, he said that's easy to answer.

"Transparency to the appraiser," he said. "While CU and

FHA's EAD were designed for the lender and their AMCs, it is simply a policy decision to keep this information from the appraiser. Why not share it with the appraiser after report delivery? Why not allow us to see how we are being judged? Why not help us improve our work product so we can see and understand the risks you see?"

"I would like to see a genuine discussion begin between all industry participants to make this happen. We are all in this together regardless of AIR (appraisal independence requirements), the data is there, the results are there, let us see it so we can improve as an industry."

"For lenders and their AMCs, these models allow them to focus on the higher risk files without having to spend a lot of time on the majority of files that received a low risk score."

**Brent Jones,**  
CEO, R3 Review

## EAD adaptable for some, technologically challenging for others

The Federal Housing Administration's (FHA) Electronic Appraisal Delivery (EAD) portal became mandatory for use by mortgagees in June. Mortgagees needed to be registered for and on boarded to the EAD portal to avoid potential disruptions in their FHA case processing, as every FHA mortgage that began after that date must have its appraisal submitted through the EAD portal.

There was much time and work put into the process for easier access and overall acceptability to be the end results, said **Cheryl Walker**, home valuation policy division director for the Department of Housing and Urban Development (HUD).

"The process was designed to cause minimal impact to appraisers," Walker said. "FHA has adopted the MISMO data standards deployed by Fannie Mae and Freddie Mac to promote more of a universal data delivery standard. FHA engaged with the appraisal software companies early in the process and continues to receive their assistance in making sure the data requirements are resolved on the

appraisers' desktop."

The software used to create the EAD portal was built on the model for the Uniform Collateral Data Portal which was put in place by Fannie Mae and Freddie Mac. Both portals were designed by Veros.

"The Electronic Appraisal Delivery (EAD) portal rollout has had minimal impact to the appraiser community," Veros Strategic Initiatives Senior Vice President **Chuck Rumfola** said. "A significant benefit of FHA's approach in the creation and roll out of EAD is that they took a page from Fannie Mae and Freddie Mac's playbook on the successful roll out of UCDP (Uniform Collateral Data Portal). The GSEs (government-sponsored enterprises) were highly strategic in creating the Uniform Appraisal Dataset (UAD) and crafting a communication and training plan spanning more than a year up to the UCDP mandate. This created a solid foundation for appraisal forms vendors and appraisers, as well as for the lenders and technology providers who received this data.

“So adoption of the core principals of EAD for the appraiser – that is, electronic delivery of the MISMO XML – were already in place,” Rumfola added. “The biggest variables in comparison to UCDP are the validation of the FHA case number upon entry to EAD, and the requirement of the ‘digital signature.’ These variables though, have more to do with the delivering technology than with the appraisers themselves.”

The EAD portal’s industry standard technology was designed to help mortgagees:

- Identify data and compliance issues up-front;
- Reduce error rates before endorsement; and
- Streamline data entry processes between the portal and the FHA Connection (FHAC) system’s Appraisal Logging screen.

“The technology is easy to use and adapt to,” Walker said. “The Single Family and Condo forms follow Fannie Mae and Freddie Mac’s UAD data standards. FHA receives the Manufactured Home and Two- to Four-Family Forms in the companion Errata 1 (MISMO) format.”

Rumfola said the portal was designed to align with the UCDP system to minimize the impact to lenders. That, in turn, should help appraisers and appraisal management companies

“Lenders can deliver the appraisal data through the web, build out a systems-to-systems interface, or leverage a third-party platform with a completed integration,” Rumfola said. “There are minor differences, but overall the processes are very similar.”

Rumfola also said that the biggest variables between UCDP and EAD have to do with making sure the technology can support technical differences in FHA’s requirements.

“If the appraisal XML is passing through an integration, it is important that the FHA case number will map appropriately for a successful submission,” he said. “It is also imperative that the technology does not take any interim steps to ‘break apart’ the appraisal file in transmission. Doing so invalidates what we’ll refer to as the ‘digital signature,’ and the submission will be rejected. This happens if an appraisal goes through a PDF extraction process, or if the appraisal platform technology has any workflow steps which parse out and then reconstruct the file.”

