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APPRAISAL TODAY

UAD 3.6 - Yes, No or Maybe?

If you are Maybe

No big rush to learn to use the UAD 3.6 software. Lenders will be transitioning gradually from legacy forms software to UAD 3.6 software. Let education providers figure out what is important and then teach it.

If you are No

You will be able to use the current forms software for a while as appraisers, AMCs and lenders are gradually moving to UAD 3.6. As we learn more about the fees, time, etc. you may decide to do them.

If you are Yes

Learn how to do the UAD 3.6 software and a good mobile app. AMCs and lenders are looking for appraisers who are ready to go. There are very few appraisers that are ready. You will be first on their lists. Take educational classes and seminars.

Do not give up your appraisal license!

My husband was a master horticulturist who wrote weekly gardening articles in 3 newspapers and taught at 2 junior colleges. When he was younger, he let his landscaping license lapse and never got it back. He said it was his biggest business mistake.

Does your state allow you to put your license "on hold". Florida does. Yes, You will have to get your CE up to date.

In California, my state, when you let your license lapse you have two years to get it back. After that you start as a trainee all over again. However, California is a non-mandatory state. I only need a license for federally related transactions, which I have not done since about 2008.

What does your state allow?

Appraisal Buzz Survey - Have you received a UAD 3.6 order yet? February 14, 2026

Total responses: 285

No, and I won't ever do one. - 230 - 81%

No, but I want one! - 48 - 17%

Yes, and accepted it. - 4 - 1.5%

Yes, but declined it. - 1 - 1%

My comments: Not many are accepting orders. If you are a Yes or Maybe, consider learning how to do them and you will have orders with little fee competition!

Appraisal Reviews?

I cannot imagine what reviews will be like with all the data sources, ways to make adjustments, etc. etc.

Training

There is training on some topics. But what we all need is live or remote demos on each data point with what F-1 says is included. I found F-1 difficult to search.

Aivre software uses a link to an AI chatbot to search F-1 and it was great.

The beginning class, *The Appraiser's Guide to the New URA*R, did not help me much.

I used to teach a 7 hour seminar on the URAR form. I went over all the fields and spent a lot of time on the certifications and limiting conditions which few appraisers read. A similar class for UAD 3.6 going over each data field and other components such as size limit for comment fields would be very helpful.

IN THIS ISSUE

Recording field notes and photos - tablet, smartphone, clipboard and paper

Tablet needed for inspection?
If you have never used a smartphone or tablet with an inspection app the UAD 3.6 inspection apps can be intimidating.

How it helps
Reduces inspection time. For example, ceiling height.
Fills out part of report.
Can use inspection app on large smartphone or tablet
Inspection apps are available on Apple and Google.
Cost of tablet - see what the software vendor requires. Bradford requires IPad Pro. Others require a less expensive tablet. Some may require less expensive tablets or may not require lidar. You can always do measurements with your smartphone app.
Get a copy of the inspection software and see what it is like to use. Maybe you won't need a tablet.

Inspection using clipboard, pen and paper.
Carry a printed copy of the report?
Maybe someone will develop a pre-printed format to use with pen and paper.

Home measurement
Clipboard and tape/laser. Upload to report. Laser device works great for ceiling heights. Measuring using a smartphone with an app is faster.
Use inspection app that has measurements and produces a sketch.

Which UAD 3.6 software to use
Only a few software vendors are ready to go with all that is needed.
This is a good time to check out what your software provider is doing with their software and compare it with the other vendors.
The easiest way is start deciding which software to use is to try your current software UAD 3.6, if possible.
You must have legacy forms software. New software providers may not have this yet. Many lenders will be using the legacy software as they set up their UAD 3.6 management and review software.
Few UAD 3.6 software have been tested in the "real world" of AMCs and lender. Beta testing software checks how well it is working, but is not usually tested with lenders.
Some vendors have GSE "approval". This is usually only for the report itself, not extra "add ins" such as graphs, adjustment calculations, etc.

Where to see GSEs Integrated Vendor List
Go to https://singlefamily.fanniemae.com/integrated-vendor-list. (copy and paste the link). Scroll down the the Fannie Mae Product Interface to find UAD 3.6 Appraisal Software and click on search. As of early February, SFREP, Total, Aivre and Jaro were listed. The second two are new companies.

Where to get more info on a software company's UAD 3.6 progress
Use Facebook appraiser groups and search for the name of the software you are considering. Or try other social media groups. Lots of comments. Few appraisers are actually completing any appraisals for lenders.

AMC and lender fees - the hottest topic! Mckissock appraiser survey. Questions: Will the New URAR and UAD 3.6 Impact Appraisal Fees?
Excerpts: “With the new URAR and UAD 3.6 rolling out this year, you may be wondering what effect this will have on your fees.”
“While there's still a lot of uncertainty and speculation around this question, we're sharing the opinions of professional real estate appraisers who answered our survey, "How do you anticipate the new URAR/UAD 3.6 changes will impact your appraisal fees?"

Fee increases
Over 40% of respondents said they expect their appraisal fees to increase. Still, many respondents (28%) said they anticipate that fees will remain static, and 31% said they are not sure yet. Read their comments below to learn why or why not some appraisers believe their fees will increase with the new URAR and UAD 3.6.
Appraiser responses - worth reading
"I Expect Fees to Increase" (41%)
"I have had ample time to practice the new 3.6 through my software and the inspection time will be increasing substantially…. Inspections are going to take some time especially if the dwelling is more than 1,000sf, which most in my market area are well above that. The report cannot be submitted until all sections are 100% complete, so there will be more time contacting agents, homeowners, town facilities, etc. Hoping the learning curve will be quicker than it appears at this point in time."

