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Appraisal Technology

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EDITOR'S NOTE

VALUATION REVIEW
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Technology is change appraisers must embrace

Changes, in any line of work, will always bring challenges to those trying to adapt to new concepts and methods within the business world.

Appraisers are constantly figuring out new and innovative ways to make their job easier to ensure efficiency for their clients. Technology continues to play an important role in the valuation industry, and as many heads of appraisal organizations have stated over and over again: "technology is here to stay, it's not going anywhere."

Those who readily accept these technological changes and apply them to their business will keep moving forward and continue to see appraisal reports satisfying all parties involved. The determination of property value can be as simple as a touch of the tablet screen.

Companies continue to see the benefit of advanced technology for the appraiser, while maintaining the importance of understanding how to utilize these devices in the field. It's not enough to just have the technology at your fingertips; one has to know how to use it to get the most out of it.

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

We thank First American Mortgage Solutions for sponsoring this special report helping us bring such valuable insight to those in the appraisal industry. Your support is greatly appreciated. As we like to say at October Research, LLC, knowledge is the competitive advantage.

Your valued editor,

Mike Holzheimer

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Technology equation: More work equals more reward

There's an old adage applied to both life and in business: "You get out of it, what you put into it."

Such a philosophy is certainly applicable to the appraisal profession, especially when it comes to the implementation of technology. The idea of utilizing such technical devices is slowly but surely becoming a technical plan those in the valuation industry cannot be without.

Using technology in the field may require a little extra effort on the part of the appraiser but in the end, the results will be exactly what the appraiser is seeking, and more, experts say.

R3 Review is a company that is developing software that is used to create efficiency in every phase of determining value. CEO **Brent Jones** offered his views as to why going the extra mile quickly gets appraisers moving in the right direction.

"In the last six months, and I'm talking as an appraiser and the owner of an AMC, I can tell you from what I'm seeing, and it's been proven out with larger AMCs that appraisers including technology that reflects the adjustment support within the report has increased quality scores and orders dramatically," Jones said. "I am seeing better scores and more work. The better your work product equates to more work. Now, does more reward mean more work? Yes. As to more efficiency, well, you need time to see that come to fruition. Appraisers need to take the time to put the technical aspects into their workfile. If they do, they will see the rewards.

"It's important to go that 'extra mile' because the 'big boys' – people like CitiBank, Wells Fargo and Chase – want to see what you did," Jones added. "I think that's where a technological shift has taken place over the last year. For smaller clients, appraisers may not be seeing it, but the big companies demanding to see more has become the big differentiator, I believe."

Appraisal Institute President **Jim Amorin** said there is evidence of technology being accepted more within the industry to produce more work opportunities.

"Generally speaking, technology has become more accepted in the real estate valuation profession as it's become more commonplace throughout society as a whole. Of course, some appraisers have adapted more easily than others to the growth of available technology," Amorin said. "The growth of so-called big data provides appraisers with many opportunities, and of course new software is available all the time that enables appraisers to work faster and smarter."

Jones suggests that appraisers choosing to not engage in more work are just hurting themselves because they inevitably are going to be getting more conditions to support their adjustments. If appraisers "cut corners," their quality scores with AMCs won't be very high.

It simply comes down to an understanding of a very basic technology formula: Higher quality scores mean more work heading the appraiser's way.

"It's interesting, all you have to do is look at message boards such as the Appraiser Forum and Facebook, and you can feel the panic (and disgust) when appraisers are asked how did you support this adjustment," Jones said. "As an industry, we need to adapt quickly because these demands are going to become more and more commonplace. And the technology is readily available, no matter what appraisers might think. Still, appraisers, from what I still see after a year's time, are not being quick to embrace this. Appraisers won't do anything unless they are told directly to do it or they start to see a steady decline in their business. Technology, and new technology has been out there for a few years, but I think everybody will agree that the adaptation has been slow."

Appraisers also may be moving slower because of a trust factor. How reliable is the data being used? It is incumbent upon the appraiser to do due diligence when it comes to being able to rely on the tools used to determine property value. The appraiser ultimately is responsible for what is put into the report. A comfort level regarding the software product has to be reached.

"The key is the data put into reports reflects the search parameters the appraiser used," Jones said. "Appraisers have the control of that process. There are so many products out there, so shame on you if you're not using it. After all, won't you sleep better at night knowing you didn't make something up and actually used the market data available to support your conclusions?

