APPRAISAL TODAY

Fannie's big changes: New Forms, Revised UAD and Bifurcated (Hybrid) Appraisals

What do lenders want? No appraisals or very fast appraisals. What do investors want? Valuations that reduce risk. Fannie is in the middle, focusing on making appraisals faster, using new forms/UAD plus bifurcated appraisals.

Fannie is in Year 2 of a 3 year plan to get appraisals done faster.

Revising the forms to take less time filling them out with much less typing. UAD changes to collect more data from the new 1004 to make it less difficult for appraisers to fill out the UAD.

Bifurcated (hybrid) appraisals have been in used for a long time. A non-appraiser does the inspection and the appraiser does the rest of the desktop appraisal. The big issue is who does the inspections. Fannie is currently testing this. Redesigned forms and UAD changes will be much more difficult.

This article focuses on Fannie's changes to the current form appraisals and uses the term Appraisal instead of Appraisal Report. *As we all know, appraisal is the process of developing an opinion of value. Appraisal Report is the communication of the appraisal, typically in a written report.*

Fannie's two goals

The first is to speed up getting appraisals completed by changing forms to increase usability and functionality. They are listening to what appraisers tell them. Appraisers know best what is wrong about the forms and UAD and how to streamline their appraisals to make them faster.

Fannie wants to let you focus on what you do better than anyone else: market analysis and valuation done by human appraiser, not a computer.

Their second goal is to improve the appraiser credibility by making their appraisals more reliable. For example, their analysis of UAD results showed that appraisers all over the country were using $20 per sq.ft. GLA adjustments were the same for all properties, whatever the value.

The Good and The Bad

The Bad: Bifurcated appraisals with non-appraiser inspections. We like working in the field and don't trust others to do inspections!

The Good: New streamlined 1004. Can't wait for it to happen. UAD is a mess.

My last article on Fannie changes was in June, 2018, soon after the May 22 announcement came out. Since then I have been including links and brief comments in my free weekly email newsletter.

This article combines all my information sources and comments into one article, to fit it all together.

An upcoming issue will have an article focusing on what technologies are being used or planned for appraisers and lenders to "go digital". For example, how will artificial intelligence affects appraisals and lenders?

What about bifurcated appraisals?

Fannie is testing who does the best inspections. Getting appraisers to complete bifurcated appraisals will require that appraisers are comfortable with who does inspections. "In the cloud" data and forms that are easy to fill out with lots of pre-filled

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data from inspections and other sources. A standard report form is mandatory, although I don't know if they are working on this.

Fannie is testing using appraisers and inspectors with the 1004P form, as it is available. The 1004P is almost identical to the 1004 with changes to reflect that the appraiser does not do the inspection. The final form will be very different from the 1004P.

Two Goals: Bifurcation and Modernization (forms, UAD)

Modernization
• Simplifies report production and saves time

Bifurcation
• Property Inspection is a growth business
• Reduces the need for conventional appraisal
• Inspection data to be provided to appraiser
• Conventional appraisal process unchanged

What about Freddie Mac?
In this article I use "Fannie", but Freddie is also working on updating the forms and UAD. Only Fannie is working on bifurcated appraisals.

As of March 2019, Fannie says "we are to collaborate with Freddie Mac on updating the Uniform Appraisal Dataset (UAD) and the appraisal forms."

Second, we're directed to work independently on modernization of the appraisal process." (Bifurcated appraisals)

Legacy appraisals
Producing an appraisal report is still a legacy business. Collecting data, pictures, working the sales grid and then writing the report. It's definitely easier and faster than it was 30 years ago, but we still follow the same steps.

"We must transform appraisals from a legacy to a digital business to stay relevant."

Major Changes Coming
• Appraisal Process
• Appraisal Inspections
• Appraisal Dataset
• Appraisal Forms
• USPAP Changes
Source: Jeff Bradford (Bradford Technologies, Clickforms)

Why is Fannie Mae changing appraisal reports?
We all know about the old 1004 with duplications, poor layout, etc. FHFA, their regulator, wants appraisal modernization.

Here is what Fannie says (direct quote from Appraiser Update March 2019):

"Each year, the Federal Housing

Finance Agency (FHFA) creates a "scorecard" that lays out key objectives they expect us to accomplish during the year."

"Since 2018, our scorecard objectives have included appraisal modernization, with two areas of focus".

"First, we are to collaborate with Freddie Mac on updating the Uniform Appraisal Dataset (UAD) and the appraisal forms."
"Second, we're directed to work independently on modernization of the appraisal process."

"To achieve the scorecard objective, we have been testing a variety of technologies and methodologies that could enhance our ability to manage collateral risk and make the process more efficient for lenders, borrowers, appraisers, and investors."

Timeline infographic below
In Q1 2018 was Planning, Q2 was Stakeholder Engagement, Q3 was Data Analysis and Industry Announcement (May 22). Q4 2018 and Q1 2019 was Reporting and Feedback to FHFA. Q2 2019 is Follow up Stakeholder Engagement.

Industry stakeholders include: appraisal software and forms vendors, lenders, appraisers, appraisal management companies (AMCs), industry groups and trade associations, and government agencies and departments.

Fannie Mae and Freddie Mac
Three Year Initiative to Improve Collateral Valuations

You are here
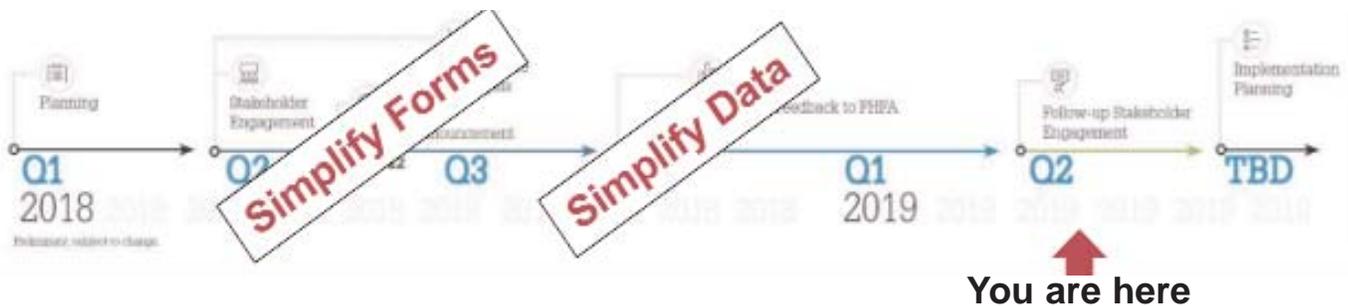
What Fannie and Freddie representatives said

Last August, Fannie Mae CEO Timothy Mayopoulous stated, "Appraisers should be at their desks, not in the field with a measuring tape or making phone calls to track down homeowners." He also said: "We are focused on reducing appraisal turn-around times."

