

APPRAISAL TODAY

Residential appraisal forms from the 1960s to today

UAD 3.6 will be mandatory November 2, 2026. UAD 2.6 (old forms) will not be accepted by GSEs. Most lenders and AMCs say they will start submitting only UAD 3.6 before the deadline. (a few months probably).

I included this article to let you know how much will change with UAD 3.6.

This article shows the past when forms were completely new. There were many software vendors.

The second article, "Appraisal Forms Software in September" has a full list of the original vendors.

Only a few are left: ACI, SFREP, a la mode and Homeputer. Bradford's software started with Mac and shifted to Windows later so was not included.

Lender appraisal forms have been around since the 1960s. The first version of the URAR is from 1984.

See the article below on the Green Hornet, the first appraisal form, in 1962.

Timeline

1962 - "Green Hornet", the first lender appraisal form

1984 - First URAR being developed

4-87 - First URAR effective

7-94 - New condo and 2-4 units forms

7-94 - USPAP New

Classifications: Appraisals: Complete vs. Limited. Appraisal Reports: Self-contained, Summary and Restricted. Restricted reports were not to be used for lender appraisals per the ASB. Residential drivebys could have been considered Limited appraisals. For most residential form reports, it just meant stating: Complete appraisal and Summary Appraisal Report in the appraisal. This has been dropped.

August, 1995. Fannie's Form 2055, Limited One-Family Residential Appraisal and Summary Report, for loans through Desktop Underwriter, and not regular loans. In 2005, the form 2055 was changed to a driveby-only form.

November, 1996. Form 2065 with no adjustments only plus and minus, Desktop Underwriter Qualitative Analysis Appraisal Report (Google the name to get a copy). Could be used with or without interior inspections. The Form 2065 was not widely used. I never completed one for a lender.

Why were dollar adjustments removed? Per Fannie "This approach is consistent with the way that buyers and sellers typically evaluate the differences between properties. The pilots and experiments that we evaluated confirmed that, when adequate comparable market data exist to develop a reliable sales comparison analysis, a qualitative analysis is as accurate across the board."

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July, 1997. Fannie's Desktop Underwriter® Property Inspection Report (Form 2075), which required an exterior-only inspection of the subject property from the street by a state-licensed or state-certified appraiser without an estimate of market value. I did many of these back in the 90s. Google the name to get a copy.

I did many driveby reports stating that the property value had not declined in the 1990s when the market was stable to increasing. A local lender ordered them. It was a letter report.

April, 1996. Revised 2055 Driveby form, replacing the 8/95 Limited One-Family Residential Appraisal and Summary Report (see above). This report required summaries of sales and listings (not details, only statistics.) The purpose was to disclose the research done by the appraiser. A significant problem Fannie observed in appraisal reports was poor comp selection. (Appraisers objected to including listings in the URAR report)

These are used for regular loans, not just loans done through Desktop Underwriter and are not Limited appraisals. Appraisers had been using the URAR for drivebys in some parts of the country. Per Fannie, "the primary purpose is to streamline the appraisal process and the report documentation to increase efficiency and reduce costs."

September, 1997. Form 2075, Desktop Underwriter Property Inspection Report. Driveby with no value. Description of the subject's exterior and any apparent physical or environmental problems.

2005 - Most recent revised URAR and other forms.

Changed length and formatting with more blank space available for comments and optional Cost and Income Approaches. New 2055 driveby form.

April, 2009 Form 1004MC required as a result of 2008 crash, when appraisers were not reporting market conditions. The form results could be misleading and appraisers did not like to do it, but it meant that, for the first time, all appraisers showed market condition changes. Making declining price adjustments would not get you fired by a client.

The form was dropped by Fannie in 8/2018, but Freddie Mac, HUD/FHA, VA, and some individual lenders may still require the form.

September, 2011 - UAD effective date - not a form change. Extra information for some data fields in the 2005 URAR form.

Today: Appraisal report software coming soon - No more separate forms, New URAR

To see what is happening now, read the two articles in this newsletter about the New URAR.

For appraisals, you will only see what is relevant for your appraisal such as condo vs. SFR. Reportedly, comments sections will be included where they are needed. No more long comments pages.

The first form: Revisiting The "Green Hornet"

Source: George Opelka article, July 1, 2010

In the Fall of 1962, like many real estate appraisers, I was born into the appraisal profession. My father, F. Gregory Opelka, MAI, SREA, SRA logged fifty years of industry service between 1952 and 2002.

He spent 48 of those years with Fairfield Savings & Loan where he served in the capacity as Chief Appraiser, Executive Vice President, and director, before retiring in 2002. With those credentials, you can appreciate that growing up Opelka meant that we learned the definition of "market value" and then we learned to walk.