"Appraisers can use this technology barometer, if you will," Jones added. "Are you making adjustments supported by the market, and are they similar to what your peers are doing and what Fannie Mae and the Collateral Underwriter (CU) model are using? The more adjustments that are in line, the better your scores."

Improvements in compliance technology might enhance appraisers' trust in the information they use.

"The industry is migrating towards data-driven solutions that leverage cloud-based computing and third-party integrations," said **George Opelka**, senior vice president of ACI, a member of the First American family of companies. "This platform shift will continue to evolve, enhance the speed and efficiency of the valuation process, allowing appraisers to spend less time completing forms and increase their focus on developing the final opinion of value.

"Compliance technology has improved, and as data-driven solutions evolve, I believe compliance will move closer to the appraiser, which will remove the back-and-forth in the current process and allow the appraiser to focus on the analysis," Opelka said. "In the end, this will shorten turn times, meet client demands and, ultimately, improve the consumer experience."

Jones admits that although there are some parts of the country where the MLS data might reflect numbers different from other data used, appraisers claiming they do not have information in the field to complete an assignment compliantly should fall on deaf ears.

"Appraisers know good data from bad data. There is enough information out there to make a good decision," he said. "Obviously in the end, appraisers have to verify. Those appraisers claiming they don't have all or enough data information to complete the assignment is just not a credible excuse."

Amorin said those who have been able to adapt to new technologies quickly often find positive results.

"Many appraisers report that rapidly improving and expanding technology has been both a blessing and a curse. While it has forced them to learn new skills, it has allowed them to be more productive," he said. "But as they've been able to accomplish more in less time, their clients have begun to demand more of them."

Appraisers will continue to search for a better and faster way to compile the data needed for a successful and compliant report. Can appraisers keep up technologically with the many demands and regulations of the industry?

"The growing use of massive datasets – and the need to analyze that data – already has begun to affect the real estate valuation profession ... and likely will continue to do so," Amorin said. "**Mark R. Linne** … notes that five areas of technology that are affecting appraisers – and which will do so in the future – are cloud computing, mobile technology, big data, social networking and augmented reality. Ultimately, technology is a tool. It's only as good as the appraiser using it."

There is a trend that appraisers are getting up to speed with the environment today. Opelka says reluctance to adapt is evident, but attitudes are improving.

"Momentum is building for greater adoption of technology in appraising. But the truth is, in my 32 years in the appraisal industry, appraisers have always been receptive to adopting new technology," Opelka said. "So, what does the next technological innovation look like? Cloud-based computing, interacting with large data sets, and data-driven solutions will continue to evolve and enhance speed and efficiency, allowing the appraiser to spend less time filling out forms and more time developing their opinion of value."

"The key is the data put into reports reflects the search parameters the appraiser used. Appraisers have the control of that process."

Brent Jones,
CEO,
R3 Review

Access as challenging as knowing what to do with data

One would agree that to make the best of decisions, it is important to have all of the information and facts at your disposal to arrive at a reasonable and fair conclusion.

It is critical to search for the best answers and data possible, and then factor those into the equation.

A fair question, though, is whether appraisers have all of the necessary access to technology and all of the data it supplies to determine the accurate value of properties. Many industry leaders say everything is out there for the appraiser to take full advantage of, but do the appraisers believe that?

"There are many areas and markets where data access is more available than in others," DataMaster chief appraiser **Jared Preisler** said. "There are 11 states that are known as non-disclosure states or limited disclosure states; Alaska, Idaho, Kansas, Louisiana, Mississippi, Montana, New Mexico, North Dakota, Texas, Utah, and Wyoming. Missouri is sometimes included on that list as a 12th state because some counties do not report. These 11 states have a range of detail in the data that is available.

"There are some MLS (multiple listing service) providers that are pro-appraisers and provide data in an easy to access manner and in an analytical way, and of course others that are very limiting," Preisler added. "I think the bigger challenges are whether the available data is reliable enough to make solid conclusions and does the appraiser have the training and knowledge to know if the data is good enough, reliable enough. Simply having a lot of data does not mean you have the right data."

Data availability is a critical point for appraisers in properly utilizing technology.

Trusting that data is also a crucial step in the gathering process.