There are pilot programs to test the validity of using third party inspectors paired with appraisers at their desks to study if appraisals can be produced quicker without a loss in quality. Fannie is also testing who does the best inspections.

In May 2018, Scott Reuter of Freddie described the current form as "archaic". They are considering all options including that there might not be a form at all, but could even be some sort of online schematic or portal for a give and take of information. He said that "big data is here to stay".

The UAD and Forms Redesign Initiative

From their March 2018 announcement: "Fannie Mae and Freddie Mac (the GSEs) launched an initiative to update the Uniform Appraisal Dataset (UAD) and uniform appraisal reporting forms. The UAD and Forms Redesign initiative will leverage extensive stakeholder input to update the appraisal dataset, align it with the industry-standard MISMO® Reference Model Version 3.X, and overhaul the uniform appraisal forms to establish a more flexible, dynamic structure for appraisal reporting."

"This work is designed to provide greater clarity to lenders, borrowers, and investors; simplify appraisal reporting and reviewing; and build a foundation for appraisal modernization."

The current 1004 has about 700 data points, not all of them relevant. Based on the changes the GSEs made to the 1003 (loan application form),

the new 1004 will be pared down considerably, with fewer data points, creating a new slimmed down UAD dataset based on the new MISMO 3.3. (The current UAD is based on MISMO 2.6.).

Forms will be shorter. More relevant fields will have UAD. Hopefully, the duplication of information and including factors, such as flood zones, that lenders get, will be eliminated.

Most of the data in the current forms (about 700 data points) is not formatted for UAD, and is not used in Fannie's database. This greatly limits the reliability of Fannie's statistical analysis, including AVMs.

What did the industry stakeholders consider the most important for forms?

This input was done from early 2018 through mid-October.

High level objectives:

Respondents overwhelmingly validated the three objectives proposed by the working group:

1. Provide the industry with a higher degree of clarity of data that will be used to drive risk analytics and underwriting decisions.
2. Provide updates and additions to the existing data elements that are representative of the current appraisal and technology environment, but flexible enough to support future changes in a timely manner.
3. Redesign the appraisal forms to improve usability for all stakeholders:

   1. Problems with Data elements that comprise the UAD and are captured in forms
• Lack of standardization
• Data shortcomings
• Ineffective images
• Data inflexibility
• Lack of context to support analytics
• Disparate data sources

   2. Problems with forms, including:
Static/inflexible, not dynamic

2. Sales comparison grid shortcomings
• Lack of uniformity
• Outdated certification language
• Excessive information

General comments:
• Alignment - current data set and forms do not sufficiently align with USPAP and state regulatory requirements
• High level of effort needed to implement new forms - allow time
• Reduce total process time
• Eliminate industry duplication
• Overall this effort will be worthwhile despite level of effort to change.

Sample comments from Industry stakeholders
(My comment) FYI, it looks like much of this could have come from appraisers!!
• Lack of Standardization: All property types should have a consistent data standard, Example: UAD 2.6 does not cover all form types such as co-ops, manufactured homes, and small residential
• Facilitate land only appraisals
• Ensure that the right data is available when making an underwriting decision
• Vague condition and quality ratings (C1 - C5, and Q1 - Q5)
• Standardize concessions and contract information
• When possible, eliminate abbreviations
• When abbreviations are necessary, ensure standardization across all property types
• Standardize property addresses
• Change description elements to discrete data elements (reducing the need for addendum text)

Value of Data Collected
• Too much unnecessary or duplicative data is being captured; section by section data repeats itself numerous times throughout the forms
• The appraiser should not be the source of record for project information data
• Make a distinction between the responsibility of the property inspector versus the appraiser for data collection
• "Geo-tagging" would help overall reporting of data

Static Forms - Enable Dynamic Forms
• Current forms are not flexible and need to be more innovative; data needs to drive the form… not have the form drive the data
• Forms need to have the basic layout for sections, as well as a summary page for different types of audiences
• Discourage "form-filling" behavior, to enable the most essential information to be recorded and collected accurately
• Allow the form to populate by filling in a few specific, crucial fields

(ex: property type & location)
• Dynamic forms can free up appraisal firms to offer customized valuation products to market participants
• The dynamic features should support a flow of information through a set of waterfall questions (there was one adverse respondent to this approach)
• Update and Completion Sections in the 1004D should have separate forms or sections
• Appraisal update (1004D) should include Additional Comps, Listing Status that may result in potential adjustments
• Income & Cost Approach isn't always needed & should have its own area

Excessive Information
• The forms are outdated and contain far too much information
• Too many commentary lines in some cases, and in others, not enough space; this leads to the use of addendums which bury information necessary for underwriting

What will the appraisal report input screens look like?
It will be very different than today. The current forms were done in 2005, when there was no UAD. They are very outdated, as we all know.

They will be in the cloud and will not look like the current forms on your screen. You will use your web browser, not forms software on your computer.

Reports will be dynamic and not forms driven. Sections will go in and out, depending on what is needed. There may be an executive summary of the data.

Residential appraisal reports may be set up with one master file with fields for 1004, condos, co-ops and 2-4 units. For example, if you are appraising a condo, the software selects the appropriate sections for a condo report. Or, Fannie may start with the 1004 redesign and add others later.

Uniform Residential Loan Application

Verify and complete the information on this application. If you are applying for this loan with others, each additional Borrower must provide information as directed by your Lender.