But lenders and technology vendors should not assume that EAD is a carbon copy of UCDP, Rumfola said. Veros provides proprietary platform technology and system-to-

system connections for AMCs, lenders and other mortgage technology to assist with integrating directly to EAD that Rumfola said accounted for variations that exist.

“We focus on making the technology easy to adapt to by providing a single entry point for the user and streamlining the appraisal flow whether the file is meant for UCDP (Fannie Mae and/or Freddie Mac) or EAD (FHA),” he said.

Regarding data field requirements, appraisers just need to upload the latest version of their software of choice, using the tools provided to deploy and comply with the FHA data requirements.

Lenders who have gone through the on-boarding process since the fall had the ability to use the EAD portal before the mandated adoption date in June. Walker said in the early stages, there were a few glitches which would be worked out.

“FHA has been fortunate to have the support of the software companies and our contracted vendor to quickly resolve any technology issues,” she said. “FHA does not have the ability, though, to share the report data collected into FHA systems with appraisers.”

Outside of those glitches, though, appraisals have been going through nicely.

“The process of appraisals coming through has been a smooth one,” Walker said. “FHA is seeing very high rates of acceptance on the first pass. The focus of FHA’s ‘hard stops’ is to ensure that the data entered by the appraiser passes accurately through the FHA systems.”

Rumfola said there have not been major concerns with getting lenders through the rollout of the onboarding process.

“We didn’t try to reinvent the wheel with the EAD rollout,” he said “The UCDP rollout was extremely smooth, and EAD has applied a largely similar approach. As a result, we expect another smooth rollout.

“The only hurdle we see is making sure that lenders and their technology providers are adequately accounting for the EAD onboarding process amid the myriad of technology and compliance initiatives they already have on their plates,” he added.

Although the EAD portal brought consistency to appraisal reviews for lenders, at the onset, the portal use at its release was surrounded by some confusion, other experts say.

“Lenders should evaluate an AMC’s EAD-readiness along with its methodology for quality control,” USRES

Chief Appraiser **George Paquette** said. "At USRES, we feel strongly that the best outcomes are derived from combining personal expertise, powerful technology, and ample testing prior to the release. At USRES, we know that the last thing any lender needs is an AMC that stumbles into learning the product with live files, while borrowers and agents are left in waiting. We have placed ourselves in a position to utilize the benefits of EAD to deliver a better product, without slowing down the appraisal process."

The onboarding process to sign up for the EAD portal began in the fall of 2015, yet as the mandate took effect, published reports said as many as one-third of lenders were not prepared for the change.

As with any new mandate, lenders had questions and concerns about how EAD will change their current appraisal processes. There are unknowns about what differences, if any, they should expect, and until these questions are answered, lenders might feel challenged by EAD, but eventually will see it as a way to produce more consistent, quality appraisals, the chief appraiser said.

"Lenders' lingering questions are primarily around

how they will resolve the EAD's findings – they want to know how to rectify errors, hard stop messages and appraisals with high risk scores of 4 or 5," Paquette said. "For many of these questions, lenders really should be leaning on their AMC partners. By now, AMCs like us at USRES have been working diligently to test orders through the EAD portal and are very familiar with errors and revisions; we already know the best ways to resolve them, that's our job as an AMC."

According to Paquette, at USRES, the EAD helps improve quality control. The company duplicates the review of every high risk appraisal, combining high level expertise with automated reviews to yield the best possible result for lenders.

EAD will not be the only appraisal tool lenders should expect to become familiar with, Paquette said. He also indicated that it was only a matter of time before the Department of Housing and Urban Development created a process similar to Uniform Collateral Data Portal (UCDP). Most lenders were using UCDP as a free tool for FHA or non-Fannie Mae loans.



## Appraiser compliance, technology go hand-in-hand

The more technology is applied to a race car, the faster that car will reach the finish line, one would assume. In appraising, crossing the finish line would indicate a compliant appraisal report.

Valuators try to achieve the fewest number of reports coming back with red flags all over them. According to **Jeff Bradford**, CEO of Bradford Technologies, about 50 percent of all appraisals submitted are sent back to the appraiser.

"It really comes down to the appraiser doing his or her due diligence," Bradford said. "In earlier times, things were simpler for the appraiser by way of just filling out a two-page report. Now, reviewers and underwriters can pick your appraisal apart. There are about 750 things to check on the 1004 report. Appraisers are constantly being judged."