"For the majority of appraisers, sufficient access to public record and listing data to accurately determine property values is available," said **John Forsythe**, vice president and division business director of valuations at First American Mortgage Solutions. "However, some data providers may be cost prohibitive, and if you're appraising in a non-disclosure state, data is 'not accessible.' I do think that providing factual property data to appraisers at the time of assignment would expedite the appraisal process, allowing the appraiser to spend more time on the analysis and development of a credible opinion of value. The next logical leap in data availability would be access to non-confidential property data from peers. UAD (Uniform Appraisal Dataset) data would be beneficial, but without access, appraisers should be open to sharing data.

"Appraisers have always reviewed data thoughtfully and with a critical eye. For example, while the authenticity of data collected from a property assessor's office is unbiased, the appraiser must consider the timeliness of when the data was collected and consider any potential changes that may have occurred since the property was last viewed," Forsythe added. "I have heard appraisers state, 'I am not going to rely on data I haven't gathered.' But, in reality we rely on data provided from Realtors, assessors, builders, borrowers, and data aggregators every day."

Appraisers not only want to believe they will be getting all of the information in a timely fashion, but they are relying on the notion that the data they receive and plug into their reports will indeed be reliable information.

Preisler says the appraiser must feel the credibility and the authenticity of the data for all assignments in order to perform the required compliance the client and the lender is seeking.

"Absolutely, the appraiser needs to have that level of trust," he said. "Appraisers rely on two different types of data, with two distinct methods of collecting data. The types of date are specific and general. Specific data relates to the subject or the assignment specifically. General data is information or data about the neighborhood, market and economy. Collection methods include primary and secondary.

"Primary, meaning the actual data was collected by the appraiser themselves, inspection of subject property is an example," Preisler added. "Secondary data is data originally collected by a different source such as MLS, county, Google, etc. It is this secondary data that requires the greatest trust."

Forsythe says appraisers should be validating data through multiple independent sources, such as their own database, MLS and public records. It's important to confirm data sources, as sometimes two different sources of data are based on the same inaccurate source.

"For example, there are times when MLS and public records both may state the gross living area (GLA) for a property is 2,200 square feet, although it appears to be different," Forsythe said. "This could be based on one inaccurate source because the real estate agent used the public records data in the listing, rather than measuring and reporting their own findings. The best data is appraiser verified, and the abundance of available sources should assist in making that determination."

Appraisers are looking to economize their steps when out in the field determining value by way of technology. The last thing they want to do is take more steps in determining what kind of data they're looking at, and how pertinent it is as it relates to the data needed for assignments, both residential and commercial.

Preisler reminds appraisers that not all data is expected or required to be used.

"Not all data is created, collected, presented, scrubbed or stored equally, and not all data is intended for the appraiser's use in the valuation process," he said. "The best example would be that of sales or listing data from a lead generating source. Many websites have information about properties listed for sale; the primary purpose is to generate leads and to support the marketing efforts of the sellers and agents for the sellers.

"This data is presented in a way that is very good for attracting and bringing together buyers and sellers," Preisler added, but would not be good for an appraiser to use for analyzing absorption rates, supply and demand, line item adjustments, or determining which direction a market is trending. "It is simply not the intent of the data and does not represent all the available properties or verified features of the properties presented."

Still, appraisers may need to take those few extra steps in terms of doing their due diligence and research everything making sure that what they have in terms of the numbers is what they need, and it is reliable to use for the determination of value.

"The best way for an appraiser to make the determination is to ask questions about the data," Preisler said. "Who is the source? What is its primary use? Who was the target market? How was it validated or verified? Was the data presented in a factual way without bias? Based on the answers to those questions, the appraiser can then determine if the data has merit."

Education and the appraisal industry taking the steps necessary to ensure those placing value on properties have a thorough understanding of what tools they are using and how to properly apply those tools to the job at hand is an ongoing process.

"The days of three comps on a grid with photos are long gone. Data standards like (UAD) and numerous lender requirements placed upon the appraiser gave birth to new challenges in constructing an appraisal report," ACI Senior Vice President **George Opelka** said. "As a result of standardization, appraisers are now able to slice and dice large data sets and leverage compliance technology to reduce revision requests. In the next five years, technology may reach the point where appraisal production will transform to 20 percent assembly and 80 percent analysis.