Section 1: Borrower Information. This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

1a. Personal Information

Name *(First, Middle, Last, Suffix)*
John A. Homeowner

Alternate Names – *List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix)*
John Adams Homeowner

Social Security Number 123 – 45 – 6789
(or Individual Taxpayer Identification Number)

Date of Birth *(mm/dd/yyyy)* 01 / 01 / 1980

Citizenship
◉ U.S. Citizen
○ Permanent Resident Alien
○ Non-Permanent Resident Alien

Type of Credit
○ I am applying for **individual credit.**
◉ I am applying for **joint credit.** Total Number of Borrowers: 2
  Each Borrower intends to apply for joint credit. *Your initials:*

List Name(s) of Other Borrower(s) Applying for this Loan *(First, Middle, Last, Suffix)*
Mary Ann Homeowner

Marital Status
◉ Married
○ Separated
○ Unmarried
  (Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)

Dependents *(not listed by another Borrower)*
Number 2
Ages 10, 14

Contact Information
Home Phone (999) 222 – 1234
Cell Phone (999) 333 – 5678
Work Phone (999) 444 – 9876 Ext. 321
Email johnhomeowner@email.com

Current Address
Street 175 13th Street Unit # 1A
City Washington State DC ZIP 12345 Country USA
How Long at Current Address? 1 Years 6 Months **Housing** ○ No primary housing expense ○ Own ◉ Rent ($ 1,500 /month)

Fannie's New Dynamic Universal Residential Loan Application (URLA) almost completed

The GSEs are in the final stages of their revision of the Universal Residential Loan Application (URLA), form 1003. It is not a form with boxes to fill in, like the current URLA. Instead it uses check boxes to customize what the application looks like after processing. For example, different reports are produced for one vs. two borrowers.

This form was much easier to redesign than the 1004, as there is significantly less data.

See the previous page for a sample.

It is not a form to fill out, like the old URLA. For more info, go to www.fanniemae.com/singlefamily/uniform-residential-loan-application .

You can see the old form and the new form there. To look at the current form, click on 1003 on the right side of the page. To see the new dynamic form click on Form 1003 Sample Applications then Purchase or refi.

How long will it take to complete the forms/UAD changes?

I am hearing 1-2 years, but this seems optimistic to me.

Deciding what data and where to put it on the new forms will take time. The plan is for fewer data points. UAD for existing data fields may need changing. New UAD will be required for new fields.

The biggest issue is dynamic forms software, if this is what Fannie chooses. Current forms software is forms based, with "one form fits all". Changing to dynamic forms could take awhile for the forms software vendors to develop as it requires technology changes.

High Level of Effort to Implement
• The level of effort would be quite huge, as the changes extend beyond just form layouts; The more powerful issue is the data capture and flow

through to the lenders and investors
• The beta version of a similar initiative took one respondent 9 to 12 months to develop and introduce
• Will require a minimum of 6 months specifically for mapping the UAD and global connect DI - Mismo 2.6 to 3.x
• Policy changes and changes within an industry are slow to develop and have differing timelines; thus, this will require a large level of effort across the industry
• Implementation across the industry will be significant, with required training necessary throughout

Data elements

Most of the current "theme or concepts" are listed. Examples:

The current condition ratings are vague (C1 - C6)

The current quality ratings are vague (Q1 - Q6)

Read the full report: UAD Stakeholder and Feedback Analysis

Download and Read the Excellent 33-page report, UAD Stakeholder and Feedback Analysis, 11-30-18 at https://www.appraisalinstitute.org/file.aspx?DocumentId=2299

How are appraisers involved?

Fannie had booths and representatives speak at many appraisal conferences. Official announcements were sent to appraisers May 22, 2018 and March 2019. Links are at the bottom of this article.

In May 2018, Fannie met with an Appraisal Institute committee and asked for comments on these questions:

"On behalf of the Collateral Policy & Strategy team, we appreciate and value your feedback as we migrate to a more data-centric approach."
1. As the entire industry is moving towards a more digital mortgage process, what would the ideal appraisal process look like?
2. What component(s)of the current

appraisal process causes the greatest amount of confusion or dissatisfaction with the appraiser community? How would you solve for it?
3. What are the easiest and most complicated problems to solve in the current appraisal process? How would you solve for each?
4. How can emerging technologies support the appraisal process?
5. What component(s) of the appraisal process should not be influenced or changed by digitization and emerging technologies?
6. How can we best facilitate cost and process efficiencies while satisfying regulatory requirements and concerns of the appraisal community?
7. Please provide your suggestions on how Fannie Mae can foster appraiser independence, improved appraisal quality, and greater appraisal report transparency.
8. What can be done to reduce appraisal revision requests and value reconsideration requests?
9. What are the pros and cons to adopting a bifurcated appraisal process?
10. How can we better connect with the appraiser community?"

In mid-May 2019 Fannie sent surveys to a sample of appraisers. Myself and many appraisers received an email notice about it. I was not in the final sample selected and did not take the survey and don't know what was asked.

From legacy to digital appraisal reports
Current
• Rigid
• Forms-Driven
• Limited Market Insights
Future
• Dynamic - flexible forms, depending on what is needed
• Data-Driven
• Transparent - lender knows what is happening

Bifurcation Pilot Test Summaries
   Testing New Technologies
1. Mobile apps to capture data
2. Artificial Intelligence to process data
3. New Cameras (photos and videos of interior and measurements)
4. New integration processes (get info into appraisal)

Key Takeaways for Appraisers
   Change is inevitable.
   Appraisers will continue to do conventional appraisals, but will have opportunity to specialize.
   Appraisers may benefit from adopting new tools and techniques. USPAP provides flexibility in Scope of Work.
   In the future, appraiser's role will be focused on market analysis rather than the historical role of data gathering.

