Sunset Seminar
What’s Next for Home Appraisals?

Co-presented by the Urban Institute and CoreLogic

April 25, 2017
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David Bunton, president, The Appraisal Foundation
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What’s Next for Home Appraisals?
Leveraging Data and Technology to Improve the Appraisal Process
Problem

• Traditional appraisals are required for every home purchase and the majority of home refines

• But there are problems with the current state:

  1. Valuation data gathering is compartmentalized
  2. 20 page appraisal form containing redundant information that takes several hours to fill out and even longer to review
  3. Barriers to entry are forcing the population of appraisers to age and shrink
  4. Long turn times hold up the underwriting of the loan and provide a negative client experience and lost purchase contracts (turn times are more than 40 days in some areas)

But we believe technology advancements and the utilization of data can and will improve the appraisal process
Immediate Solutions

• Increase the appraiser population
  • Remove the college education requirement and shorten the experience requirements
    • The requirement can be replaced by targeted and relevant training
  • The Appraiser Qualifications Board has been moving in this direction with its third draft changes to the *Real Property Appraiser Qualification Criteria*, released in March 2017
Immediate Solutions continued

• Overhaul the current joint appraisal forms to drive at only the relevant data and decrease the time to completion
  • Create simplified forms that drive at the truly necessary information
  • GSEs signaling move to re-evaluate the current appraisal forms to eliminate noise
Future State Solutions

• Promote the use of “Big Data” for appraisals
  • Centralized database of market and property-level appraisal data
  • “Lender views” to track appraiser coverage and quality
  • Potential for an “Appraiser view” to streamline data collection and aid appraisal methodology?
  • Expand Day 1 representation and warranty relief coverage

How? GSE Collateral Tools? Lender Utility? Both?
Future State Solutions continued

• Allow the property evaluation component of the appraisal to be completed by a non-appraiser, such as a home inspector
  • Default/reuse property data (measurements, condition, location) from “Big” database
  • Standardized “questions” to drive data collect based on loan requirements (e.g., Loan Type)
  • Permit edits update property data with audit trails of changes including video recordings
  • Drive relevant property and market data to appraiser to establish high quality valuation

In time, might this become partially algorithmic?
Questions? Comments?

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The Future of Appraising

Prepared for the
Urban Institute Sunset Seminar

David Bunton, President
April 25, 2017
OVERVIEW

- Background on The Appraisal Foundation
- Is there a Shortage of Appraisers?
- Evolving Qualifications to Become an Appraiser
- The Future Need for Real Estate Appraisals
- Guidance for First Time and Low Income Home Buyers
Background

The Foundation is NOT:

- A government agency or regulatory board;
- Created by Congress;
- An appraisal trade organization that offers designations.

The Foundation IS:

- A non-profit educational organization;
- Founded by 8 national appraisal organizations;
- Created to foster professionalism in appraising.
Mission

The Appraisal Foundation is dedicated to promoting professionalism and ensuring public trust in the valuation profession.

This is accomplished through the promulgation of standards, qualifications, and guidance regarding valuation methods and techniques.
What Makes The Appraisal Foundation Unique

- A private sector entity that was given specific authority by the U.S. Congress
- Very unusual delegation of governmental authority
Congressional Authority

- All individuals seeking to become a state credentialed real estate appraiser must meet the minimum qualifications (education, experience and examination) established by the Foundation.

- All state credentialed real estate appraisers must follow the performance standards issued by the Foundation (USPAP).
Mortgage Origination Values and Appraiser Credential Trends

* 2016-2018 Projected Data
10 Year Trend: Appraiser Credentials

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified General</td>
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<td>Certified Residential</td>
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<tr>
<td>State Licensed</td>
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<td>7,854</td>
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</tbody>
</table>
Shortage of Appraisers?

- The Economic Factor
- The Dispersion Factor
- The User Education Issue
TRANSITION ON QUALIFICATIONS TO BECOME AN APPRAISER

- College degree required since January 1, 2015.
- Current experience requirements are the last vestige of an apprenticeship model.
- We are looking at individuals being able to gain experience through computer simulated properties or by taking an advanced test which contains practical applications.
The Future Need for Appraisals

- Technology can perform quite well with homogenous housing stock.
- However, real estate in many markets can often have numerous nuances which may not be detected by big data.
- There will continue to be a need for highly-qualified people coupled with technology/analytics.
First Time and Low Income Homebuyers

In reviewing educational programs developed for first time homebuyers by consumer groups, few, if any, had coverage about the importance of understanding the appraisal or valuation aspect of a home purchase.
Homebuyer Module is Available at No Cost

- PowerPoint Presentation
- Trainer’s Guide
- Video links
- Additional Resources
What is the Purpose of the Module?

- For Homebuyer educators and/or counselors to learn about the appraisal process in order to educate consumers
- To provide tools they can use to help educate their clients
Contact Us

Communicating with the Foundation and its Boards is easy:

- Website: www.appraisalfoundation.org
- Phone: 202.347.7722
- Address: 1155 15th Street NW, Suite 1111
  Washington, DC 20005
Modernizing Property Valuations

Susan Allen

April 2017
Data Marketplace

Selecting multiple sources improves data accuracy and details.

Data Assets
- MLS
- Tax
- Valuation
- Images/Docs/Sensed Data
- Transaction

Customer Data Sources
- Upload File
- Connect to Consortium Database

Cancel
Enrich
Successfully imported 1 historical appraisal from consortium data
Alert: Potential roof damage due to weather event!

Download Hazard Data
Valuation: $1,500,000
Valuation Source: 12/08/15 Appraisal
Market Conditions: Available - MLS
Valuation: $1,500,000
Valuation Source: AVM
Market Conditions: Available - MLS
131 Palisades Beach Rd.
Santa Monica, CA 90401

Valuation
$1,500,000

Valuation Source
12/08/15 Appraisal

Outstanding Loan Balance
$120,000

Loan To Value
8%

Market Conditions
Available - MLS
“Smart” Modernization – Fit for Purpose

Technology must be:
- Use-case specific
- Implementable on a large scale
- Cost-effective
- With minimal errors that are acceptable within our ecosystem
“Smart” Modernization – Fit for Purpose

- Begin with the End in Mind – Using the right technology to efficiently address the right challenges
  - Big Data ➔ Big Insights
  - Turn Times
  - Stakeholder Communications
Big Data → Big Insights

- Appraisal data adds unique, independently verified data to our existing sources
- Permits benchmarking
Appraisal Turn Times

1. Lender Orders Appraisal
2. Appraiser Accepts Assignment
3. Inspection Date Set
4. Inspection Performed
5. Appraisal Delivered to VMC
6. Appraisal Delivered to Lender
7. Appraisal Ready for Use

Diagram:
- Lender Orders Appraisal
- Appraiser Accepts Assignment
- Inspection Date Set
- Inspection Performed
- Appraisal Delivered to VMC
- Appraisal Delivered to Lender
- Appraisal Ready for Use
Transparent & Streamlined Stakeholder Communication

Create a transparent view into the valuation process for all parties

Application Features:
- Appointment Scheduling
- Property Enhancements
- Appraisal order status
- Appraiser profile
- Streamlined communications
- Delivery of the final appraisal to the borrower
Thank you!

Susan Allen

April 2017