Veros Strategic Initiatives Senior Vice President **Chuck Rumfola** said that new technologies can enhance the process towards compliance, and they can validate the values the appraiser assigns to a report.

"When you consider the widespread industry adoption of the Uniform Appraisal Dataset (UAD) and the mandated appraisal portals – namely, the GSEs' Uniform Collateral Data Portal (UCD) and FHA's Electronic Appraisal Delivery (EAD) portal which went into mandate in June this year – one thing quickly becomes clear: Our industry is going to continue to move toward greater adoption of technology supporting the transport and analysis of appraisal data," he said. "There have been excellent evolutions in appraisal data quality and in investor risk management as a result of these initiatives, not to mention broadly sweeping policy changes, which would not have been possible without the adoption of technology."

"At the heart of the matter – technology is vitally important, because it creates a baseline for the facts behind the mortgage equation," Rumfola added. "Our industry now has a defined dataset for the appraisal, widely adopted tools to create and transmit appraisals using that dataset, and more clearly defined expectations from investors around how that data is interpreted. Never before has our industry been able to see this incredibly valuable report in such complete

transparency and so early on in the life of a loan. If it is even possible to remain removed from this technology movement, those who do so ultimately risk being cut out completely from transactions flowing to the agency market.”

According to Bradford, with a lot of data needing to be tabulated, “anyone with a smartphone can second-guess their appraisal.” He gave 10 reasons why reports are sent back to the appraiser:

- Appraisal data is different from public records
- Reconciliation (missing and incorrect statements don’t support how one arrived at the determined value)
- Borrower/owner name discrepancies from the appraisal order
- Tax year and tax is incorrect
- Adjustments (dialogue not shared as far as how any adjustments were determined)
- Comparables and public record data is different
- Standard comments (the usage of templates where a comment may not tell the story)
- Photo issues with people or religious art showing
- Additional narrative necessary (goes back to the reconciliation factor where the story must be told)
- Appraiser forgot to address any of the above reasons is usually why a report will be sent back

Bradford suggests that more technology, and taking advantage of tools available, is key for a compliant report.

“We created Redstone because we recognize that appraisers need help,” he said. “Adjustments, comparable selections and valuation are critical for the ‘bullet-proof’ appraisal. Redstone is an intuitive regression tool, allowing for adjustment support using regression analysis, enabling the appraiser to see how well the model is working with the statistical output.”

Among the other tools available to the appraiser is RS3 from Platinum Data Solutions, which evaluates appraisals for compliance with USPAP Standard 3 guidelines. Several states have adopted regulations requiring AMCs to review a percentage of appraisals transacted in compliance with USPAP Standard 3.

As one chief appraiser said, having a compliance technology product is a better alternative than compliance desk reviews, and it allows appraisers to be a lot faster,

more efficient and cost effective over AMCs handling these appraisals manually.

“Lenders, AMCs and appraisers can all benefit from using automation to impart speed, accuracy and consistency to rote and tedious tasks. However, different parties have different needs for the level of analytics needed to evaluate an appraisal,” Platinum Data Solutions CEO **Phil Huff** said.

**Bob Keith**, compliance officer with First Choice Appraisal Management, said compliance technology solutions can help appraisers keep their focus where it belongs.

“I would say, that a big deficiency is the appraiser’s failure to start with the end in mind,” he said. “The appraiser has to know what the end is. The end is not what your opinion of value is; that’s the assignment result. The end should be to clearly and concisely communicate what you did in the appraisal and why. What you did, how you did it, and why you did it are three things appraisers can effectively communicate with technology. If they can do that, they are basically home free.”

Appraisers justifying their results to the client, lender and the AMC continue to be a heavy burden for those in valuation. **John Forsythe**, president and CEO of Forsythe Appraisal, said data solutions can help appraisers remain compliant by providing support for their work.

“Big data can become an appraiser’s best ally. Appraisers have always analyzed the data, but the key differentiator is the way in which the data and conclusions are included in the appraisal report,” Forsythe said. “This is how we support our conclusions and enhance the confidence of lenders in the determination of our valuation. A big advantage, especially in regards to the improvements in mobile technology, is that when an appraiser shows up at a property that is different than what they expected, they can utilize their connectivity to pull different comps or source additional market data, all while in the field, resulting in little or no delay in delivery of the final report to the customer.”