Fees remain the same
"I Expect Fees to Stay About the Same" (28%)
"I think it will be more labor intensive in the field, but easier once you get back to the office."

"I expect fees to stay the same. There may be less form filling; however, the analysis will remain the same. It's not about the form or the analytics tools we use; it's the analysis itself."

The Bottom Line

While many appraisers anticipate that UAD 3.6 and the new URAR will initially require more time, tighter workflows, and new technology investments, the longer-term outlook is more balanced and, in many ways, promising.

Transitions of this scale often come with short-term growing pains, but clearer data standards, more structured reporting, and modernized tools are designed to create greater consistency and efficiency once the learning curve levels out. As several respondents pointed out, it will take real-world experience to understand where timelines and workloads ultimately settle.

At the same time, the new form offers appraisers a stronger platform to demonstrate the depth of their analysis, judgment, and market expertise.

To read more, especially all the appraiser comments, go to www.mckissock.com/blog/appraisal/will-the-new-urar-and-uad-3-6-impact-appraisal-fees/

Editor's comments on fees:

Fees are the hottest topic in residential lender appraising

Appraiser opinions are useful, but we all want to know what AMCs are planning for fees.

I anticipate higher fees by AMCs, borrowers and direct lenders. I have been writing about what is happening since early 2025, including details of all the "questions" and uncertainties on the SFR report.

Another significant fee factor is that many appraisers are retiring or leaving the business because they don't want to learn the UAD 3.6 for appraisers. Those who stay will have lots of appraisal work as the 11-2-26 mandatory deadline approaches.

UAD 3.6 is not mandatory until November 2, 2026. The Legacy forms will be used for awhile. Will it be done by 11-2-26? Currently, software vendors and lenders are way behind. 11-2-27 new mandate?

On the plus side, 41% of appraisers said fees would go up and are positive about the new reports.

How to use F-1

For tips on how to navigate Appendix F-1, see the topic F-1 for UAD 3.6 Help in the 2Q 2025 Appraiser Update.

Topic: Name: F-1 for UAD 3.6 Help https://singlefamily.fanniemae.com/originating-underwriting/appraisers/appraiser-update-june-2025 (You may have to copy and paste this link)

UAD 3.6 Articles in Appraisal Today

4-25 New URAR FOR APPRAISERS Fannie Q&As and other info

5-25 Train the Trainer and My review of the intro class

6-25 What's New. I list each page of SFR and go over each data request. Plus a PDF so you can see what it looks like.

7-25 Software vendor comparison. Details for Bradford, Total and SFREP and where to read and watch reviews.

11-25 software vendor update.

I planned on regular updates on the software in 2026 but it was moving too slow. I have decided to wait until their software is ready to go.

26% of Appraisers Feel Ready: What UAD 3.6 Demands Survey

Our latest survey of Opteon AMC Panel Appraisers reveals a readiness gap and a roadmap. Here's how lenders, AMCs, tech partners, and appraisers can close it together.

While 68% had already completed some form of training, only 26% feel well prepared for the transition, highlighting a significant gap that exists today between exposure and hands-on confidence. This is not a willingness problem; it's an enablement problem.

This contrast is exasperated further when we consider transition timing with 64% of appraisers expecting to be ready to accept orders by April 2026. A high bar, yet the much lower sense of preparedness suggests that optimism on timelines is not currently matched by practical readiness.

The anticipation of technical challenges is evident, with 60% of appraisers expecting to need support during implementation, and a majority concerned that training and rollout will impact their income due to time away from production.

These findings demonstrate an industry at a crossroads: Appraisers are eager.

Bridging the Gap: What the Industry Must Do

The survey findings make one thing clear: we need a support first approach. Here's what must happen: Lenders and AMCs must be realistic on timelines through the learning curve.

Technology providers must deliver intuitive tools that remove, not add complexity to move forward. But concerns about increased time and cost, unclear expectations, technology readiness, and workflow disruption remain prominent.

To read more, Click Here https://appraisalbuzz.com/26-of-appraisers-feel-ready-what-uad-3-6-demands-from-all-of-us/

My opinion

The new reports very interesting and I would do the UAD 3.6 reports. For a decent fee, considerably higher than for the legacy forms, I would work for direct lenders. Of course, I would never work for an AMC, which limits my options.

UAD 3.6 and Forms Redesign Broad Production Period is Here, as of Jan. 26, 2026

By Dave Towne, 1/27/26

GSE Announcement
Available Now in Broad Production: UAD 3.6 and Forms Redesign

The Uniform Appraisal Dataset (UAD) 3.6 and Forms Redesign Broad Production Period begins today, January 26, 2026. All lenders are now permitted to submit UAD 3.6 appraisal reports to the Uniform Collateral Data Portal® (UCDP®).

Submission of UAD 3.6 appraisal reports is not yet mandatory; however, lenders that have updated their systems and processes to support UAD 3.6 appraisal reports - including working with an appraisal software provider whose software has been verified for UAD 3.6 - are encouraged to begin integrating appraisal reports that use UAD 3.6 into their workflow. Gradually integrating UAD 3.6 appraisal reports will help lenders prepare for a full transition by the November 2, 2026 mandate, when all appraisal reports on loans sold to Freddie Mac or Fannie Mae must use UAD 3.6.

To learn more about the UAD 3.6 and Forms Redesign, visit the Freddie Mac and Fannie Mae UAD webpages. If you have questions, please contact your GSE representative.