By the time that I was seven, I was tagging along on inspections with my Dad. I quickly realized that holding one end of the measuring tape against the house or peeling the positive film layer away from the negative produced from the Polaroid camera was a lot of fun, and while my participation didn't necessarily make me an integral part of the lending process, the experience introduced me to the fascinating tools of the trade at an early age.

The next 10 summers of my life were spent attending the Annual Appraisal Convention hosted by the Society of Real Estate Appraisers (SREA). As kids, we spent most of the time at the pool, but it was at those conferences where I forged friendships with many of my baby boomer peers who were on vacation with Mom and Dad as well. Little did we know our professional fate had already been pre-determined!

It was in the early 1980s at the SREA Summer Conference where I first started to recognize the important role my Dad played in the development of standardized appraisal reporting. At the encouragement of John Cirincione, SRA, I'd like to share a brief but important slice of appraisal history that you probably won't hear or read about in any appraisal classroom or seminar.

In the late 1950s, my Dad taught real estate appraisal courses in the evenings at the Savings and Loan Institute in downtown Chicago. Through his teaching ventures, he was invited to serve as an appraisal consultant to the U.S. League of Savings and Loan Associations. Additionally, he wrote a monthly appraisal column for publication in the Savings and Loan News, a trade magazine-a division of the U.S. League.

As a result of an early consulting-writing assignment with the U.S. League, my Dad created appraisal form "#17-PRA" in 1962.

The appraisal report form was presented to the Appraisal Committee of the U.S. League for review and consideration for adoption and use by savings and loan associations across the United States. The form was initially presented on green paper with green ink strictly for marketing spin.

The form was approved for nationwide members' use by the U.S. League's Appraisal Committee and was numbered form #17-PRA, Professional Residential Appraisal by the U.S. League staff. Form #17-PRA was then printed and sold by the Accounting Division of the U.S. League. Remember, this occurred in 1962 (pre-personal computer), so the completion of this form was intended to be a handwritten field report, and submitted accordingly.

It wasn't until after the form was released and in production when the appraisal staff of the First Federal Savings and Loan Association of Indianapolis submitted a report critiquing the new form. This critique was published in a monthly professional trade magazine of the Society of Residential Appraisers. Of historical note, it was this local Indianapolis S&L appraisal committee that affectionately dubbed the new form "The Green Hornet"!

Ironically, the name stuck and even today, almost fifty years later, the Green Hornet continues to charm and identify with the residential appraisal process.

The first URAR

Source: George Opelka article, written in 2010

1984, twenty-two years after the birth of the Green Hornet, a new initiative to create a standard appraisal form was spearheaded by the Society of Real Estate Appraisers. Aside from the SREA, the Institute, Fannie Mae, Freddie Mac, FHA and the VA, there were a few other government agencies, and all were actively involved in the development of this new form.

The advent of the personal computer provided better tools to develop the successor to the Green Hornet - an appraisal form using spreadsheet-like software. Initially, Opelka designed the new form in Visi-Calc and then shifted to developing it in Lotus 1-2-3.

The new form committee meetings were all held at the SREA Washington Headquarters Offices in the Watergate Office Building. The form development, given changing updates from meeting to meeting, took approximately two years to perfect a version acceptable to the committee and all the various agencies represented.

When design was finalized and approved by the appraisal committee and the various organizations they represented, the form was adopted and called the Uniform Residential Appraisal Report... the URAR (named by Fannie Mae).

The URAR, like its forerunner, the Green Hornet, twenty-two years its senior, featured Market Data Approach to Value sections in the form, wherein current and local time-comparable sales were included and processed through to Indicated Opinions of Value.

The Analytics Age of Valuation

Fast forward twenty-six years to 2010 and it's déjà vu all over again. Only this time, there is an industry collaborative effort to standardize the data within the appraisal report. On May 24, 2010, the Federal Housing Finance Agency announced an initiative by Freddie Mac and Fannie Mae to improve the consistency and quality of data for appraisals and other loan information.

According to the Uniform Mortgage Data Program Overview published by Fannie Mae and Freddie Mac (available at FannieMae.com or freddiemac.com), a Uniform Appraisal Dataset that "standardizes appraisal data defini-

tions for a key subset of field on the uniform residential appraisal reports" will be available in September 2010. Additionally, a Uniform Collateral Data Portal for the electronic collection of appraisal data is currently in development.

As a result of these initiatives, any loans eligible for sale to Fannie Mae or Freddie Mac must include appraisals that conform to the standards outlined in the Uniform Appraisal Dataset. For loans with an application date on or after January 1, 2011, lenders will be "required to deliver electronic appraisal data to Fannie Mae and Freddie Mac." In order to increase the number of data elements, the delivery formats will leverage the MISMO Version 3.0 industry standard.