"So, strap yourself in. We're on the front end of perhaps the most significant transformation the appraisal process has seen in the last 50 years."

Day 1 Certainty: How certain is this process?

In scholastic English classes, the one thing students did not want to see when a paper was returned was a lot of correctional red marks by the teacher plastered all over the page.

The same can be said for appraisers who hope to see few red flags, if any, mentioned within their submitted appraisal reports. When such a report is sent back to the appraiser, it's basically "back to the drawing board" – resulting in repeated work on the same assignment.

How has the industry helped avoid wasted time on repeated information?

The implementation of Day 1 Certainty is an attempt to alleviate such pressures.

"I was talking with someone about this, a head of underwriting for one of my larger AMC clients, and they are saying that Day 1 Certainty has taken so much pressure off the underwriter," R3 Review CEO **Brent Jones** said. "The ability to have risk scores below that 2.5 threshold is an absolute game-changer for the industry regarding the amount of time spent on reviewing a file.

"If we take that particular AMC as our end user for Day 1, that 2.5 score has become so critical to a point where maybe everybody needs to manage downstream to that process," Jones added. "As an AMC owner, I use that 2.5 threshold to triage our review process. Obviously, you won't look heavily regarding scores under 2.5 and will look more in the direction of scores above 2.5. If appraisers are having more work done under a 2.5 and getting higher quality scores, he or she is going to get more work done than those with consistent scores of 3, 4, and 5. That's a generalization in that a lot of it is product-type driven. There are some risk scores you can't compare to a guy in Las Vegas to a guy doing appraisals in Utah. Anything we can do as an industry to get those scores down, that's what we need to do."

Jones reminds everyone that higher risk scores are not rejected right away. There is an appearance of more risk within the report from factors noted in the Submission Summary Report (SSR), with actual risk scores showing underwriters that comp selection might be different from what was used by Collateral Underwriter (CU).

Again, these are just red flags and the report is not labeled as a "rejection." The agencies, though, will be looking heavily at those scores coming in at 4 or 5, Jones says. The concern over the launch of Day 1 Certainty was whether Fannie's guidance concerning property inspection waivers (PIWs) and automated valuation models (AVMs) being allowed to replace appraisals were taking assignments away from the industry.

"Freddie Mac didn't give specific stats to this but **Zach Dawson** (director of collateral strategy at Fannie Mae) has gone on record saying it's four appraisals per year per appraiser. Has Day 1 Certainty had an impact on appraisers? Most certainly," National Association of Appraisers (NAA) President **John Dingeman** said. "I don't think property inspection waivers is anything new. It's gone away for a while since the meltdown from 2008. There was a fair amount of reluctance on the part of investors and lenders to use AVMs or property inspection waivers. Such inspection waivers with regards to Freddie Mac are more alarming than Fannie in that Freddie Mac includes purchases; not just refinances.

"In a refinance situation, an appraisal of the property is already known. You're looking for just the rate change knowing there is enough data to support that rate change. From Fannie's perspective, I guess they're comfortable with that loan," Dingeman added.

Dingeman, who has experience working on the AMC side, spoke of credit risk officers regarding the mortgage process.

Loan originators get excited about property inspection waivers and the ability to move past the appraisal process, he said.

NAA members are concerned with the volume of work going to an appraiser, conjuring up images where the profession returns to the "Wild, Wild West" days where lenders were completing loans with AVMs or a "drive by" to save time and money.

"Credit risk officers and lenders are still begging for appraisers because of the genuine concern of the de minimis being moved, and it didn't for residential properties," Dingeman said.

"One reason why so many lenders are looking for appraisers is to provide them with their evaluations. I believe there is a big misunderstanding in the industry when it comes to what is an evaluation.

"Are they using evaluations for the loan purpose, and if so, that's suspect, at best," he added. "But if they are using evaluations as part of a portfolio or to stockholders for accounting purposes to calculate net worth, then I can't imagine a scenario where lenders will pay full appraisal fees every year where they service that property or own that loan for their books. But lenders are still looking for ways appraisers to get involved in that because they recognize that that's the valuation profession."

As far as appraisers having a firm grasp on the market when looking at Day 1 Certainty, Jones said appraisers now have a path to make out specific market trends.