The Uniform Appraisal Dataset (UAD) 3.6 and Forms Redesign Broad Production period starts today, January 26, 2026, with a mandate of November 2, 2026. All lenders are now permitted to submit UAD 3.6 appraisal reports to the Uniform Collateral Data Portal® (UCDP®).
EMAIL DATED 1-26-26
What this means is the process to order appraisals, appraisal completion using software coded for the New URAR/UAD 3.6 data base, submittal back to the appraiser client, and eventual upload to the GSE's can now happen. However, during this phase, the legacy appraisal forms and back end processing can also be used.

But the current reality is only 2.5 appraisal software vendors and few mortgage lenders are actually able to do this new process in what was expected to be full processing by now.

Two of the software vendors apparently have their software fully coded and approved to work with UAD 3.6. The third vendor has the 'front end' of their software working, but some of the other internal functions are not yet included which can somewhat impede the appraisers interaction. Two of the well-known vendors, and another newer vendor do not yet have their software fully approved by the GSE's - which is required before the lender can allow the appraiser to use those. This is a real conundrum at present.

The process of updating the appraisal inspection and reporting beyond our current legacy actions sounds simple, "on paper", as they say. The same applies to the lender back-end systems. In actual implementation it's a daunting process to write software to do what the GSE's expect. And from what I've been told, the software vendors apparently were not fully consulted early on. There currently are SIX appraisal software vendors independently charged with designing their software to work with the UAD 3.6/MISMO system and functionality.

The timeline from the GSE's shows the full cut-over date to the New URAR/UAD 3.6 to be Monday, Nov. 2, 2026. Per the GSE plan, this means:

Submit 3.6 Only - November 2, 2026 - lenders must use UAD 3.6 for all new submissions on or after this date. Revisions allowed for previously submitted

Will this date 'hold' throughout the mortgage lending arena? I won't speculate because I dropped my crystal ball two days ago when I got out of my vehicle and it shattered on the pavement! It depends on all vendor software operating correctly, and all lender back end processing systems up and running properly.

Editor's comments: The six software vendors from above are ACI, SFREP, Total (a la mode), ACI, Bradford, Freedom Appraise, Avre - AI focused. The first four are "legacy" vendors who developed their first forms software in the early-mid 1980s. Freedom appraised is owned by Andy Arledge, who developed Appraiser Genie software and has now developed UAD 3.6 software. Avre has an AI focus and is VC funded.

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The Cost Approach and Why it is Not Popular With Appraisers

By Tim Andersen, MAI, MSc., CDEI, MNAA

If a popularity poll were to be taken among real estate appraisers, on a scale of 1 - 10, it is likely the Cost Approach would show up as a negative number. There are numerous legitimate reasons for this poor score.

It is true this approach is not one the market understands. However, that's *irrelevant* since what the market does or does not understand about this, or how any other approach works, is not our concern. It is also true that the market does not trade single family residences based on their replacement costs.

Again, this is *irrelevant* since we measure what the market did, not the analytics by which the market got there. And it is true that the cost approach rarely tells us anything more than what the sales comparison has already told us.

Is there any wonder why this approach scores so low on popularity polls?

Not using the cost approach can be misleading

But since the credibility of our value opinions has nothing to do with how popular any particular approach is, to omit the analytics of the cost approach, when they are necessary to the formation of a credible value opinion, is self-defeating as well as potentially misleading.

It is also to admit that an AVM, which has no analytics whatsoever via the cost approach, is a viable alternative to a more traditional appraisal. Is that the story we want to continue to tell? If it is, we're doing a fine job at it.

But, Fannie does not require the cost approach

Yes, it is true that, when appraising a traditional single-family home, "…Fannie Mae does not require the cost approach to value…" However, this sentence is not as clear as it should be.

It should read, "…Fannie Mae does not require the cost approach to value to be part of the *appraisal report*…", meaning it would be part of the appraisal's analytics leading to a credible value conclusion.

The reason for this is the next sentence in the *Sales Guide*. "However, USPAP requires the appraiser to develop and report the result of any approach to value that is *necessary for credible assignment results…"* (italics added).

Accrued depreciation

Hold that thought about "…credible assignment results…" as you consider this *bon mot* (Editor's note: *witticism*) of fundamental appraisal theory.

It is a logical and ethical impossibility to quantify the subject's effective age and accrued depreciation without having first engaged in the analytical protocols of the cost approach.

If this seems like a lot of ivory-tower poppycock, consider first that the reason people lived in towers of any sort was to avoid both the stench and the soft under-foot squish of the poppycock. Then consider what USPAP says about accrued depreciation. SR1-4(b)(ii, iii) makes it clear that:

"[w]hen a cost approach is necessary for credible assignment results, an appraiser *must*…analyze such comparable data as are available to estimate the cost new of the improvements [and to] analyze such comparable data as are available to *estimate the difference between the cost new and the present worth of the improvements (depreciation)"* (italics added).

Please notice that USPAP, in this reference, does not limit itself solely to physical depreciation, nor does it limit itself solely to the subject.

Rather, this reference is to that of *accrued* depreciation, which is the arithmetic summation of physical, functional, and external obsolescence factors. And this applies to both the subject and the comparable sales.

What the *Selling Guide* says about functional obsolescence

Let's return to the *Selling Guide* to excavate whatever other *billets-doux* it holds concerning this matter. "[The cost] approach, then, measures value as a cost of production. It may be appropriate to use the cost approach when appraising …[properties] that feature[] *functional depreciation…"* (italics added*)*.