Thanks to fifty years of innovation, the appraisal report has evolved from a paper-driven standard to a data-driven standard. The PC revolution, the advent of digital cameras, the maturation of appraisal software, a little thing called the Internet, and an industry working in concert were all major contributors to the "Analytics Age of Valuation" that we are about to enter.

The Green Hornet may not have been designed to standardize appraisal data and delivery protocols, however; I believe the standard, paper-based, handwritten appraisal report evolved over time and served as the foundation and catalyst for the Analytics Age of Valuation. And while a few industry visionaries are of the mindset that appraisal forms disappear as a result of our newly appointed direction, I believe both data and forms exist side by side to insure that visibility and transparency remain an integral component of the valuation process.

Appraisal Forms Software in September, 1993

A Glance at the Past

Editor's note: This article was originally written as a review of forms software in the September, 1993 issue of Appraisal Today. In 1993, there were 13 companies:

Appraisers Choice/Richard Heyn, Appraisers Edge, Day One, Dynamic Computing, Formfill, Homeputer, MCS, Microform, Residential Appraiser (SFREP), Softbyte, a la mode, United Systems, and WCA.

NOTE: Some say there were more than 13 companies but I could not get their names or information

Clickforms/Bradford started with Mac forms software in 1986 and later switched to Windows, but was not included in my 1993 review.

Per one software observer in 1993, more forms software from other companies was available when I started my business in 1986, but I don't have a list of them.

In my 1993 review I found that none of the programs were poor or inferior. None were significantly above the typical. I had expected a wider range.

A few vendors had copy/use protection. ACI had a hardware device. Some had customer name encryption. Others had no restrictions.

Prices were by the number of users and forms. URAR form only varied from \$199 to \$595. Only one user with all forms varied from \$395 to \$3,995. Most were under \$1,000. ACI was the most expensive. A la mode was \$395. Some had annual support costs, from \$250 to \$300, which typically included upgrades.

Today, the main companies are ACI, SFREP, a la mode, and Bradford/Clickforms. Homeputer is still in business today. I started with Dynamic Computing, but they were too slow to get a Windows version, so I switched to Bradford.

What forms software was like in 1993 - Details from the original September 1993 article

VENDORS in September, 1993

- Appraisers Choice/Richard Heyn
- Appraiser Edge/McKissock
- Day One
- Dynamic Computing
- Formfill
- Homeputer
- MCS
- Microform
- Residential Appraiser/Software for Real Estate Professionals
- Softbyte
- Total/a la mode
- United Systems/Hyperform
- WCA/Wilson Computer Applications

What forms programs are evaluated?

Almost all of the vendors with ads in Real Estate Valuation (Forms & Worms) and Practical Appraiser (American Realty Forms) were contacted by mail and/or phone and provided with copies of their software. Companies with new software, not fully tested, were not reviewed (Apex and Blue Moon).

Only a few were willing to provide fully operational versions with full documentation of their programs. The rest provided demos, usually of just the URAR with limited documentation. Some were probably afraid the reviewer would get rich selling copies or did not want to be compared with other companies.

Only features that could be tested are reported. Some demos had all the features of "real" programs and some were limited.

Approximately 5 to 7 hours were spent on each software vendor's programs and all of the vendors were consulted by phone several times.

What about really cheap programs?

We did purchase a copy of Homeputer's URAR program, laser version for \$99. It installed so many files in the root directory we may never get rid of them! They don't have a demo and you must purchase it COD, no credit cards.

Homeputer has all of the forms, dot matrix versions, priced at \$200.

Formfill has all its dot matrix programs for \$199..

Price comparisons

When looking at prices be sure to evaluate it on a **per appraisal** basis. For example, if your company does 1,000 appraisals per year and the software package cost \$3,000, the cost per appraisal is \$3 for the first year.

None had an extra fee for software updates.

Include support cost for the first year. You will be calling the vendor.

Prices checked for one user were URAR only (some included extra addenda forms, or all forms in a package (some do not include apartment/commercial). Some vendors allow 2 users per purchase. Be sure to check with the vendor before you purchase.

Multiple users were for 5 computers in an office and 3 computers used at home by the same appraisers.

If you have multiple computers, networked or not, call to double-check the prices. Many vendors are willing to negotiate for extra software copies or site licenses.