"The irony is the adjustments appraisers have been making for years and years seem to bear out the same results by using the model. Appraisers have been doing it all along they just didn't have the proof," he said. "Still there is no feedback loop by appraisers and to appraisers regarding Day 1 Certainty. I'm a believer that if you want appraisers to get better tell them how. The fact that information is kept from the appraiser is more of a policy decision. If we want them to know what the model is doing, again we need to adapt to this.

"What does it hurt when you tell the appraiser the score, and here's why it came out to be that score? That's a great learning tool for the industry. That may not be popular with my friends at Fannie Mae, but it is an interesting question. It would be great if appraisers could see how they are scored so they could do better work."

Jones believes it may still be too early to say Day 1 Certainty has boosted appraisal business, based on a lot of factors, and simply states for right now, it has not.

The market has been busy with AMC work that is being handed out based on rotations and geography, to name a couple of reasons that a ranking system may not be in place. But as far as the actual scoring system, Jones says that very few entities are mapping out risk scores and using those as a benchmark. Internal scores are being used more today, as opposed to Day 1 Certainty scoring. In terms of more work secured by appraisers, are clients and lenders looking at the kind of technology being used by the appraiser, and his/her heavy usage of such devices as a determining factor on whether or not those appraisers get the assignments?

"I would love to say that's happening but I don't think it is," Jones said. "Maybe a larger client with more stringent quality control is looking for the technologically advanced appraiser. Those AMCs working for the top 10 banks will lead the way in terms of requiring more work and detail from appraisers. The larger players are always the ones making things commonplace creating standards. The smaller lenders will do the same thing realizing all this technology is out there and would rather make loans using appraisal technology that drives down risk scores and mitigates repurchase risk.

"Down the road, clients and lenders looking at certain appraisers for assignments will be a factor," Jones added. "As appraisers get more conditioned to support their adjustments, clients will be looking to utilize appraisers who are embracing the technology and data that gives the client the best result."

As Jones indicated earlier, Dingeman also believes it is far too early to say whether the Day 1 Certainty program has helped appraisers' business.

"I don't know how you would calculate whether or not this has been a big boost as far as business for appraisers," he said. "The volume of work is still up for most appraisers despite the down seasonal times during winter months but appraisers are still telling me they're busy, busy, busy. And yes, there are indications that clients look at how much the appraiser is engaged in the usage of technology.

"A lot of appraisers are saying 'I don't understand why I'm getting questions asked of me 30-to-40 days later.' The reality is everyone is asking questions sooner or later," Dingeman added. "Appraisers are doing their due diligence and the lender is performing due diligence doing post close reviews. After it closes, they're still looking at it before bundling it and selling it to an investor. Fannie is doing 100 percent reviews meaning lenders will do their fair share."

As the program will continue to encourage the use of PIWs or AVMs, Dingeman suggested that a careful examination of a PIW is needed.

Maybe there is a property value provided to the lender in the waiver, but in CU, there is no value at all, only a risk of over/under valuation.

CU does not run on a property like an AVM; it's run on an appraisal looking at the data and the comps that were used, looking for discrepancies and differences from that of your previous work and your peers.

"The appraiser's argument is what if my peers are wrong? That may be true, but that can be explained by way of Fannie and Freddie. If you're the only one referring to a property in a C3 condition and everyone else is calling it a C5, maybe you're not doing what your peers are doing. And last time I checked, that's a component of the Uniform Standard of Professional Appraisal Practices (USPAP)," Dingeman said. "People say CU, like Day 1 Certainty, could be taking appraisals away from appraisers. The NAA's position historically has been to continue to try and move the profession forward and find opportunities. When we complain or want change, we, the appraisal profession should offer solutions.

"An old boss of mine said to me once, 'I could care less if somebody comes and complains to me, in fact I encourage that. But don't come and complain to me just to complain, come with a solution,' " Dingeman said.

"At the end of the day, we provide a product or a service to our clients. Our clients may be asking for something specific, so we have to decide how we provide that product or service to them in a meaningful way within the parameters we work in. If we are not looking for solutions, including technological solutions to improve things, the users of appraisal services will. I would rather that as appraisers we solve our own problems rather than somebody else solve it for us."