It is safe to say any house (even brand-new construction) can suffer from functional obsolescence if the improvements to the site are not the ideal improvements as dictated by the appraiser's highest and best use analysis.

It is equally safe to say that **any** house not constructed to meet *current* building codes and land use regulations suffers from functional obsolescence. Most houses are not new, are they?

Since the median age of owner-occupied homes in the US is 40 years, it is equally safe to say the typical owner-occupied house in the US has functional obsolescence (see https://residentialdesignmagazine.com/the-age-of-the-u-s-housing-stock/) you may have to copy and paste this link) if, for no other reason, than that may not meet current building codes and land use regulations. And what does the *Selling Guide* say about the cost approach and houses with functional obsolescence?

Selling Guide and supporting sales comparison approach

In addition to the above, the *Selling Guide* also advises appraisers to use the cost approach to support the sales comparison approach analysis.

This statement just hangs out there, since the *Selling Guide* fails to put it into a context of *how* and *why* it supports the sales comparison approach.

For example, if the sales comparison approach reliably comes in at $410,000, does the cost approach support that value when the latter comes in at $375,000? At $463,500? Should the two approaches be within five percent (5%) of each other to accomplish that support? Twenty-five per cent (25%)?

There is absolutely nothing on this in the literature, thus the questions remains the polka-dot rhinoceros in the living room: we all know it is there, but nobody will talk about it.

(Spoiler Alert: since the sales comparison approach and the cost approach both measure the value of the underlying site, as well as the market value of what the improvements contribute to it, then the two value opinions *should be the same numbers*. If they are not, *ceteris paribus*, there is a mistake somewhere - and the cost data source did not make it.)

Replacement and reproduction costs

Another reason for its lack of popularity is this approach has two (-2-) perfectly legitimate calculation protocols, *replacement* cost and *reproduction* cost.

Typically, we use the replacement cost in the cost approach since it assumes the replacement of the existing improvements with new ones, built to current building codes, land use specifications, and market demand factors.

But that's not what the *Selling Guide* says. Quite clearly it advises the appraiser that, "[t]he reliability of the cost approach depends on valid *reproduction cost estimates*…" (italics added), among other criteria.

What is the glory of the cost approach?

But let's ignore all that. What, therefore, is the glory of the cost approach? We've covered all this.

It is logically and ethically impossible to conclude a credible value conclusion to real property without analyzing and understanding three (-3-) aspects of both the subject and the comps.

Following the order of the cost approach on the 1004 form, first is the subject's *site value* as if vacant and available to be put to its highest and best use. Not its current use. Its highest and best use.

Second comes the *subject's effective ag*e, since that is a component of the third criteria, that of *accrued depreciation*.

Accrued depreciation and comparable sales

When this logic comes to thoughtful appraisers for the first time, it is common for them to respond that whatever accrued depreciation there is, is already built into the comparable sales. This is quite true.

However, using nothing more than the comparable sales, to conclude remaining economic life is a logical impossibility.

Those same appraisers also thoughtfully respond that remaining economic life is not important to value conclusion. Frankly, this is true.

But when the client is a GSE, they will not make a 30-year mortgage loan if the collateral property will not last at least 30 years and one day. So, yes, under certain circumstances the appraiser's estimate of effective age is of Everest-like importance.

New houses and Fannie Mae

Just to show that a new house can have functional obsolescence, consider this sentence from the *Selling Guide*: "…if the improvement analysis indicates that it is necessary to go through one bedroom to get to another bedroom, *lenders should expect to see an amount indicated for functional depreciation"* (italics added).

Even a new house can have such a bedroom configuration. Notice there is no limitation nor conditionality on this statement, nor does it apply exclusively to the subject. It also applies to the comps.

According to the folks at Fannie Mae, this design/layout is a functional depreciation issue, how well the market may accept such a floorplan configuration be damned.

Restricted reports

Now we must consider the cost approach and a restricted appraisal report.

First, notice there is not now, nor has there ever been, a restricted appraisal. Under the current edition of USPAP, there is *merely an appraisal*. There are no other analytical options.

However, the appraiser indeed has the latitude to *repor*t to the client a summary of the appraisal in (i) an appraisal report, (ii) a restricted appraisal report, or (iii) an oral report.

Client proprietary appraisal software

It is a fact of life, however, that there are clients with their own proprietary software on which the appraiser *must* summarize and report the results of the appraisal. It is common for such software to omit a summary of the protocols of the cost and income approaches.

In and of itself, this is ethically acceptable. However, it is of utmost importance to remember how clear the Scope of Work Rule is that "…[a]n appraiser must not allow assignments conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use."

Omitting an approach

Therefore, omitting an approach(es) from an appraisal report is ethically acceptable.

Keep in mind, though, that SR2-2(a)(x)(ii) requires the appraiser to state the reasons for excluding any approach the appraiser did not develop.

In other words, there is a difference between developing, say the cost approach, but not including it in the report, versus not even engaging in those protocols at all.

If the client's proprietary software does not contain space for the cost and/or the income approaches that, too, is fine, since the appraiser has no control over the client's software.

However, if the appraiser's rationale for omitting an analytical protocol(s) is no more logical or persuasive than "…Fannie Mae says I don't have to do the cost approach, and there was no room to report it (or the income approach) on the form…" the appraiser has let "…assignment conditions…limit the scope of work to such a degree the assignment results are not credible in the context of the intended use."

This will raise all sorts of red flags with a state appraisal board (should the appraisal and report ever get that far).