COMPARATIVE PRICING

	1 User One form	1 User All forms
Appraisers Choice	\$995	\$3,995
Appraisers Edge	n/a	\$699
Day One	\$500	\$2,100
Dynamic Computing	\$595	\$2,000
Formfill	\$295	\$595
MCS	n/a	\$695
Microform	n/a	\$395
Residential Appr	\$199	\$899
For Real Estate Professionals		
Soft Byte	n/a	\$695
Total/a la mode	n/a	\$395
United Systems	\$239	\$599
WCA	\$395	\$395

How many forms should I buy?

Many vendors price by the form rather than one price for all forms, so price comparisons are often difficult. It is nice to have all the forms, but if you seldom use a form it may be worthwhile just to type it on a typewriter. Consider which forms you use on a regular basis.

Number of forms available

Prices for "all forms" include a wide range of forms. All vendors, except Microform, had the 5 most requested forms. URAR, 2-4 units, ERC, condo and Land. Most had 704, 216, rent survey review, mobile home, FIRREA and FNMA 200 review forms. Microform only had URAR, ERC, 2-4 units, 704, rent and 216. WCA had only URAR, ERC, condo, land 704, and FNMA 200. MCS had the largest number of forms, including all of the standard forms, plus may others.

Appraisers Choice, Day One, Dynamic Computing, Residential Appraiser, Softbyte and WCA had prices for each form and had combine "special" prices. The number of forms included, but is approximate as to how many are adding forms and have not updated their published lists.

Copy/use protection

Most vendors use encryption of your company's name (prints on top of the form) or don't have any copy or use protection.

Programs that only allow one installation or use a hardware lock can cause problems if the programs go on the fritz or the hardware locking device breaks.

Some vendors were vague on copy protection. Be sure to try to copy a disc to check, even if they say it isn't copy protected.

We did not test the demos as the actual programs may be copy protected. Dynamic Computing was tested as I purchased and used it.

Appraisers Choice - actuator block-hardware device
 Appraisers Edge - none
 Day One - name encryption
 Dynamic Computing - none
 Formfill - name encryption
 MCS - software lock (one installation)
 Microform - name encryption
 Residential Appr - none
 Softbyte - none
 Total/a la Mode - name encryption
 United Systems - software lock ("several" installations)
 WCA - none

Technical data (speed, file manager, networking, language)

All of the programs were tested on 386 machines with at least 2 megs or RAM and 90%+ full hard discs (60 and 80 megs). Only one program was noticeably slower, United System's Hyperform. It was slow reading and writing to the disc during screen saves and printing. Microform and WCA do periodic screen saves and were slower moving between screens than the other programs, but they were fast enough for most users.

Only a few of the programs were tested on an XT, but most of them should be able to run, although slower than on a 386 or 486. United System requires a fast machine without much on the hard drive to slow it down.

Most of the vendors have, or are coming out with, a menu that has all their programs on it. Few have good file managers from within their programs that can list, copy, rename, set default directories, etc. A few have DOS shells. All automatically save your file at some time. Some do it with each screen, do to it after a certain period of time and some do it at printing or exiting. Some have easy to use access to template or skeleton files

If you are planning on using your programs on a network, particularly Novell, be sure to talk with other fee shops who have successfully installed them.

Appraisers Edge, Day One and Dynamic Computing are written in Turbo Pascal and Softbyte in "mostly Pascal". Residential Appraiser and United Systems are written in C. Mcs and WCA are written in Basic and Formfill in QuickBasic. Appraisers Choice is written in Assembler and Basic. Total said their language was "proprietary information".

Screen Display

Most vendors do "form emulation" where the screen looks like the printed appraisal form. United Systems has screens that don't match the form. They are designed so that you fill out the data on the screen. You don't have to hassle with moving across, except on the market grid.

Only Formfill has a screen that doesn't show all the fields across the width. You can shift to a version with smaller type, showing a full width, but it is very hard to read on a standard size computer screen as the typeface is greatly reduced.

A few vendors allow you to choose screen colors.

Only Microform and United Systems show the entire market grid on one page. The others split it horizontally into two screens.

URAR vs. other forms

Be careful when evaluating forms software. Features available on the URAR may not be available on all forms. For example, many vendors have comps 4, 5, and 6 only available on the URAR.

Some forms may be completely different programs than the URAR, using different keystrokes.

Large forms that are not often sold, such as 4 and 8 page apartment forms. The ERC form may have bugs not in the other forms.

Data entry feature in forms programs

Not all of the features of programs were apparent to this reviewer. To fully utilize the program you need to spend some time using it. Unfortunately, the lack of documentation made testing the features much harder.

Programs allowing few choices for saving short field data are using function keys for this purpose. Most appraisers want many choices.

Easily saving a neighborhood section is a popular feature and vendors are adding it.