What digital transformation means for you
   Changes like simpler forms just make a legacy business a little bit quicker.
   Per Jeff Bradford:
   "Producing an appraisal report is still a legacy business. We all do it the old fashioned way-manually collecting data, pictures, working the sales grid and then writing the report. It's definitely easier and faster than it was 30 years ago, but we still follow the same steps."
   "The future for appraisers is focusing on market analysis, not data gathering."
   "If appraising is to remain relevant and not marginalized by appraisal waivers, it must transform itself into a digital business. The GSEs are going to make some structural changes to the process. They will probably simplify the form, remove some fields and reduce the amount of data that needs to be collected. This change will make it quicker to create a report, but it does not transform appraising. It does not transform a legacy business into a digital business. Appraisers are the ones who need to make this transition."
   "Appraising is at an inflection point. It needs to improve quality (no more silly mistakes, unsupported comps and arbitrary adjustments) and it needs to realize that it's in the appraisal delivery business. The industry needs to start collaborating to improve efficiency, quality, transparency and delivery speed. The one size (1004) fits all approach is no longer an option. This is primarily why you see so many different alternative valuation products springing up."
   "What does it mean to be a digital business? It means that you are doing most, if not all your work in the cloud, in a digital workspace."
   Source: Jeff Bradford

Digital Transformation of the Banking Industry
   Example: JPMorgan Chase is building a Silicon Valley Campus for 1000 employees to develop their digital business
   JPMorgan Chase is undergoing a transformation, moving away from offline legacy systems and into the digital age.
   Over the past two years, the bank has spent nearly $20 billon to scale its technology and prepare itself for the next generation of banking.
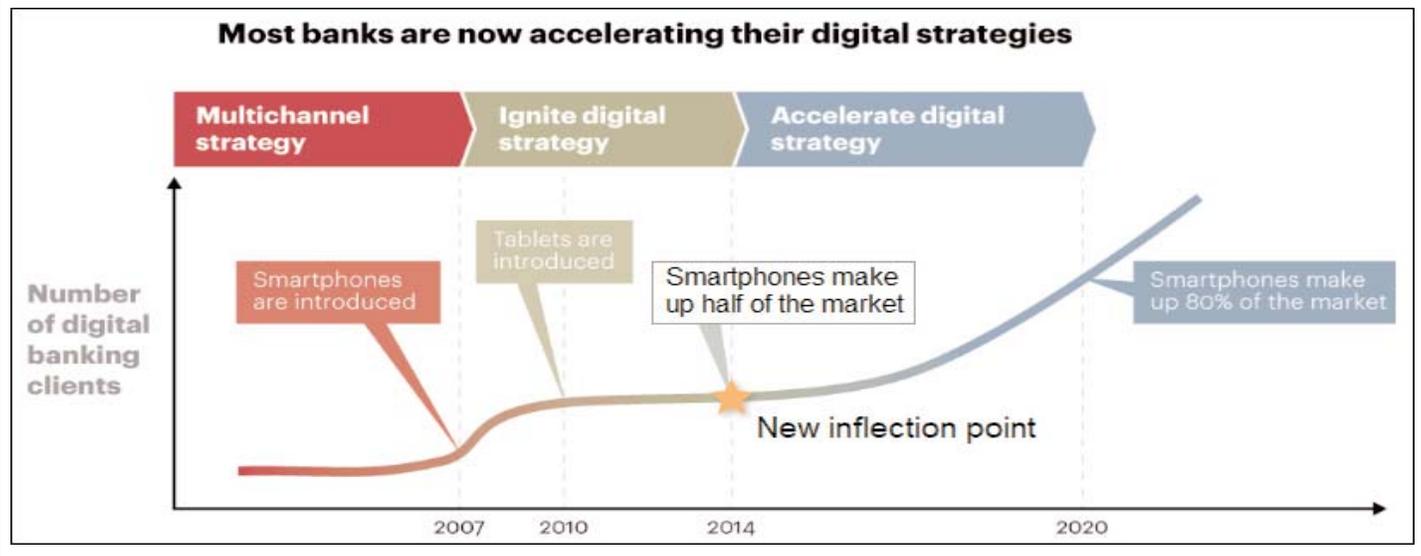   Source: Jeff Bradford (not a direct quote)
   A Digital Business Delivers their services/products:
• Anytime
• Anyway
• Anywhere
   Digital enables speed, flexibility, connections.

Digital Transformation of the Banking Industry

Most banks are now accelerating their digital strategies

Technology and demographics are driving the banking and appraisal changes

The millennials (22-37 years old)are forcing businesses to change. It is estimated that at their peak, there will be 75 million of them... larger force than the baby boomers…. They live in a digital world connected by their mobile phones, and they expect everyone they deal with to be digital as well.

This includes the mortgage industry. For example, 22% of millennials said they would switch banks if it had free coffee. Lenders see the future of their business and are trying to adapt. Millennials say: "What do you mean it takes 5 days to clear a check?"

Millennials have given rise to the FinTech industry -startups that are out to disrupt the financial industry. Their aim is to make it easy to get a loan, make payments and do anything financial using their smart phone, and they don't understand why an appraisal takes seven days. They certainly don't understand why last year there were areas of the country where it took four to six weeks to get an appraisal.

This pressure has caused the GSEs to take notice and to begin to take action.

Source: Jeff Bradford (not a direct quote)

Another factor is appraisal regulations

These include HVCC, Dodd Frank, federal banking regulations (i.e. deminimus) and the Appraisal Foundation (USPAP).

What is Fintech?

"Fintech" is widely used in the banking industry. Fannie buys lenders' mortgage loans, securitizes them, and resells to investors, Fannie wants to keep the lenders happy.

Here is a definition of fintech: "computer programs and other technology used to support or enable banking and financial services".

Fintech is one of the fastest-growing areas for venture capitalists. In the past few months I wrote about several VC funded appraisal companies, both residential and commercial. They are working on new ways to make appraisals more efficient in the free email newsletter.

How long have hybrid appraisals been used?

Last year I was at an appraisal seminar where hybrid appraisals were the hot topic. I spoke with two appraisers who had been doing them for a long time. One did them all over the country for various lenders (mostly portfolio analysis). They said the forms varied widely. Some were cut and paste from the 1004, including the wrong certifications. Others were custom forms done by the client. I am seeing more AMCs moving into this business.

The Mueller Company appears to be using the sales grid from the 1004 and other sections are data, in their "Mueller REO Hybrid Appraisal Report". For more info, go to www.appraisersblogs.com and search for the report name. Then click on the "report" link in the text.

There are lots of negative comments, but this report shows you what bifurcated appraisal reports may look like in the future.

The report is not a 1004P, but does include the 1004 sales grid.

A very knowledgable appraiser I have known for over 25 years is familiar with Mueller. He worked with them on a possible appraisal application in the past and said they

were a small company that went national when the sons of the founder took over management.

They have worked with insurance businesses for many years, providing "field reports in the insurance industry with expertise in residential, high-value, and commercial properties." For info on Mueller, go to https://www2.muellerreports.com/lender-services .

What is the 1004P Fannie form?