> "A lot of appraisers are saying 'I don't understand why I'm getting questions asked of me 30-to-40 days later.' The reality is everyone is asking questions sooner or later."
>
> **John Dingeman**, President, National Association of Appraisers

In pushing for appraisers to work on solutions, Dingeman referred to a classic Mark Twain quote: "Anger is an acid that can do more harm to the vessel in which it is stored than to anything on which it is poured."

"The anger appraisers have is pouring everywhere, especially into the social media arena where statements are made without any context or valid information, and that's just fueling that fire and anger which is only harming the appraiser," he said. "Our state and national appraisal organizations will continue to serve as a watchdog and a voice for our concerns as they are and have with regards to PIWs. In the meantime, let's take a more positive approach to the issues that confront us and work together to find a solution that collectively preserves our legacy as a profession and solves for our clients' problems."

EAD: One year later, portal bringing clarity

The implementation of the Federal Housing Administration's (FHA) Electronic Appraisal Delivery (EAD) portal met with both reluctance and acceptance since its implementation in the summer of 2016.

One industry expert said the overall process has gone fairly smoothly, but there have been a few bumps in the road during the course of the adaptable journey as technology experts continue to search for the most efficient way an appraiser can approach the job and complete it in a timely and compliant fashion.

"As an AMC (appraisal management company), we found that with our vendor panel, getting appraisers to understand and be prepared for the implementation of the EAD, went better than that of the UCDP (Uniform Collateral Data Portal) implementation," LRES Chief Appraiser **Wynetta Byers** said. "Veros made both platforms so similar and applied UCDP modes effectively to the UAD portal.

"Our clients want us to run SSR (Submission Summary Reports) for them, and we do import them to make sure summary reports come back successful before we upload them and deliver them with the final appraisal report that gets sent to the client. Overall, the implementation of this technology has gone well and continues to do so after a year's time," Byers added.

At the outset of the EAD implementation, there were reports that some appraisers were not using the system because of the difficulty they had in trying to log in, or they simply chose to not use it at all demonstrating that "technology resistance" factor that many have shown because it just takes too much time to utilize such a tool.

"Appraisers do not access the EAD portal directly. They submit their reports to the lender, and the lender submits the appraisal report to EAD," Federal Housing Administration (FHA)/U.S. Department of Housing and Urban Development (HUD) Home Valuation Policy

Director **Cheryl Walker** said. "FHA requires the reports to be submitted in the open source MISMO 2.6 GSE XML format … similar to the format used by Fannie and Freddie for their Single Family and Condominium Forms. Manufactured Homes and 2-4 unit properties and the Update of Appraisal/Compliance Inspection form are formatted to MISMO 2.6 Errata1, since the GSEs do not presently require those documents to meet their UAD specifications.

"Appraisal software companies coordinated very closely with FHA to understand EAD's data format requirements and to provide 'rules and tools' to make certain documents are formatted properly on the appraisers' desktop. Most of this goes on behind the scenes to minimize the impact on the individual appraiser," Walker added.

Byers said she was not aware of appraisers having these difficulties or frustrations as major software companies integrated with FHA's EAD portal well in advance of the system coming out, offering assistance on the website for those appraisers having to import their own information.

"I think a lot of the initial bugs have been worked out," Byers said. "It's an ongoing process. Technology has a need to renew itself to be more efficient. I foresee more upgrades in the future with other aspects to enhance the product, which would be a welcome sight. The portal itself is very user friendly, similar to the UCDP. If appraisers are familiar with one, they should be able to instinctively use the other."

Initially, Walker said, EAD was released as a "soft rollout" before the mandatory compliance date of June 27, 2016. This gave lenders the time they needed to make changes to their systems and processes prior to the compliance date. There may have been some initial confusion, but the appraisal software companies stepped in to help their clients get ready.

"Most appraisers who kept their software up-to-date experienced no technical issues and may have even been unaware of a difference. FHA reached 100 percent EAD shortly after the mandatory required date," Walker said.

"The challenging part for appraisers is where to put the FHA case number so it doesn't get rejected," Byers added. "That's proven to be a tough step in the process, because all of the appraisal software available to accommodate the FHA case number is going on every page, putting it up in every top right upper-hand corner. But the EAD was not reading it there. It was looking for a very specific 'main file number' location. If the appraiser did not put it there, it got rejected, and that continues to be frustrating for the appraiser.