With more homeowners able to research the “value” of their homes on their own, appraisers are often left in a position of explaining their conclusions to the homeowners or others involved. Technology solutions can help appraisers do just that, Rumfola said.

“With some of the customer-level tools available in the marketplace today, homeowners are getting glimpses into recent sales, and expecting to handle more of their loan transaction online,” Rumfola said. “For many customers, this access to data is simply overwhelming, while at the other end of the extreme the data can cause disruptions to the originating process. But more often than not, homeowners can begin to see how marketplace data is used to arrive at a well-supported value.”

# 'Mobile' appraisers make for efficient appraisers

Change.

It's a word most people don't like to hear. In the professional world, veterans in all types of professions frown on the notion of trying to do things differently, while mandates directly from the employer regarding "new ways of doing things" isn't exactly met with a high degree of optimism.

But in the appraisal industry, change can be a good thing. It all depends on how you approach it.

**Dustin Harris**, also known as "The Appraiser Coach," is a certified residential appraiser in Idaho. Harris continues to teach appraisers how to be more efficient and successful on the job. Such efficient and successful tools include the usage of technology, and in particular, the adoption of mobile devices.

In terms of finding success with technology, Harris refers to his "three-legged stool" model that reflects having a system in place, using technology as part of that system, and then applying those facets to your business.

"I teach people how to streamline and systemize their business. The big question is, can you change the way you're doing things now so as to improve that quality of work?" Harris asked. "Appraisers will need to step back so they can move productively forward. It's going to take time to learn those new ideas. This is the technology age we now live in. I believe that is the one tool in the last 10 years that has had a significant impact regarding the appraisal world."

Still, there is some resistance today when it comes to appraisers using technological devices on the job.

"Many don't want to embrace these technological tools," Harris said. "Change can be intimidating to some. One thing I hear all the time when I ask appraisers why you don't try it this way, is 'well, this is the way I've always done things.' To be successful and increase your business, that thought has to change."

Harris introduces many tools to his audience of appraisers including laser devices that measure distance, which he says is a big advantage when

it comes to inspecting property.

**R. Wayne Pugh**, a former chairman of the Louisiana Appraisal Board and currently head of Software for Real Estate Professionals, agrees as well that the usage of the measuring tool is key in that it allows the appraiser to turn individual measurements into useful numbers on the spot, labeling keys that let the appraiser access and control a wide range of features, the use of functions such as addition and subtraction with area and volume calculators, and much more.

"To me, everything is heading to the cloud and to the field to enable appraisers to get the work done efficiently, fast and get that informational report to the client as soon as possible," Pugh said. "We all know that this has become more and more of an issue, regarding accuracy and quickly for reports. Google Drive is one of the finest Cloud-based devices available. It enhances Word, Excel and PowerPoint. It's powerful. Google stays on top of technology, exceeding Microsoft."

Pugh also says that appraisers should want to get in on using many of the technology apps on the market. "The Evernote is a great tool for appraisers to use," Pugh said of the app, which takes and files notes on a mobile device. "I highly recommend it."

Is cost something appraisers need to weigh when aligning themselves with technology tools?

"Some devices can be more expensive than others," Pugh said. "But in this world, you get what you pay for. In this technological world of appraising, spend the time to learn the particular product that you are using in the field."

Pugh also emphasized the ease as to appraisers getting all of the technological information they need for assignments, while utilizing tools such as cloud storage.

"We are at the edge of an information revolution where all of the data and analytics are available for appraisers to deliver credible valuation results," he said. "We can understand the macro and micro trends that impact value, and knowing what to do with this information will separate the analyst from the rest of the pack."

"To meet the demands of clients who expect faster



turnaround times, real estate appraisers need to have access to information and tools at the office, on the road and at home," Pugh said. "Take the time to find the service(s) that best help you with your own specific needs. Their security features will always exceed any security measures you can implement with your own systems."

Pugh said real estate appraisers should also take time to look at data analytics tools that can help them perform while on the road.

"In years past, data was scarce and analysis was limited to just a few properties. Today real estate appraisers have access to large volumes of data and the tools needed to process, manage and analyze this data in ways never before possible," he said. "The tools, along with the many that will follow, will help appraisers better understand the market dynamics and provide more credible information for their clients. Take the time to study these options to see what these new products could do for you."