Why is the cost approach not popular - Summary

So, let's close the logic loop on this monograph by going back to popularity polls. Simply put, the cost approach is not popular.

Appraisers do not understand it (mostly because the instruction they get on it in "appraisal school" is so dismal and inept that it borders on incompetence).

The market does not understand it, which means there is very little of the cost approach built into the sales prices appraisers use to divine market value.

CE classes on the cost approach get lost in the details of construction type/quality and building materials, as well as the mechanics of making sure the cost calculations are complete down to the last tube of caulking. This obsession with minutiae is fine for building contractors, but a scam when applied to appraisers.

Our job is to measure the value a particular items adds to the overall value. Our job is not to measure cost. We need the cost approach accrued depreciation differences for the sales comparison approach.

We appraisers need the cost approach, but not to tell us how many 6-penny nails the final installation of the kitchen cabinets will require. Rather, we need it for its ability to deconstruct the sales comparison approach.

If we assume a 65-year total economic life, then the average, straight-line depreciation is 1.538% per year. If the analyses of sales prices show a depreciation rate *slower* than this, then it is safe to conclude the market is generally healthy, property is generally affordable, first-mortgage interest rates are generally manageable, and so forth.

However, under this assumption, when accrued depreciation *exceeds* 1.538% per year, it is likely there is an external obsolescence factor in the market (despite the mindless boilerplate r*odomontade* (Editor's comment: bluster) to the contrary with which appraisers love to lard their appraisal reports).

In other words, one of the rewards of using the cost approach as part of the *appraisal* is its ability to tease trends out of the sales comparison data. Consider this benefit in light of the Comment to SR1-3(a), which makes it clear the "…appraiser must avoid making an *unsupported assumption* or premise about market area trends, effective age, and remaining life" (italics added).

It is ironic that, just as with the houses we appraise, an appraisal has myriad component parts. And, just as with our appraisals, those components, in and of themselves, are trivial until they become a house. So, the irony is that the bricks and sticks, the nails and screws, the concrete and the drywall, do not make a house until the contractors and subcontractors bring them together to form a unified whole.

Yet rather than working to make our appraisal and report into a unified whole in the context of the purpose of the appraisal and its intended use, we leave it disassembled, a disembodied hodge-podge of facts and information. Which is one reason appraisers don't use or like the cost approach.

Why we don't use the cost approach for value opinions

Therefore, we do not use the cost approach to conclude a value opinion, since it is so *poor* at that task. However, we do not fail to use it merely because "…it is difficult to calculate accrued depreciation accurately".

In reality, calculating accrued depreciation is a simple three-step process outlined in full on page 571 of the *15th ed. of The Appraisal of Real Estate*.

Nor do we fail to use it because "…the market does not use the cost approach." That conclusion is Olympic-class, grade-A poppycock unless the appraiser making it has surveyed the entire market to reach that conclusion (and has the data to back it up).

Since appraisers are not trained in conducting and interpreting mass-market surveys, to make such a statement raises *competency* issues, a door most of us would otherwise choose to keep shut.

Why we use the cost approach and why does it remain so unpopular? We use the cost approach because it helps us to analyze markets, recognize trends, and credibly appraise real property. So, if this is its limited applicability, and it is so *straightforward* to use, why does it remain so unpopular?

Editor's comments: I started appraising in 1975 at a California Assessor's office in Butte County.

In the past, assessors had used only the cost approach for appraisals. Finally, some were using other methods such as determining prices per sq.ft. So I started fee appraising with a negative attitude towards the cost approach. I only used to determine the financial feasibility of new homes.

This article helped me understand how to use the cost approach in mortgage lending appraisals.

On the plus side, I was very lucky to get this experience. I appraised everything in the geographic area I was assigned.

In late 1970s, "Proposition 13" passed in California not allowing re-assessments except for sales and updating plus up to a 2% adjustment. Since I would not be doing traditional re-assessments, I left the assessor's office. I did not want to work in an office all day.

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Podcasting

Appraisal Science not Appraisal Opinion

By George Dell, MAI

Introduction
A New Public Trust?
Or the "Public" distrust -- Oh No!
One of them "public trust" people showed up!

The Stats, Graphs, and Data Science class, hosted by the North Star Appraisal Institute Chapter drew some unexpected attention - one of those members of the public, whose trust we must collectively assure.

But this member was not happy. His appraisal did not "come in!"

Disturbed, this person was motivated to actually do something. He had some experience in the medical/drug world, by improving information access to benefit that public.

Motivated by that prior success and being an Artificial Intelligence sort of a guy, he discovered that his trust in science - "a systematic study process" - searched and uncovered the principles of data science, as presented in EBV (Evidence Based Valuation)©. EBV is designed for modern data, modern methods, and "advanced" theory.

In the olden days, we did not have these things (when I became an appraiser):

1. Abundant data
2. Internet available
3. Computation power
4. "Advanced" analytics
5. Expert visual interfaces

He showed up in the SGDS1 class. The current AI-acknowledged, "modernized" version. He listened. He met several contributing members of the CAA (Community of Asset Analysts). His thoughts are in the below article. He calls it "Appraisal Science."

The SGDS class now blends three things

o Established traditional appraisal process;
o Evidence-based methods, with graphics;
o **AI** appraisal development and reporting.

This class was designed from the start, to address and apply new technologies and human-expert intelligence. We are aligned with Jeff Helman's desire to bring logic, evidence, and appraisal fairness - from the appraisal profession to the real public trust.