"The (the appraisal software providers), though, solved that issue a while ago. I'm not sure if there was a lack of communication initially, but EAD decided to go a different route and have it addressed as the 'main file number' taking appraisers back a step. It was one glitch that could have been addressed beforehand but is working out now."

The EAD portal was designed for FHA to have the same ability as Fannie Mae and Freddie Mac have to track data, keep track of appraisers and properties and to see if any consistency exists in those relationships. In the end, the technology can rate risk, while giving lenders the opportunity to abate that risk before FHA insures those loans.

"FHA believes that it has had minimal impact to appraisers, thanks to the software companies and their service to their clients," Walker said. "FHA clarified certain data points in the Manufactured Home and 2-4 unit appraisal report to avoid a conflict with the UAD format used by the GSEs."

As far as the impact of the EAD, Byers suggests that how error messages are coded also was confusing for appraisers in that between EAD and UCDP, both coded messages are different from each other. This was not impactful on the individual user, such as the lender, but it was more impactful for appraisers doing the importing of information themselves.

Still, the sharing of information and making all of the data available to appraisers is a problem one year later.

"Appraisers at the end of the day are, in part, investigators," Byers said. "If there was just one data source to find sales, the process would be stagnant. The relevancy of some of the sales would lessen. Appraisers only going to one place for information would not be good because again there wouldn't be a need to seek further information to find what is best."

Byers also spoke to the fact that AMCs have done their due diligence in recognizing errors through the portal, including a lot of hard-stop changes such as formatting issues.

Byers says having the opportunity to address that before the client receives the appraisal would be helpful, in that sometimes error messages deal with issues the lender addressed. An AMC does not need to address that but in some ways can have the opportunity to deliver a more complete report to client.

"With the UCDP and now EAD, I think that covers it for most of mainstream lending. If the market requires additional data, if a company in the future comes along with a way to collect that, then that could happen," Byers said. "There has to be a market for that newly added portal-type, with someone coming along with the ability to build it and implement it."

Everyone, though, has the understanding that although technology and data are important tools for the appraiser to use and prosper from, the inability to know how to use the tools or be able to properly recognize the data one receives can be a problem. The appraisal profession must continue its quest in providing the education and training so appraisers know how to operate technology and know how to properly apply the data in making their value determinations. Walker and FHA don't think there are any hurdles for the appraisal industry to climb over when it comes to the overall EAD process.

"The EAD process was a success from its inception and currently receives and processes more than 28,000 appraisal reports per week," she said."I believe in reference to EAD, the industry did a pretty good job in introducing it to appraisers," Byers said. "I believe that appraisers would benefit from more technical training on an individual demand basis such as online webinars and training videos to access and use. A lot of appraisers work in isolated rural areas. They may have to drive a good distance to take advantage of a class which can be a lot of time and money taken up and spent. As AMCs, we need to continue to reach out to clients and appraisers to help them to want to improve, and give them the tools to do so."

New apps are time savers for appraisers

The old business adage of "time saved is money earned" is more than applicable to the appraisal profession.

Appraisers constantly are searching for new tools that can reduce the time spent compiling reports.

And there are many new changes when utilizing technology in the field that can cut that time even lower.

Apps have been a real game changer for appraisers when it comes to mobile technology.

Dustin Harris, known as "The Appraiser Coach," suggests that going mobile used to be using a single app that allows you to input your data in the field and transfer that data to your report back at the office. No more, he says.

"There are many apps out there that appraisers can and should use on a daily basis. There are scanner apps to convert papers to PDF documents. There are cloud storage apps for your notes and photos," Harris said. "Mileage apps are being used to save on your taxes. Communication apps to keep in touch with the office or answer your VoIP phones, and the list goes on and on. Technology, specifically smartphone technology, is making appraiser lives easier and most simple.

"There used to be only one game in town when it came to mobile appraisal technology. Though there is still a clear leader, there are other choices now. Appraisers have a choice and do not need to switch appraisal software companies in order to compete in the mobile world. More and more appraisers are seeing the benefits of going mobile," Harris added.

"In fact, when I first started teaching appraisers about mobile appraising, less than 20 percent of them were using computers in the field. Not many more were doing lasers. Now, lasers are the norm, and more than half of all residential appraisers are using some sort of mobile device to gather data in the field."

Harris understands and recognizes there is that learning curve for the appraiser when going from paper and a measuring tape to the computer and lasers.

