

The New Normal in Appraisals

SAFETY, ALTERNATIVE INSPECTIONS, BIFURCATION, AND TECHNOLOGY



BY MEGHAN BENNETT

The coronavirus pandemic has substantially changed life as we know it. During the initial outbreak, the main priority was to slow the spread of the virus with ‘lockdown’ mandates and stay-at-home orders. Many companies adapted quickly, creating social distancing protocols or moving their teams, either wholly or partially, to a work-from-home model. Some businesses closed entirely. After five months, many of these changes remain in place, with some beginning to feel more permanent in nature. A ‘new normal’ has emerged for much of the world.

The mortgage sector is no exception, including appraisers, who have in many ways been operating on the ‘frontline’ during the pandemic. Our industry is dependent on appraisers being able to deliver property valuations to banks, mortgage lenders, and non-banking financial services companies. Nevertheless, the nature of their work creates some very specific health and safety concerns given the traditional dependence on physical visits to assess the value of a property. Appraisers really are essential workers in the mortgage industry.

The Change: Alternative Inspections

Fortunately, federal government agencies, including Fannie Mae, Freddie Mac, the Federal Housing Administration (FHA), the Veteran Administration (VA), and the U.S. Department of Agriculture (USDA), issued new, temporary appraisal standards and procedures that allow for alternative inspections to minimize or eliminate physical contact. The new guidelines involve:

- Assessing risks by phone in advance of the appraisal by asking a number of set health and travel questions;
- Using alternative appraisal methods, such as drive-by inspections or desktop appraisals; and,
- Sourcing interior information using alternative sources, such as multiple listing service (MLS) or photos sent from the homeowner, rather than physical, in-home inspections.

In a few, short weeks, alternative inspection methods continued to multiply. As a result, the pandemic has helped to demonstrate the reliability of a bifurcated process, and we are now possibly witnessing the creation of a path for a more permanent use of new appraisal technology.

Alternative Inspections: The Next Step

As a result of the pandemic, several companies introduced technology to allow the appraiser to ‘observe’ the inspection of the property without physically entering it. Some of this technology includes:

- Mobile technology to capture every room and other parts of the property. The technology is similar to flight simulators that help train airline



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pilots and recreate an accurate, three-dimension visualization of a property and its surroundings.

- An intelligent, online appraisal portal that reacts accordingly to each unique property appraisal. For example, if the appraisal identifies that the property requires repairs, local cost estimates and recommendations of vendor companies are automatically delivered to the appraiser.

The proliferation of appraisal technology can significantly increase the amount of completed appraisals and change how quickly appraisals occur. As with any market, the devices that appraisers use will likely become smarter, smaller, and lighter, and appraisers

will benefit. Alternatively, appraisal applications may become available as a downloadable app or accessible via a web browser.

Limiting Risk

Today, technology can streamline and validate many parts of an appraisal in order to:

- Confirm compliance with the Uniform Standards of Professional Practice (USPAP);
- Create automated rules engines that reduce errors and identifies discrepancies; and,
- Increase security measures and prevent fraud with the use of artificial intelligence, machine learning, and geofencing, a location-based confirmation service.

The market is currently con-

tinuing to grow with record low-interest rates, an enormous appetite for refinancing, and a demand for new homes in many states. The pandemic is clearly still affecting the way we work, but alternative inspections are keeping property valuations moving forward despite all the challenges. The support and adoption of new or existing appraisal technology will most likely continue; first as an immediate solution to the challenges of the pandemic and, beyond this, as the industry more fully realizes their many benefits.

Meg Bennett is vice president of business development at Computershare Loan Services. Bennett believes in building solid, long-term partnerships with lenders and offering solutions to reach their goal. She resides in the suburbs of Athens, Georgia with her husband and two sons.