Per Fannie Mae in March 2019, "The scope of work, limiting conditions, and certifications in the existing URAR appraisal form (1004) are not suited to these desktop appraisals, so for our test we created a modified version of the 1004 that we call a "1004P."

This form is dated June 2017, but I was not able to find the form on Fannie's web site. It is available in many forms software.

It is being used for the Fannie bifurcation test. I saw online that one appraiser said Fannie was paying him $60 per hour to fill it out, significantly higher than what the AMCs are paying.

The appraiser has to manually fill in the entire form, which is very time consuming. A better way is to have the information, photos, etc. automatically inserted into the form. I am sure this is what Fannie is planning.

To see the 1004 and 1004P forms side by side, copy and paste this link *https://draftable.com/compare/sFziGE JJThHl?fbclid=IwAR2rmyqnVzlKszZS LYfdW-dxzLsM-E6Qg4F-fSAmQKWqkzxRxPq0Mkdvuu8*

NOTE: copy and paste this long link.

Appraisals vs. Waivers - more options in the future, including an appraisal

Some borrowers want an appraisal, even if a waiver is offered.

If the waiver passes, issue appraisal waiver.

Today, if the waiver does not pass, perform traditional appraisal.

The future, if the waiver does not qualify:

Step 1. Perform property inspection. If does not qualify go to:

Step 2. Perform analytics, predict risk & value. Does not qualify go to:

Step 3: Perform additional appraisal

Who does the inspections for Fannie's pilot test of bifurcated appraisals?

Fannie lists appraisers, appraiser trainee, insurance inspector, realtors/agents, property preservation services and smart home services.

Per Jeff Bradford, 3,000+ appraisals have been completed by 400 appraisers, or 7.5+ per appraiser. I assume they used the 1004P form. I assume the inspection was done using a standardized form.

Fannie is testing to find out who is the most reliable and accurate on inspections.

Inspection reports include:

129   Data Points Collected
45   Photos Collected
Detailed Floor Plan
(Not strictly designed for appraiser)

Who is the best non-appraiser for inspections?

I would probably prefer realtors/agents because they look at it from the owner's point of view, considering factors other than the value of the improvements. Also, every market is local, with differing preferences.

Who will know if there is a highest and best use issue (i.e. house next to houses converted to stores and offices.) External factors (busy street etc.), number of bedrooms (a contro-

versial topic), what is included in GLA (also tricky). Would they even know what photos to include to help the appraiser decide?

What tech changes are coming (maybe) for appraisals?

It is all about saving time, getting appraisals back faster, and increasing your hourly billing rate.

5G is coming in 2-3 years and will be 10 times faster than today's wifi. The person inspecting can send live videos from the field.

Currently, we can import MLS and public records data. Using software during the inspection that can integrate with your forms software can help.

What about measuring? Many new technologies for measuring from the inside (cameras) and the outside (satellite images for example).

How to make money doing bifurcated appraisals

Fannie's goal is get appraisals faster. They want to save time for the appraiser, letting you focus on what you do better than anyone else: market analysis and valuation done by a licensed appraiser, not a computer algorithm.

Your client must have the latest technology for making your appraisals easier. The goal is faster appraisals.

Online filling out the appraisal analysis in the cloud is definitely the best way to go. No hassles with software, uploading, etc.

The more that is automated by your client, the more money you make. If you have to fill out the full 1004P, don't work for that client. Every minute you spend re-typing data is money lost and a slower appraisal report.

You should not be spending any time checking the inspection data, except maybe doing google earth and street view to independently verify that they inspected the correct prop-

erty and described it correctly if you are suspicious and/or not familiar with the inspection company.

You should receive a report with the everything provided by the inspector already entered - formatted data, photos, sketch. Zoning should be included. You want to spend as little time as possible doing this. Your time is spent on market analysis, comp selection, etc. Automated invoicing, receipt of payment very quickly with direct deposit (checks take time), etc.

Other factors:

• Zoning verified with the city or county, with a link to zoning regulations preferred.

• Flood map and data included, if required.

• Not sure about how comp photos are done. You may have to use MLS photos.

• Market statistics and graphs

Should you do bifurcated appraisals?

Bifurcated appraisals are very controversial now.

Appraisers are not comfortable with someone else doing the inspection of the subject. But, we rely on MLS and public records data, which can be inaccurate.

We all hate change in the what we like doing. I became an appraiser to work in the field. I tried doing a few desktop appraisals and did not like them.

Bifurcated appraisals are a business decision. If properly done, they conform to USPAP. I suspect you will have little competition as many appraisers will be slow to adopt them.

Did you ever do a comp check? Per USPAP they are appraisals and must conform to USPAP requirements.

If you like doing desktop appraisals or reviews and prefer working in an office, you may like these appraisals.

You can also do the inspections. I am sure that some inspection companies would like to use licensed appraisers.

How much money you make depends on how automated they are. The more time typing, the more mistakes and time lost. If you are filling out the 1004P form, it will take too long with too many possible errors.

If you receive a report with the property inspection section, the photos, maps, etc. filled in it would be much better. Check out the Mueller report, discussed above, assuming you do not type in the data, pull in photos, etc.

What if you don't want to change?

The longer you take to change, the more business you lose.

Henry Ford said: "I am not selling a faster horse. Instead I am giving them an auto."

I haven't done a residential lender appraisal form since 2005. Do non-lender work.

About Jeff Bradford

Much of the information in this article is from a recent presentation by Jeff Bradford at a residential appraisal seminar. I have heard him speak many times. I also have used several articles he has written about technology and adapting to change for appraisers.

Jeff Bradford is the founder and CEO of Bradford Technologies, providing valuation services for real estate appraisers. He has over 30 years of experience creating solutions for appraisers and is a nationally recognized expert in computer technology and analytics, as well as in the valuation field.

Jeff has authored articles covering a wide range of topics in the appraisal industry.

Prior to founding Bradford Technologies, Jeff worked at companies such as Apple Computer, Structural Dynamics Research and FMC Central Engineering Labs.

Links

Fannie Mae appraiser page
www.fanniemae.com/singlefamily/appraisers

UAD Stakeholder Feedback Analysis
www.appraisalinstitute.org/file.aspx?DocumentId=2299

UAD Page
www.fanniemae.com/singlefamily/uniform-appraisal-dataset

Side By Side Comparison of 1004 and 1004P
https://draftable.com/compare/sFziGEJJThHl?fbclid=IwAR2rmyqnVzlKszZSLYfdW-dxzLsM-E6Qg4F-fSAmQKWqkzxRxPq0Mkdvuu8
NOTE: copy and paste this long link.