An addendum writer with unlimited length, a split screen showing the form and saving and retrieving to a disc will become even more important with the new more text-based URAR.

Appraisers Choice/Richard Heyn has many choices for fields and can

save the entire comments section, but can only access the addendum writer from within the comments field and is limited to 480 lines per report. Per the vendor, neighborhoods can be saved/retrieved and sections extracted from old appraisals, but these features weren't available on the demo. No data was available on saving and retrieving text from DOS.

Appraisers Edge/Mckissock has many field choices, but can only retrieve 6 to 8 lines into an addendum and has no split screen capacity.

Day One has many field choices, but can only save one line of comment at a time. The addendum writer can have a template and read/write to disc.

Dynamic Computing has many field choices, but can only save on line of comment at a time. The addendum writer cannot read and write to disc, but does have a split screen, showing part of the form.

Formfill can only save 10 choices for short fields, but can save 50 for the comments sections. It has a separate addendum writer, no accessible from the form.

MSC can have up to 20 choices for short fields, but only saves one comment line at a time. A somewhat complicated "tagging" system can be used to save groups of fields, i.e., a neighborhood. The addendum writer is linked to a section of the report, with 40 lines per section.

Microform has 3 ways of saving

field choices, but only a 4-page capacity addendum writer with no split screen.

Residential Appraiser/Software for Real Estate Professionals only allows saving 6 choices per short field, but has an unlimited comments section.

Softbyte allows 10 choices for short fields. Per the vendor, you can set up addendum writer boilerplate and save to and from the disc.

Total/a la mode can save 8 choices per short field and many comments section choices, but only one line at a time. You can save any number of consecutive fields at a time. The addendum writer is a separate program, not accessible from within the form.

United Systems/Hyperform can save many choices on all types of fields. The addendum writer allows using boldface and underline.

WCA/Wilson Computer Applications allows only 6 choices for short fields, saving a neighborhood and site section and was very easy saving and retrieving of addendum writer sections, by no split screen feature for viewing the form.

Calculations

All programs reviewed, even the "cheap" ones, had the basic calculations of the Cost Approach and market grid. Many have added features such as calculating GLA by floor and % depreciation in the Cost Approach. The Residential Appraiser has the most sophisticated Cost Approach, with physical incurable and curable, and other calculations.

Printout "quality"

Print outs are an individual preference.

There are two basic styles on the appraisal forms. The style that most closely duplicates the printed form has the headers on the left margins, exactly like the form, printed sideways, white letters on a black background.

The other style, easier to program, has the letters vertical, with various degrees of shading. Appraisers Choice, Microform and Dynamic Computing are very similar, almost identical to the printed form. Formfill has headers printed sideways, but they are black on a grey background. All of the others have vertical lettering.

Each vendor has a different typeface on the printed addenda. Few, if any, can be changed (except for addendum writer).

A few vendors offer choices on date printout. Microform and Softbyte have easily selectable typefaces. MCS allows changing pitch. Dynamic Computing offers choices, but they are hard to set up.

Who is the reviewer?

Ann O'Rourke, SRA's first PC was an IBM PC purchased in the early 1980's for \$5,000, with 2 floppy disc drives. She used it to run Lotus 1-2-3, when that program came with only 1 floppy program disc.

She has been using Dynamic Computing forms software since 1986 and is still looking for the "Holy Grail", the "perfect" forms software program!

In the office she uses XTs and 386's, an HP LaserJet II and an HP LaserJet IV-M. She is an "advanced user" who installs and configures all of her software and uses an outside company for hardware installation and repairs.

What Happened When the Government Decided that Appraisers Needed Protection?

By Cindi Chance, Ph.D.

Banking

When I went to work as CEO of an organization called the Appraisal Institute, little did I know that I would be receiving a master-class in the unintended consequences of regulation. Appraisers are professionals responsible for providing accurate valuations of real property at a point in time for lending, resolution of legal claims and, less and less, tracking portfolio values for big investors. By regulation, banks must use appraisers to ensure the sufficiency of real property collateral, in many (most) circumstances. (That is, until the GSEs introduce limited "appraisal waivers" in 2016, and then dramatically increased their use during the pandemic... but that's another story.)

From the regulation of appraising that began in 1989 with FIRREA, and continued with regulation added on by "Dodd Frank" after the sub-prime mortgage crisis, the history of the appraisal profession is a cautionary tale of the unintended consequences of regulation, and the striking unwillingness of the regulators to say or do something (anything) about it. I'll discuss today one specific piece of regulation and a huge unintended consequence that resulted in a new lawsuit making the rounds this week - the rise of the middleman AMCs.