Connecting the appraisal expert to valuation with artificial intelligence

The public trust person is Jeff Helman. The following is what he wrote

It seems obvious that the need for "data entry" form-filler appraisers is waning. The new GSE UAD 3.6 reporting requirement, coupled with readily available data, reduces the need for appraiser "market familiarity" described above. Modern analytics requires a different skill set and judgment elements-those based on facts and logic, rather than "appraiser experience."

On the other hand, there will be a growing need for those who know how to deal with models, algorithms, and the science of data. Professionals - not vocational clerks!

Preface

Jeff Helman was exposed to residential appraising when his father was an appraiser in the 1970's. He didn't think much about it until mid-2025, when his current property was appraised for a home equity line of credit (HELOC) to fund a renovation project.

That appraisal did not go well. A second appraisal (ordered by a different HELOC lender a few weeks later), resulted in a value 38 percent higher than the first appraisal. (That appraisal was rejected by the lender, who disagreed with the comp selections.) Same property; identical market conditions; **38 percent difference** in appraisal "opinions."

Appraisals are** opinions?!?* ***In what universe is that acceptable?

… was Jeff's first reaction. His second reaction, as a veteran of Fannie Mae during the 2008 financial crisis (and beyond), was to dig in and figure out how to ensure that future appraisal recipients aren't subject to the crapshoot that derailed his family's (and those lenders') investment plans.

This should be science, not one person's "opinion"
… was Jeff's third reaction.

Hence the name **Appraisal Science.**

While researching the material for the Appraisal Science home page (from which this article is adapted), Jeff googled "appraisal science," and George Dell's 2021 "Is Appraisal Scientific?" article appeared. Jeff was thrilled to discover that George has been valiantly prodding the appraisal industry to make appraisals the result of rigorous scientific analysis (not "opinion"), so he contacted George immediately.

By attending George's "Stats, Graphs and Data Science" course, Jeff discovered the cohort of *actual* professional appraisers who understand the value of scientific rigor being applied to the market analysis that underpins asset valuation. Encouraged by this discovery, Jeff is teaming with George and his Community of Asset Analysts to help promote and advance these practices.

It seems obvious that the need for "data entry" form-filler appraisers is waning. The new GSE UAD 3.6 reporting requirement, coupled with readily available data, reduces the need for appraiser "market familiarity" described above. Modern analytics requires a different skill set and judgment elements-those based on facts and logic, rather than "appraiser experience."

On the other hand, there will be a growing need for those who know how to deal with models, algorithms, and the science of data. Professionals - not vocational clerks!

Most real estate appraisals are produced using the same set of manual steps that have been used for decades, which follow regulations and standards that are as ambiguous as they are antiquated. Modern data science practices should-and easily can-be applied to modernize this process and vastly improve the accuracy, consistency and trustworthiness of appraisal results.

Let's *Actually* ***Modernize Appraisals***
(Hint: It's the process, not the report)

Current State

As an unintended consequence of appraisal process "reforms" in the aftermath of the 2008 US financial crisis, residential appraisals can seem like a random dice roll, with the results being driven by the opinion (a defined term in the USPAP appraisal standards) of individual appraisers. The impact of this is multi-faceted:

1. Appraised values of the same property can sometimes vary dramatically from one appraiser to another.
2. Lenders are expected to "trust" the numbers, which are literally (per USPAP appraisal standards) appraiser opinion.
3. When a borrower or seller attempts to invoke the appraisal "Reconsideration of Value" (ROV) process in response to a "bad" appraisal result, appraisers can ignore the request-or worse, retaliate by making the appraisal even less accurate.

These are not unfounded assertions. They are direct observations from personal experience-and a widely recognized reality that builders, real estate sellers, buyers, brokers, mortgage brokers, borrowers, lenders-and appraisers-struggle with every day.

Despite the fuzzy standards and historical baggage, there ***are*** many truly professional and dedicated appraisers in the US and Canada who deliver trustworthy, repeatable and accurate results using state-of-the-art practices.

That *professional* ***appraisers are so exceptional is an existential problem for the appraisal profession. Let's fix that.***

How We Got Here

That professional appraisers are so exceptional is an existential problem for the appraisal profession. Let's fix that.

The 2008 US financial crisis was triggered by an avalanche of home mortgage loans made to borrowers who didn't qualify for their mortgage. Andrew Cuomo (at that time New York's attorney general) became famous by asserting that widespread appraisal fraud was a key driver, but subsequent investigations were inconclusive. What is clear is that the "bigger fool" market dynamics created the US real estate bubble.

In the years leading up to that bubble bursting, home values increased dramatically. Wall Street firms made enormous profits packaging up home mortgages into mortgage-backed securities (MBS). The price of each MBS was based on the underlying appraised value of the properties and the buyer qualifications asserted during the loan underwriting process. (Fraudulent applicant data and bad underwriting were conclusively found to be a root cause of the crisis, *not appraisals.*)

During a housing market bubble, as long as the home can be sold later at a higher price to a "bigger fool," everyone makes money.