Old Versus New: Conflict or Opportunity?

By George Dell, SRA, MAI, ASA, CRE, CDE

My favorite old comfy chair and I sat in the living room. It fit me and felt safe. Just like I used to do my appraisal work-safe and dependable.

The **new** is disturbing and hazy. Distressing and even obscure. They call it "disruptive." We are told ours is a time of great data disruption. Everything will change.

So how do we cast the old versus the new?

Who and what are our actors on our stage? *What do these actors really want from us?* Is it even a new stage? Is it a wide-screen or old silver screen? How do we picture our work with what people want to hear about their property? About their loan secured by a property? About their chances of an income or gain on resale? Or just what it will cost them to have the tallest prettiest property in the land? What do people really want?

Is it paper, or electronic file? Is it form-fill or reasoning? Is it computer calculation, or adjustment sheet based on experience? Algorithms or familiarity? Art or science? Is it subject-matter expertise, or is it ability to program a computer?

A conflict, or an opportunity?

Such questions bring up more questions. But if we look at each of them one at a time, we may see a way out.

And a way in.

We will look at the first question last. What do *they* really want . . .?

Paper vs. electronic.

This seems trivial now but it can give us perspective. When I became an appraiser, we had MLS books. Comp books every three months. Wonderful. Everything in one place … with even the actual sale price!

And a weekly 'hot sheet'.

And the monthly *listing book*. Even if you had three easy comps, you had to make sure something nearby didn't just sell. Like in the last recent two months. You looked in the listing book. And if you found a great comp, you could call the agent and get the sale price, and even learn what was important to the buyers out there.

Experienced brokers could even help you with adjustments. You could ask questions like: "How much less do houses sell for on the busy street … in your experience?" The good agents could tell you. And you could tell which ones to trust. Some were a *reliable* source, others were not so reliable. We could tell right away. It was part of being a good appraiser-being a good judge of reliability of the data source. Hmmm . . .

Then came the technology.

It was in a box. Black and silver. It was about sixteen inches by sixteen inches, about eight or nine inches thick. It had levers and dials. Most importantly-it had cups. Rubber cups. They called it 'acoustical technology'. The cups. We were in our cups. The cups were designed to hold a phone handset exactly. The old regular black handset. Then colors. But the colorful "Princess" phones would not fit in the cups. Alas, that was not a problem. All phone booths had the old, regular,

Modern Phone Booth, push-button automated dialing!

black hand set. And usually a small shelf where you could conveniently put the 16" x 16" x "8" box with the cups.

60 Bps modems used frequency shift keying (FSK) to transmit digital information over a telephone line. In frequency shift keying, a different tone (frequency) was used for the different bits.

The special MLS lease modems had levers, dials and special settings. Designed to work in the field from just about any telephone booth!

Comps were hard to get. Sometimes finding even one good comp was a big deal. **It was an art.** Knowing where to put your effort. Who you knew was just as important as what you knew. Especially in the rural areas.

The acoustical cup technology seems clumsy today, but in its time, it was cutting edge. Getting comp information went from every three months printed, to monthly listing books, to weekly updates, to telephone modem, at an incredible 60 bps! Best of all, if you found the subject was weird, you just needed to find an empty phone booth.

It is easy to forget and **underestimate** how yesterday was so greatly changed by amazing technology.

It is difficult to prepare for an unknown future.

But it is possible.

So, what stands between me and the future. What does the lead dog see? What do the other dogs see?

The lead dog sees the forest and the hills to the sides. The lead dog also gets to see the trail in front-all the way up to the next rise in the trail. So how do you become the lead dog? And **how do you 'see'** over the next hill?

Can you see the trail in front? What do you have to do to find out what's over the next crest in the trail? Or to the sides of the trail? Or beyond the trees?

The future may require new skills, new tools, and more importantly- new ways of thinking**. How do you prepare?**

First, **listen to what people are saying**, and what is being written. Some technology tools are already here, and more are on the way. Most important is to listen to **what people want,** not what they used to settle for. Perhaps what they really need and want is not on the trail at all!

It is clear what we hear is that **data disruption is here**. Big data is here. Artificial Intelligence (AI) is here. Data Science is in - the solution. Are you in?

But what is on its way 'out'?

What is on its way out is the *point value opinion*. A **point-value** cannot calculate to any risk/reliability measure. Risk or potential is all clients really care about.

And what about opinion?

Well, everyone has one . . .

What can this affect? Well, USPAP dogma comes to mind. The Uniform Standards, congressionally chartered as they are - may be in trouble. USPAP is about an opinion. Your opinion. Your opinion of value.

USPAP is about being 'credible' - believable. "Worthy of belief" it says. (It does *not* say *analytically useful*). Is it possible that the *belief-based* standard, on a practical basis, is on its way out?

APPRAISAL: (noun) the act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Can you provide something besides a point value opinion of market price? USPAP says yes.

Comment: An appraisal must be numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value).

It appears an appraiser can, at a minimum, provide:
• a range of value
• a *validation* of a minimum value
• a flexible scope of work

What *they* (the public trust) need (among other things):
• Risk assessment
• Revaluation
• Bank stress testing
• Price forecasting
• Collateral validation

How to provide a range of value, less than, etc.

Here's the rub. Appraisers know how to **provide an opinion** of value. Some **fill out a form** to pass the checklists. Others **write a storyline report** with sufficient 'support' for the opinion to pass minimums.

There is little theoretical or practical knowledge on how to provide a useful opinion of a *range of value*. Or if the sale price is *valid* (no less than). Or on how to provide an opinion on 'how sure, or how uncertain one is that the point value is "not less than," as the definition allows.

If we look at these client needs, and what USPAP *allows*- then different work is needed. More analysis or *different* analyses. So now we have a hint, a direction, a sense of how we can prepare for the future. The future is in risk analysis. Dealing with uncertainty. Or at a minimum- relate the appraised value to a reliability measure. So how do you prepare for this opening on the trail?

What does it take to provide an appraiser's estimate of uncertainty?