Appraisers will tell you that anytime anything bad happens in US residential markets (when values go down, to bottom line it), they are blamed. Maybe so, but in 2009 as the "sub-prime mortgage crisis" unfolded, there was plenty of blame to go around. (Watch *The Big Short* again for more context, kids.)

Mortgage brokers were on a lending spree, qualifying high-risk borrowers (in terms of "credit worthiness" like income and debt), often using adjustable rates. Banks, in turn, sold mortgage backed securities (investable loan mash ups tied to a specific risk rating) on the basis of these higher risk loans. (They even got insurance on these! That failed too.) When loan defaults started happening, banks, and homeowners, began to try to sell the properties to pay back the loans, and low and behold, the properties were not worth enough. The mortgage-backed securities tanked. Institutions do not have sufficient assets or influence to survive a failure of confidence.

Widespread loan defaults destabilize banks and the economy, in addition to hurting lots of people. This is the big economic problem that an appraisal is supposed to protect against. Appraisals were intended to ensure that there would be an "objective opinion of value" by an independent party with no interest in the specific loan transaction, someone bound by ethics and legally responsible for the valuation they provide, given their specific, and disinterested professional role. This valuation would theoretically guarantee the adequacy of collateral should a purchaser default on a loan, protecting banks and home-owners. Appraiser professionals are not allowed to be interfered with (Appraisal Independence) as a part of the safety and security of our economic system. What went wrong in 2009?

Maybe values slid quickly. That was certainly a part of it. But the politicians who created the "Dodd-Frank Wall Street Reform and Consumer Protection Act" after the crisis, and especially one, Andrew Cuomo, felt strongly that appraisers had been pressured by lenders to bring in valuations at a high enough level to ensure the loans went through, regardless of their actual professional opinion.

Concerned about potential pressure from loan officers on appraisers, "Dodd Frank" required banks to strengthen the firewall, (meant to protect appraisal independence), between their loan departments and their collateral valuation (appraisal) departments. What many banks did (consistent with this recommendation) was to outsource management of appraisers. In increasing numbers, banks contracted with middle-men, Appraisal Management Companies (AMCs) to manage their appraisals. AMCs in turn contracted with independent appraisers, requesting the appraisal as specified by the lender, getting it from the appraiser, and then providing it to the lender. (Of interest, Dodd Frank did not actually recommend the use of AMCs, but did include language on the state registration standards for AMCs that established AMC registration as a source of revenue for states. The plot thickens.) Of course, the consumer paid for the service of the AMC as part of their mortgage loan cost in the "appraisal fee," line item, whether they knew it or not, which of course they (almost always) did not.

What could possibly go wrong? As it turns out, a lot.

The lender was still "responsible" for the debt, so they should have still cared whether the appraisal was performed well. (Consumers want what they want, but they too, obviously, have a vested interest in the real value of their largest purchase.) But the banks' interest and attention was and is often short-lived. Since many big lenders sell their loans, risk can be quickly offloaded, reducing the attention of banks to the collateral valuation process. Meanwhile, the AMC, now the closest party to the appraisal as the "buyer" of it, is in some sense "responsible" for its quality, and yet is not actually responsible at all, the appraiser (still) is. Moreover, AMCs are not incentivized to see to it that the appraisal is done well; their incentive is to increase their own net margin and volume by providing appraisals quickly and cheaply to their customers, the banks.

To accomplish their goals, many AMCs created a "competitive bidding process," in which they broadcast an appraisal opportunity to a large group of independent appraisers, requesting their bid, with fast turn times included. This predictably created a frenzy of competition on price, driving fees down and leaving many appraisers scratching their heads wondering how anyone could do a minimally decent job at such a high speed for such a low price.

In this way, AMCs effectively commoditized residential bank appraisals. What had been a skills and competencies-based profession was no longer. In the process, AMCs increased their margins while adding little value, with no serious consequence to them. A hasty appraisal still "checked the boxes". It was, and still is, the independent appraiser who is ethically, professionally, and legally responsible for each and every appraisal they sign. They can be sued when anything goes wrong, and they can lose their license. Many are leaving "the profession." Few are entering.

Recently, AMCs proudly (and shamelessly) have begun hiring "staff appraisers" to reduce "friction" further. More importantly, throughout this sad story, consumers have continued to pay fees for "appraisals" not understanding the process, and not knowing that the fee they pay goes, in no small portion, (up to 40% and more) to "middle-men."

We would be wise to demand review of the impact of this regulation on consumers and our financial systems. Has it had the intended effect of safeguarding an independent process of property valuation to protect consumers and banks and the economic system? Last week a class action suit was filed in FL on behalf of one consumer who is arguing that he was subjected to deceptive practices based on not being able to know or understand any of this. (Another was filed previously in California. See Morgan and Morgan's website description of the issue as they see it [here](#).)