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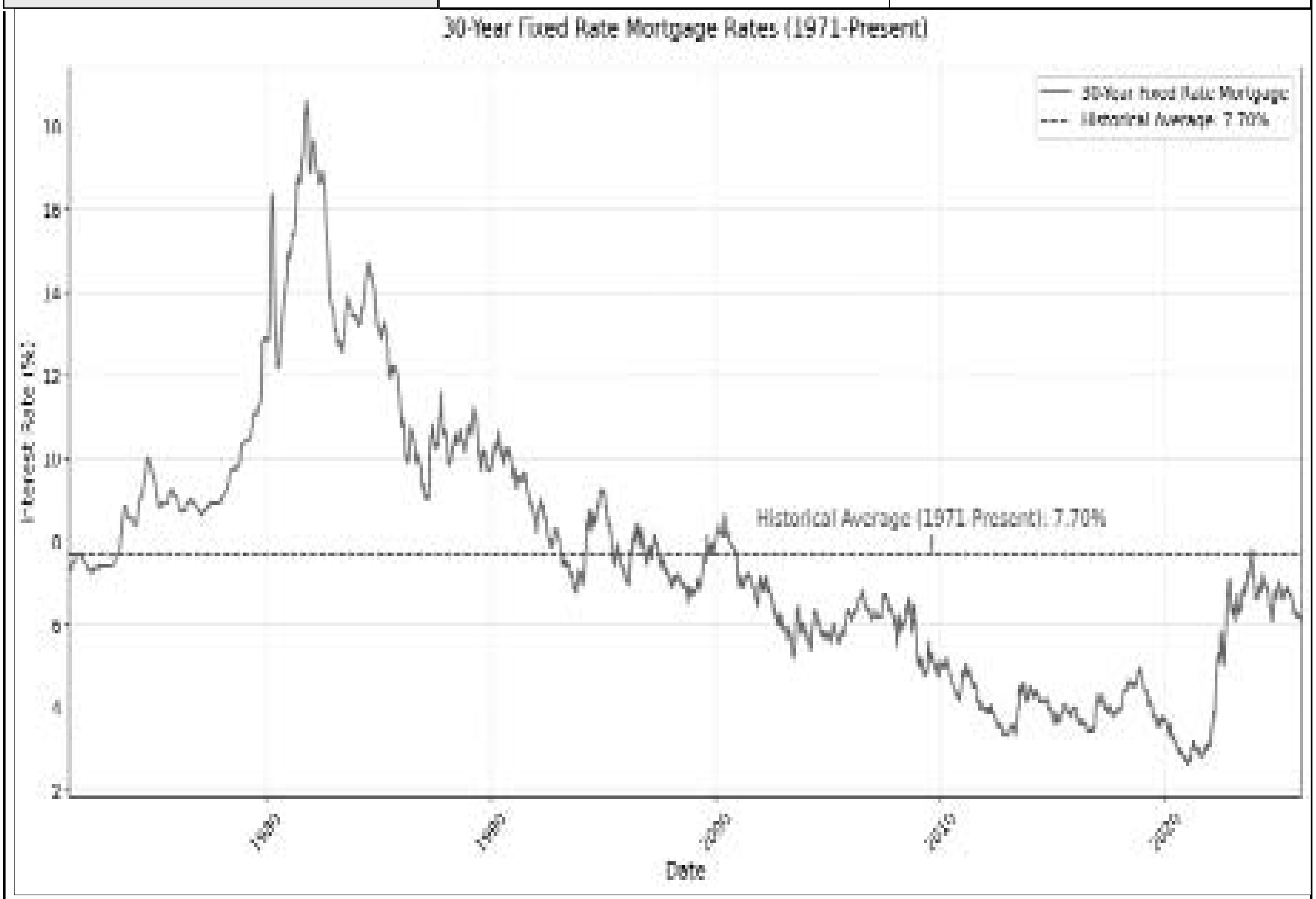
Appraisers during that era had trusted relationships with lenders, mortgage brokers, and real estate firms. This makes sense; trusted relationships are a core part of the overall financial system.

However, during the investigations responding to the Cuomo action, a majority of appraisers reported feeling pressure-increasingly during the run-up to the crisis-to "hit the number." Some feared that if they didn't produce an appraisal that matched the desired value, they wouldn't get subsequent appraisal orders.

This dynamic set the stage for conflicts of interest. Some appraisers who experienced this pressure felt like they had little practical choice other than to produce appraisals with numbers to support the amounts demanded.

THIS COLUMN INTENTIONALLY LEFT BLANK.



Appraisers weren't alone in dealing with such conflicts. The credit rating agencies (Moody's, Standard & Poor's, and Fitch) were pressured into assigning "AAA" ratings to the Mortgage-Backed Securities (MBS) that Wall Street firms were pitching to hapless investors. Many of the loans in those MBS packages were made by unscrupulous loan brokers to people who couldn't afford the payments.

If the credit rating agencies didn't "find a way" to deliver those ratings on those packages of questionable ("subprime") loans, they got no more business.

Reform Attempts

Congress and financial regulators formed commissions and working groups to identify the root cause(s) of the financial crisis. They pontificated, huffed and puffed with great fanfare for years. Essentially nothing happened to the Wall Street firms who were the worst actors by creating and selling garbage MBS bonds.

The credit rating agencies were sued by investors, and Congress passed some laws intended to reduce the dominance of the Moody's/S&P/Fitch oligopoly, but those firms remain the dominant credit ratings agencies.

Appraisal Reform: Be Careful What You Wish For

One can argue that legislation and regulator action following the 2008 financial meltdown failed to create substantive changes-except when it comes to appraisals.

Largely in response to the Cuomo action (which specifically focused on Washington Mutual and an appraisal software vendor) the GSEs revised the Home Valuation Code of Conduct. It became effective in 2009 and later incorporated into the 2010 Dodd-Frank legislation intended to prevent another financial crisis.

The essence of those changes severed the strategic relationships between residential appraisers and parties ordering the appraisals.

This means that:

" Appraisers can have no relationship with the lender, loan broker or real estate firm ordering the appraisal.