"New technologies will continue to provide real estate appraisers with more efficient tools to prepare credible appraisal reports that help their clients meet their strategic objectives. Take the time to stay in touch with new developments and evaluate their appropriateness for our practice," Pugh added.

iPads and tablets also are beneficial to the appraiser in the field. The idea of appraisers learning new ways of doing things from other valuers of property is always a good thing.

"Appraisers cannot be successful on their own," Harris said. "You need to have successful people around you, a team. The input you get from other successful and educated people is invaluable."

The challenge for appraisers, including those with much experience, continues to be convincing them that mobile technology is the wave of the future.

"For years, I saw great resistance to the idea," Harris said. "That is no longer the case for the majority of residential real estate appraisers. Most are using computers in the field to gather data. When the appraiser did embrace mobile technology, most went directly to the larger tablets."

"I suppose they were easier to see and more like the clipboard and paper they had gotten used to," Harris added. "The trend now is toward the smaller, smartphone devices. Both iPhone and Android smartphones have improved screen resolution, so much that a smaller screen now looks to the eye much like a larger tablet did a few years ago. Personally, I use the iPhone 6 Plus. It is a good compromise between a bulky tablet and a smaller smartphone."

Forsythe Appraisal President and CEO **John Forsythe** said although change might be difficult, the industry has been learning to adapt.

"We believe we have arrived at a time of great opportunity in our appraisal profession, and by embracing the adoption of technology and data we will thrive and create a very bright future," he said.

From what Harris and other experts in the field have seen in a year's time, appraisers are adapting more to the technology era. "My evidence of that is only anecdotal as I talk to appraisers at conferences and in my coaching sessions across the country," he said. "I have seen an explosion of appraisers utilizing computers and laser measuring devices in the field in the past 12-18 months. It is the 'in' thing to do."

In many cases, with all of the regulations and demands made of the appraiser, the usage of technology has become the "must" thing to do. The perception of technology devices has changed, according to Harris.

"Many appraisers originally saw mobile devices as a barrier to efficiency," he said. "It took them longer to collect data in the field using these devices than it did to use their proven, analog ways of the past. That perception has changed."

In the age of turnaround times being of the utmost importance, mobile devices allow the appraiser to better budget their time on one assignment and get started on the next, they said.

"Appraisers have been exposed to the way tablets, phones and lasers have decreased the amount of time spent on each report and increased their bottom line," Harris said.

Overall, the mobile devices for valuating property are now a very important tool at the appraiser's disposal.

"Technology is here and there is no going back for forward-thinking professionals," Harris said.

"You need to have successful people around you, a team."

**Dustin Harris,**  
"The Appraiser Coach"

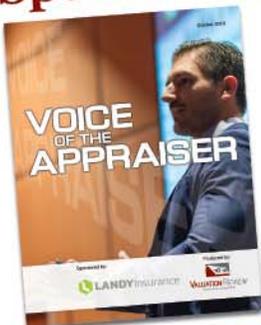


# VALUATION REVIEW

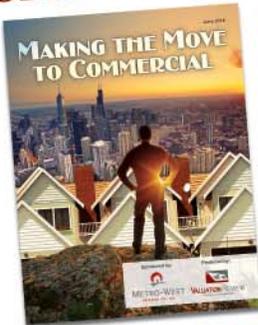
There is no comparable



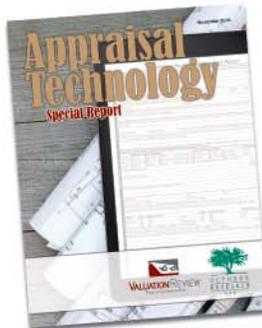
## Special Reports



FREE DOWNLOAD

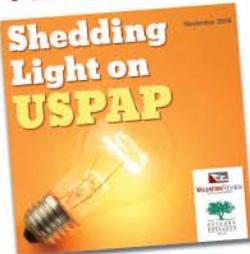


FREE DOWNLOAD



SUBSCRIBER EXCLUSIVE

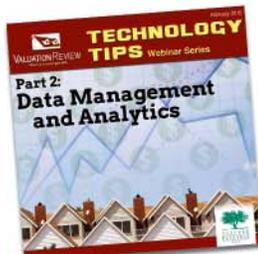
## Webinars



RECORDING



RECORDING



RECORDING