There are three viewpoints or possibilities:
• The opinion can be **fully subjective**, based on the appraiser's prior experience and training.
• The opinion can be **objective** (as possible) depending on the homogeneity of the market area, the number of sales, and the similarity of the recent sales to the subject.
• It can be a **combination** of the above two, with some algorithm/numerical measurement, and opinion scoring where judgment is required.

Here is the good news. While AVMs (Automated Valuation Models) have been rated by **FSD** (Forecast Standard Deviation) for years, traditional appraisals still beat out AVMs in certain ways. The bad news for appraisers is that AVMs continue to get better in terms of accuracy and 'hit rate'.

What do we do? What do we need to learn?

How can the average appraiser prepare for this inevitable need? Is an appraisal FSD lying on that path, just over the next rise in the trail?

Remember, the need for appraisal arose from the need to evaluate risk (or potential gain), or find fairness. Historically, the reckoning of risk was performed by underwriters, assisted by chief appraisers and appraisal reviewers. The reckoning of risk was subjective, constrained by limited computer power and limited data.

Experience and judgment and integrity were supreme.

The subjective opinion point value appraisal was good enough. Therein lies the problem. **Yesterday's "good enough" is not today's "good enough."** Regulator and bank stress testing is all about risk. Portfolio management is all about risk assessment and calculation. Stress testing and revaluation. It is about (or should be about) watching for the black swan - the outlier.

Where to start

Nevertheless, the starting point is the individual appraisal. The individual appraisal is an opinion, not a mathematical result. Appraisals as a whole are highly *non-normally* distributed, with very few hitting a number below the sale price, and highly skewed, clustered very heavily at or near the sale price, trailing off to the

right-above the known sale price. Theory would tell us this should be normal bell-curve shape, or log-normally distributed!

The lack of a reliability estimate on individual appraisal results, combined with the clear summary overall bias of USPAP-compliant appraisals as a whole-makes it impossible to give the collateral industry what it really needs. An instance of this is Fannie Mae's determined drive to initiate the "bifurcated hybrid" appraisal. What Fannie Mae is trying to accomplish is some way of matching valuation fee and speed to the reliability level needed, given other information available to Fannie Mae. This is about the need for risk assessment, not a point value.

A point value opinion was sufficient thirty or even ten years ago. Today it is not. That is my opinion!

So what can an appraiser do to prepare for the future?
• Learn something about **econometric thinking** as it relates to data and risk and reliability. Appraisers are actually asset economists. Econometrics is the practical application of subject matter expertise (valuation) combined with mathematical modeling, and statistical thinking. Asset assessment is simply a theoretical subset of econometric analytics.

• Learn something about **data science**. Traditional statistics (and 'advanced' quantitative methods) are obsolete for appraisal relevance. (Inferential statistics were never appropriate, and should be banned from appraiser education!) The emphasis is on dealing with complete data sets. It is about data selection, optimization, and predictive methods.

• Learn something about **computation**: software that is designed for analysts, not accountants. In particular, non-residential (CRE) appraisers must recognize the mental constraints and inadequacies of the accountant's spreadsheet. Given today's technology, and brain-machine optimization, this is a must. What is needed is the integrated use of algorithms with expert judgment.

MBA Loan Volume Application Index – 1/16 to 5/19

Market Index   100 in 1990
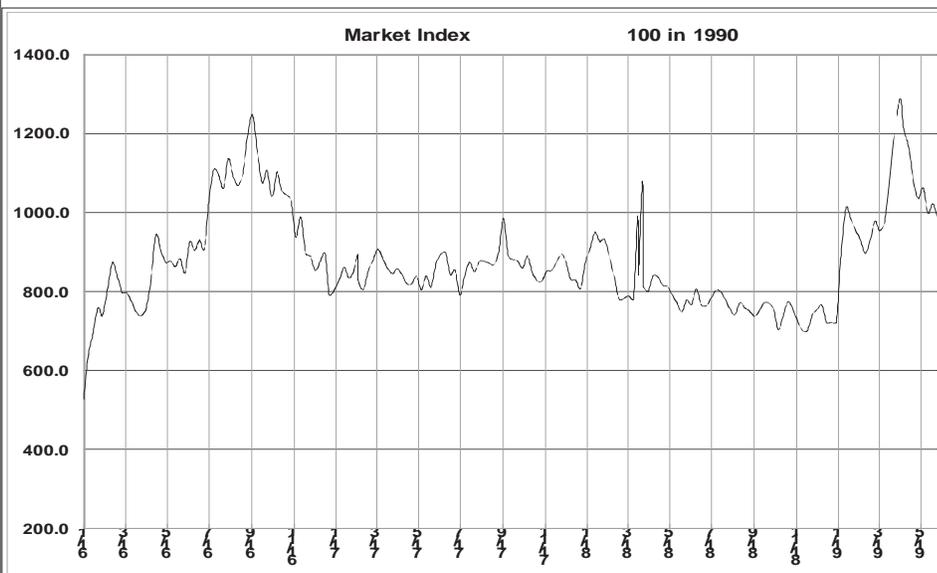
My Stats, Graphs, and Data Science1 class

While my Stats, Graphs, and Data Science1 class is basic, it **opens the door to new thinking, faster tools, and overall preparation for the future**. Some "accidental" circumstances of my life, and my love for economics as an academic discipline-led to my learning what today is called "data science," but long before 'data science' even had a name.

It was an accident. But I feel compelled to give back to a profession that has otherwise been good and gratifying. I like teaching. I like writing. I like providing a service that is greatly needed by appraisers, by our professional organizations, and for the public good.

My personal and our company mission statement is simple:

"Help the consumer and taxpayer through truth in analytics".

About the author

George Dell, SRA, MAI, ASA, CRE, CDEI is an AQB certified USPAP instructor

George consults and trains in modern data science methods for valuation and asset collateral risk. The EBV (Evidence Based Valuation)© theory and protocol - brings reproducibility to value and reliability authentication, and enables measurable risk/reliability scoring of valuations.

The georgedell.com weekly blog, raises often-controversial issues. (Editor's comment: Short blog style commentary. Plus some fun fotos. I have subcribed since soon after it started.)

The related www.valuemetrics.info website provides information on upcoming classes.

He also publishes TAAR (The Asset Analyst Report), and the CIAR (Collateral Investor Assay Report).