" The appraiser to fulfill an appraisal order must be selected by a third party who is completely independent of the lender, loan broker or real estate firm ordering the appraisal.

There are other details, but these two provisions have resulted in the elimination of lenders, loan brokers, or real estate firms being able to discuss the appraisal order or scope with the appraiser.

This adds a level of indirection between appraisers and their clients.

This does help eliminate the chance (and appearance) of conflicts of interest. It has also created unwelcome transaction friction-particularly with the emphasis on appraisal management companies (AMCs) as the "impartial" appraiser assignment conduit. It can drive appraiser behavior changes that distort appraisal numbers in ways that are unhealthy for the real estate market.

Unintended Consequences

Many unintended consequences seem obvious in hindsight, but they are wickedly difficult to anticipate (and prevent). An especially pervasive consequence occupies two edges of the same sword: Motivation.

Under the old system, appraisers were motivated to efficiently deliver appraisals that were considered credible while also meeting the desired appraised value when they could. It's the "considered credible" piece that required not just motivation, but also deep expertise and dedication to nurturing strategic relationships. Because appraisers were dedicated to a small set of lenders, brokers and real estate agents in local markets, building this deep expertise was a natural outcome of the pre-reform system.

Under the new system, what had been a limited experiment with AMCs became an ill-conceived strategy, with the consequence that appraisers are forced to play "post office" by interpreting what the AMC believes is the appraisal order scope instead of directly hearing it from the appraisal buyer.

The best appraisers figure out a way to make this work; lesser appraisers won't (or cannot) overcome that friction. So they default to delivering appraisals that meet the minimal requirements to prevent their license being revoked.

When appraisers have to spend their time fighting against indirection and appraisal order ambiguity instead of focusing on improving their local-market expertise, should we be surprised that appraisal outcomes can be so haphazard?

Reforming the Reforms

It would be great to wave a magic wand to make appraisals, appraisers, and their regulators perfect. The reality is that the size and political inertia of the US housing market and (any) regulatory processes are not compatible with quick fixes.

Abrupt change, in fact, is dangerous in a chunk of the economy as large as housing.

This does not, however, make this situation hopeless.

Improving the appraisal process is like improving any process, in that we can try seemingly small ideas, observe the results, refine as necessary, then iterate on this process to validate changes on a small scale before applying them more broadly.

The Appraisal Science Mission

Originally spawned by rage from the damages inflicted by an industry that has lost its way, and now inspired by the Evidence Base Valuation (EBV) teachings of George Dell and the great work of his Community of Asset Analysts (CAA), our mission is to Iterate with all stakeholders of residential real estate appraisals to:

- Modernize the appraisal **process***
- Improve appraisal accuracy, predictability and repeatability so that all stakeholders have a higher level of confidence and trust in the results.
- Gather data which objectively measure the efficacy of improvements to inform the appraisal community, appraisal buyers, standards bodies and regulators.

Each Appraisal Science iteration will provide a proactive response to "Show Me" with objective measurements of effort and stakeholder benefit.

CAA members are making great progress on tooling and education to help appraisers level up, and we will actively support those efforts. I call that the "push" effort.

The complementary "pull" effort is to educate the consumers (and ultimately regulators) of appraisals that this vision is achievable by showing them the data.

Iteration 1: Appraisal Reliability Measurement

This "Show Me" capability will objectively measure appraisal report content against GSE, lender and EBV criteria for appraisal reliability. This adds immediate value for appraisal consumers such as lenders and borrowers by measuring conformance with regulatory rules and appraisal standards, along with demonstrating the benefits of EBV practices.

This feature is in active development. It is designed to improve its accuracy from each appraisal evaluated. More iterations will make it more accurate.

- If you would like to see an evaluation of your recent appraisals, you may learn a few things you want to know before your stakeholders do.
- Check it out at www.AppraisalScience.com and click on reliability (top of page).

You will be prompted to create a (free) account so you can access a dashboard showing your appraisal reliability analysis history.

- This information is private to you and Appraisal Science.

- I tagged along with my appraiser dad decades ago. I recently had two appraisals done on our current property. I saw the tape measure replaced with laser measurement devices, and the appraisal report looks fancier, but the basic process is almost identical.

Given the ocean of data available now in real time, coupled with software tools to instantly analyze that data, this is a big problem. ***Comps, for example, should be selected based on rigorous data analysis, not the whims of the appraiser.***

About the author, George Dell

George Dell, SRA, MAI, ASA, CRE, CDEI, of San Diego, CA, is the creator and developer of the Evidence-Based Valuation© method of appraisal. This New Valuation Modeling Paradigm© emphasizes modern open-source data analytics software.

His signature workshop, Stats, Graphs and Data Science1 initiates new appraiser products and services – by combining appraiser expertise with data science tools and critical thinking skills.

Mr. Dell has been published multiple times in The Appraisal Journal during his career. His articles include the controversial, "Common Statistical Errors and Mistakes" in 2013 Fall Edition, and "Regression, Critical Thinking, and the Valuation Problem Today" in the 2017 Summer Edition.

His extensive graduate education led him to reexamine traditional statistics and "three-comp thinking." The resulting Stats, Graphs, and Data Science actionable education brings technology-empowered valuation methods to appraisers,

George Dell's free weekly blog on his eponymous website raises often-controversial (but forward looking) issues. He is founded the Community of Asset Analysts (CAA)© forum for the common sharing of analytical packages and data science applications in R and RStudio among approved members.

He is the editor and author of The Asset Analyst Report (TAAR)©.\

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