It is an adjustment, but it's not as hard as it may seem.

"The problem is that many appraisers give it up after a few tries. I have seen it over and over again," he said. "They give it the old college try (3-4 houses) and it takes them longer than it did with their familiar instruments. Why continue if using technology is not saving you any time in the field?

"The answer is; it does. Eventually! You have to stick with it. I have always given my students the '10 house challenge.' Use these new tools for at least 10 consecutive houses and see if your attitude doesn't change.

"You will not be completely proficient after 10 houses, but you will be convinced at that point that you have made the right decision. You will see the light at the end of the tunnel," Harris added. "Furthermore, appraisers need to understand that mobile technology may not save you much (if any) time in the field. It is when you get back to the office and all of your photos, data, and sketches are already done and in the report that you start to realize the time-saving benefits.

"When you use a paper and pen, you really inspect the property twice; once on site and another time at your desk transferring all of that information over."

Bradford Technologies CEO **Jeff Bradford** agrees that adopting new mobile technology can be intimidating requiring appraisers to change or even abandon processes that today get the job done and work well enough.

So why change and risk wasting time and money?

"The reason is that appraisers who were early adopters of mobile technology have already proven that using these mobile devices in the field will save appraisers time and reduce errors," he said.

"There is no longer any doubt. Now the second generation of inspection apps such as Inspect-a-Lot has come to the market, the learning curve is shorter, they're easier to use and the time savings are even greater."

The subject of smartphone usage for mobile inspections is another technology possibility for the appraiser of today.

But will such a small device be useful when assigning value to large properties?

"I carry two tools on my appraisal inspections; a Disto laser and my iPhone 6 Plus. Sure, the plus gives me more screen real estate, but I carried an iPhone five for years and it worked just fine. Apps these days are set up for ease of use in the field," Harris said. "Even sketching large properties is a breeze when you zoom in on your smartphone.

"If you are new to this mobile thing, you may want to start out with a bigger tablet, but if all you have is an Apple or an Android smartphone, do not let that hold you up. Download the app and start appraising with mobile."

Early adopters to inspection-focused mobile apps are enjoying higher productivity and increased profits because they recognized how they were performing an inspection could be improved, Bradford said.

He suggests that today's appraiser using second-generation mobile inspection apps are experiencing unprecedented time savings during the on-site data collection phase, as well as savings back in the office were the data, photos and sketch can be loaded instantly into a report.

"Being an early adopter may look risky, but waiting for the majority in a rapidly changing environment may be even more perilous," he said. "Don't sit comfortably in yesterday's armchair waiting for the crowd to come and get you.

"The innovators and early adopters that are confident enough to adopt these new technologies are reaping the benefits today. And they are setting the standard for the future of this industry.

George Opelka, senior vice president of ACI, a leading provider of software solutions in the valuation industry, and a member of the First American family, said a generation ago, a Polaroid camera and an HP12C calculator were the most critical technology in an appraiser's toolbox.

That landscape has changed dramatically in the past 40 years.

"Appraisal technology staples today include a smartphone, apps, electronic measuring device, GPS, computer, tablet, email, online data, and appraisal software," he said. "It's challenging to pick a winner from that elite group, but if we're strictly talking about technology 'devices' (which excludes the Internet); the personal computer continues to be the most important arrow in an appraiser's quiver.

"With its ability to leverage cloud computing, big data and mobile access, the personal computer continues to be a super game changer for appraisers in 2017."

Opelka also notes that his interactions with appraisers tells him the advanced technology tools are being used more often and are becoming more comfortable for appraisers.

"It's evident that electronic measuring devices, tablets and smartphones continue to gain adoption as viable companions to the appraiser on property inspections. Measuring devices enhance both speed and accuracy when compared with the traditional tape or measuring wheel," he said.

"Additionally, many appraisers have ditched the digital camera in favor of the smartphone or tablet for taking photos. When combined with an app, the smartphone or tablet allows an appraiser to take and label photos, as well as collect and/or verify property data."

> "(A)ppraisers need to understand that mobile technology may not save you much (if any) time in the field. It is when you get back to the office and all of your photos, data, and sketches are already done and in the report that you start to realize the time-saving benefits."
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> **Dustin Harris**, "The Appraiser Coach"