Check out one of George's peer reviewed journal articles in the Summer 2017 Issue of The Appraisal Journal Vol. 85 Issue 3, p 217-230. 14p.
"Regression, Critical Thinking, and the Valuation Problem Today." Sorry, only available to Appraisal Institute members.

Sign up for George's blog now at: www.georgedell.com

PC and Macintosh Keyboard Shortcuts

By Wayne Pugh, MAI, CRE, CCIM, FRICS

Most of us know a few keyboard shortcuts. We have also been exposed to other shortcuts but forgotten the keystroke. I am writing to provide a list of these shortcuts that you can get laminated at your office supply store. I hope you will find these helpful.

The kkeyboard shortcuts on the following e pages can be printed and laminated at your favorite office supply store.

Editor's note: I use a Macbook Air at home and never can remember those darn PC keystrokes. These tables will really help me. Plus, on my office PCs I won't have to google to find out how to do the keystrokes I don't use very often!

About the author

R. Wayne Pugh, MAI, CRE, CCIM, FRICS is CEO of real estate consulting and appraisal firm R. Wayne Pugh and Co., the head of Software for Real EstateProfessionals Inc. and a principal member of Real Estate Counseling Group of America. Heformerly served as president of the Appraisal Institute and as chair of the Louisiana Appraisal Board.

Operating System Shortcuts

The following are typical Windows keyboard shortcuts and their Macintosh equivalents that are specific to the Microsoft and Macintosh Operating Systems.

Action	Windows	Macintosh
Backward delete	BACKSPACE	DELETE
Capture whole screen to Clipboard	PRINT SCREEN	COMMAND+CONTROL+SHIFT+3
Capture front most window	ALT+PRINT SCREEN	COMMAND+SHIFT+3
Close active window	CONTROL+W	COMMAND+W
Copy a file/folder	CONTROL+ drag icon	OPTION+ drag icon
Copy to Clipboard	CONTROL+C	COMMAND+C
Create an alias or shortcut	Mouse right-click, then select Create Shortcut	Select item, then COMMAND+L
Delete to Clipboard	CONTROL+X	COMMAND+X
Exit a dialog box without changes	ESC	ESC
Find/Search	CONTROL+F	COMMAND+F
Force exit from unresponsive application	CONTROL+ALT+DELETE	COMMAND+OPTION+ESC
Forward delete	DELETE	DEL (Mac notebooks: Function (fn)+DELETE)
View item information or properties	ALT+ENTER	COMMAND+I
Log off Current User	Windows logo key +L	COMMAND+SHIFT+Q
Maximize window	CONTROL+F10	CONTROL+F3, then UP ARROW or DOWN ARROW to select minimized windows on Dock, then ENTER
Minimize windows	Windows logo key +M	COMMAND+M

New folder	CONTROL+N	COMMAND+SHIFT+N
Open file	CONTROL+O	COMMAND+O
Paste Clipboard content	CONTROL+V	COMMAND+V
Print	CONTROL+P	COMMAND+P
Exit/quit program	ALT+F4	COMMAND+Q
Rename file/folder	Select item, then press F2	Select item, then press ENTER
Save file	CONTROL+S	COMMAND+S
Select all items	CONTROL+A	COMMAND+A
Select more than one item in a list (noncontiguous)	CONTROL, then click each item	COMMAND, then click each item
Send items to Recycle Bin/Trash	Select items, then DELETE	Select items, then COMMAND+DELETE
Send/receive e-mail	CONTROL+K	COMMAND+K
Shut down	Windows logo key +U+U	COMMAND+OPTION+CONTROL+Eject key
Switch to next window	CONTROL + F6	COMMAND+~ (tilde)
Switch to previous window	CONTROL+SHIFT+F6	COMMAND+SHIFT+~ (tilde)
Toggle through open applications	ALT+TAB	COMMAND+TAB
Type special characters	ALT+ character key	OPTION+ character key
Undo	CONTROL+Z	COMMAND+Z

Microsoft Office Shortcuts

The following are typical Windows keyboard shortcuts and their Macintosh equivalents that are specific to the Microsoft Office and Apple iWork office suites.

Action	Windows	Macintosh
All Caps	CONTROL+SHIFT+A	COMMAND+SHIFT+A
Bold	CONTROL+B	COMMAND+B
Extend selection word left	CONTROL+SHIFT+LEFT ARROW	OPTION+SHIFT+LEFT ARROW
Extend selection word right	CONTROL+SHIFT+RIGHT ARROW	OPTION+SHIFT+RIGHT ARROW
Font menu	CONTROL+D	COMMAND+D (Office) or COMMAND+T (iWork)
Italic	CONTROL+I	COMMAND+I
Move to beginning of current or previous word	CONTROL+LEFT ARROW	OPTION+LEFT ARROW
Move to end of current or next word	CONTROL+RIGHT ARROW	OPTION+RIGHT ARROW
Move to end of current line	CONTROL+END	OPTION+END
New document, new e-mail message, and so on	CONTROL+N	COMMAND+N
Underline	CONTROL+U	COMMAND+U

Windows Internet Explorer / Safari Shortcuts

The following are typical Windows keyboard shortcuts and their Macintosh equivalents that are specific to the Microsoft Internet Explorer and Apple Safari Web browsers.

Action	Windows	Macintosh
Back	ALT+LEFT ARROW or BACKSPACE	COMMAND+LEFT ARROW or DELETE
Find word/phrase on a page	CTRL+F	COMMAND+F
Forward	ALT+RIGHT ARROW or SHIFT+BACKSPACE	COMMAND+RIGHT ARROW or SHIFT+DELETE
Browse to home page	ALT+HOME	COMMAND+SHIFT+H
Open new browser window	CTRL+N	COMMAND+N
Open new tab	CTRL+T	COMMAND+T
Print page	CTRL+P	COMMAND+P
Refresh Web page	CTRL+R	COMMAND+R
Switch to next tab	CTRL+TAB	COMMAND+} (right brace)
Switch to previous tab	CTRL+SHIFT+TAB	COMMAND+{ (left brace)
Toggle full screen	F11	None
Increase text size	CTRL+PLUS SIGN (+)	COMMAND+PLUS SIGN (+)
Reduce text size	CTRL+MINUS SIGN (-)	COMMAND+MINUS SIGN (-)