Every residential borrower whose loan was appraised using an AMC (estimated at up to 80%) should learn about this issue.

There are still banks that do valuation right, managing their own appraisals within separate, walled units in the bank, as well as small regional AMCs that offer a "fee plus" model, which is consistent with ethical practice and appraisal independence, but this is not the norm. The whole industry needs attention. Next up on this topic will be my view on appraisal education and practice, and whether regulatory reform is a solution.

About the author

Cindy Chance, Ph.D., is a Ph.D. ethicist, former CEO of the Appraisal Institute (2023-2024), and founder of the coaching firm FosterChance, LLC. With experience in non-profit leadership and education, she advises organizations on ethics, governance, and strategy, currently serving as a faculty member at Loyola University Chicago.

Key Highlights

Founder & CEO, FosterChance, LLC: Focuses on leadership consulting, ethics, and long-term value creation.

Former CEO, Appraisal Institute: Led the nation's largest professional association of real estate appraisers from September 2023 to September 2024.

Executive Leadership: Previously served as Executive Vice President for the Urban Land Institute (ULI), overseeing educational programs, Product Councils, and UrbanPlan.

Background: Holds a Ph.D., with a career bridging higher education, strategic innovation, and non-profit management.



Cape Cod vs. Bungalow: A Tale of Two Architectural Styles

By Jamie Owen



In Northeast Ohio, there are many Cape Cod and bungalow-style homes. Honestly, they are so similar in many ways that one often gets confused with the other. I know I've confused the two myself. Honestly, I've not seen a distinction in value between the two home styles.

Though both styles prioritize charm and practicality, there are some interesting differences that, in the past, catered to different lifestyles and climates.

Here's an exploration of their key differences to help homeowners, appraisers, and architecture enthusiasts better appreciate these two iconic designs.

Cape Cod

1. Origins and Historical Context

Cape Cod: Originating in 17th-century New England, Cape Cod homes were inspired by English cottages. They were designed to withstand harsh winters, thanks to their steep roofs and compact layouts.

A charming Cape Cod style home featuring a steep-pitched roof, symmetrical façade, and a central entrance, surrounded by blooming roses.



Bungalow

Rooted in Bengal, India, and adapted by British colonialists in the 19th century, bungalows prioritize simplicity and comfort. They gained global popularity as affordable, cozy



homes, particularly during the Arts and Crafts movement.

2. Comparison of Cape Cod and Bungalow (Below)

3. Climate Adaptation

Cape Cod homes are quintessentially designed for cold, snowy climates, with features like steep roofs and small, compartmentalized rooms to retain heat. In contrast, bungalows excel in warmer regions, where wide eaves and verandas provide shade and promote ventilation.

This may be one reason why there are a lot of Cape Cod-style homes in Northeast Ohio.

4. Layout and Functionality

Cape Cod's layout reflects older design preferences with smaller, separated rooms and a focus on central heating. Bungalows, on the other hand, embrace open plan living, creating a sense of space and flow. Their built-in furniture and efficient use of space cater to a simpler lifestyle.

5. Modern Appeal

Both styles have endured the test of time. Cape Cod homes are synonymous with cozy, classic Americana, while bungalows remain popular for their versatility and connection to nature. Each style evokes a unique sense of nostalgia and charm.

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Measuring These Types of Homes

