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CRN Appraisal Reporting Summit Findings

Elizabeth Green

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Elizabeth Green

Principal Consultant with rel-e-vant Solutions, is a strategist, solutions architect, speaker and valuation advocate. A recognized mortgage technology veteran in software product leadership for solutions in residential property valuation, loan origination, mortgage servicing and secondary marketing, Green is helping to foster a new level of understanding in property valuation and collateral risk assessment through the application of digital intelligence.

She is the 4th term chairperson of the MISMO Property and Valuation Services Workgroup, Chair of the MISMO Development Workgroup for Unique Property Identification and Vice Chairman of the MISMO Residential Standards Governance Committee. Additionally, she is a member of the Collateral Risk Network, the Open Geospatial Consortium and ECCMA. She holds an ISO 8000 Master Data Quality credential and studied as a residential appraiser.

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Project Outcome

Summit Goals:

- Identify the changes that might be made to assist appraisers in developing a more credible appraisal report.
- Define what information lenders and the secondary market need to make better collateral risk decisions.
- Develop a set of recommendations regarding the content, format, standardization and long term vision for future appraisal reporting.

Overview



Teams & Topics

1. Assignment Parameters & Scope of Work
Jennifer Miller, a la mode
2. Property Detail – General, Land/Lot, Improvements
Scott Sparks, Fifth Third Bank
3. Inspection, Condition, Quality of Construction
John Cirincione, Collateral Analytics
4. Market & Neighborhood Analysis
Ernie Durbin, Valuation Vision
5. Approaches to Value
Lee Trice, The Trice Group
6. Extraordinary Assumptions and Hypothetical Conditions, Final Opinion & Reconciliation
Frank O'Neill, Data Quick
7. Certifications and Limitations
Brad Davis, Morgan Stanley
8. Supporting Services
(maps, photos, addenda, data, etc.)
George Opelka, ACI

Assignment Parameters & Scope of Work

- Engagement process should be standardized and transparent.
- Assignment conditions for engaging an appraiser should be specific to the subject property and transaction needs, expressed in a uniform language (as opposed to a catch all of every possible condition or requirement).

Property Detail

- Provide more options for appraisers to choose from in reporting all topics and allow the appraiser to expand or contract the presented content based on what he identifies as **value-related** for the subject property and its specific market.

Inspection & Condition

- Inspection role for the appraiser should be clarified for valuation purposes and the borrower should be given guidance that an appraisal is not the same as a home inspection.

Market & Neighborhood Analysis

- Provide detailed market and neighborhood analysis including immediate, local and expanded areas of competition.
- Include better details regarding general value trends, quality trends, land use percentages; better market segmentation (concessions present, distressed market competition, new construction, etc.).

Approaches to Value

- Return the Income Approach to a trusted tool for providing valuable insights of “cost to own” rather than being construed only as a tool for investment properties.
- Provide better measures in the Sales Comparison Approach that are both qualitative and quantitative, supported by data analysis. Analyze prior sales transactions for the subject property and the comparable properties (versus just reporting the last sale date and price).

Approaches to Value

- Provide context – what is normal for neighborhood, market, home.

EA, HC, Final Opinion and Recon

- Allow the appraiser to provide a rating regarding his confidence in the data available, market forecast and the durability of his opinion of value.
- Reconciliation of all supporting facts to the final opinion of value should be relevant to the transaction, not boilerplate commentary.

Certifications & Limiting Conditions

- Remove certifications that are redundant to USPAP.
- Eliminate one-side GSE protection statements.

Supporting Services

- Items that are obsolete, overkill or redundant (to lender sourced information) in the appraisal file should be eliminated:
 - invoice
 - flood map
 - title page
 - copy of appraiser's license & resume
 - FIRREA addendum
 - sales contract
 - copy of appraiser's E&O policy

Process Improvements

- Reporting process should be fluid to accommodate the needs of the property, its market and client needs.
- Shifting away from the appraiser hunter/gather of data to the appraiser as real property analyst and trusted advisor.

Outcomes

- Summary findings have been published as a series of articles.
- Detailed results (long form report) will also be made available to CRN members via secure login.

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Thank You!