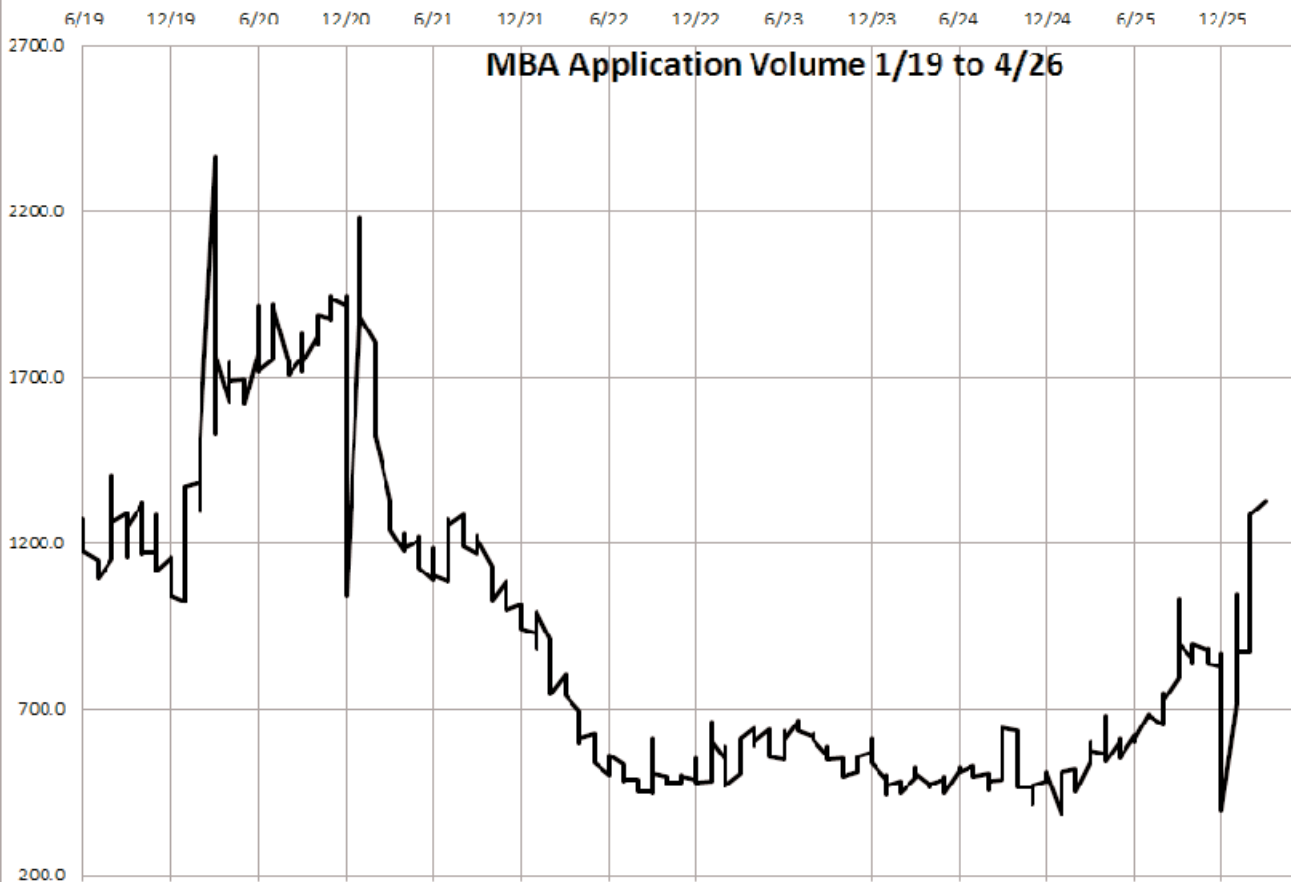
Measuring these types of homes can be tricky! Especially when using ANSI Z-765 Standards. Why? This is due to the ceilings that often slope on the second floor.

When measuring this type of home with these standards, the appraiser will measure from the floor up to where the ceiling slope is at 5 ft.. At least one-half of the finished area (within the area where the 5 ft. mark begins.

These types of properties often have ceiling heights that are less than what the ANSI Z-765 Standards qualify as a finished living area.

For lending, these areas have to be reflected and addressed on a separate line, which is clunky and confusing for many readers of appraisals completed for lending purposes.

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Often, buyers consider these areas as above-ground finished square footage. Therefore, appraisers have to value the area accordingly.

Appraisers may measure to ANSI Standards, but they must appraise to Market Value. So, this gets a little tricky.

Conclusion

At the end of the day, choosing between a Cape Cod and a bungalow often comes down to personal preference, lifestyle needs, home availability, and location.

Whether you're drawn to the symmetrical elegance of Cape Cod or the casual warmth of bungalows, both styles offer timeless appeal.

For appraisers, it often comes down to one story vs. one and a half or two stories. Understanding these distinctions is at least interesting and can, at times, tell a little about a home's unique story.

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I am a state-certified residential Real Estate Appraiser in the Greater Cleveland area. Since 1998, I have performed over 9,100 appraisals. I work full-time as an independent fee appraiser for banks, attorneys, lenders, investors, and homeowners. I have experience appraising vacant land, residential properties, two-to four-family properties, and complex properties like luxury homes.

I have experience in expert witness testimony in both divorce and tax appeal cases, including tax appeal cases at the state level.

I am a member of the National Association of Appraisers (NAA). I am also a proud member of OCAP(Ohio Coalition of Appraisal Professionals), and an active member of the National Association of REALTORS (NAR), the Ohio Association of REALTORS (OAR), and the Akron/Cleveland Association of REALTORS (ACAR).

I am a Certified Home Measurement Specialist with the Institute of Housing Technologies. This international designation certifies that I have specialized training in measuring homes using the American National Standards Institute's (ANSI) standards for home measurement.

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