

Hybrid Appraisal Reports

What is a Hybrid Appraisal Report?



hy·brid·i·za·tion

hībrədə'zāSH(ə)

hybridize [hahy-bri-dahyz]

verb, hybridized, hybridizing.

1. to cause to produce hybrids; cross.
2. to breed or cause the production of (a hybrid).
3. to form in a hybrid manner.

Hybridization is the crossing or breeding of several products, processes, or systems to create something from heterogeneous sources; a hybrid.



- Performed by Appraiser
- Similar to a short form
- Rely on Third-Party vendor for inspection
- Could use information from AVM or other analytical tools
- These reports are Appraisals per USPAP



Types and Sources of Data



The Dictionary of Real Estate Appraisal (4th edition) identifies two types of data and two sources of data.

Data Types

- General Data
 - General Data pertains to real estate values and information in general. Or more precisely, "Data that relates to the four forces that affect real property values- social, economic, governmental, and environmental forces. General Data is also known as macro-level data.

- Specific Data
 - Specific Data pertains only to a particular property. Or, more precisely, "details about the property being appraised, comparable sale and rental properties, and relevant local market characteristics."

Data Sources

- Primary Data
 - Primary Data is "information that is gathered in its original form by the analyst." (that would be you)
- Secondary Data
 - Secondary Data is "information that is not gathered in its original form by the analyst."
 - **Hybrid reports rely heavily on Secondary Data and require more attention to detail by the analyst.**

What are Hybrid Appraisals Used For?



Uses of Hybrid Appraisals

- Mortgage Servicing/REO Side
- Portfolio Management
- HELOCs
- Non-Traditional Lending Space (not GSE or Federally Related Transactions)



On March 12, 2018, Housingwire published an interview with Lima Ekram, an analyst at Moody's. She reported that Moody's is seeing an increase of loans using alternative methods for calculating property values. The following are excerpts from her interview.

"In seeking to reduce operational costs, increase efficiencies and address the shrinking rates of US property appraisers, mortgage market participants are exploring the use of alternatives to traditional means of calculating property values and, in some cases, starting to use them more..." Moody's analyst Lima Ekram said.

Lima Ekram continues

"Their [alternatives to traditional appraisals] use in tasks that affect the credit quality of RMBS [Residential Mortgage-Backed Securities] securitization collateral could, however, lead to a weakening of new RMBS transactions."

"Among alternative approaches, the components used in arriving at a valuation will vary, sometimes significantly. Ekram said, highlighting the potential for different approaches to yield different outcomes, some of which may be more reliable than others."

Hybrid appraisals, for example, rely on information from on-site property examinations conducted by third parties, often real estate agents or brokers.

Ekram stressed that it is also important to look at whether a non-traditional appraisal alternative is being used as the primary means of property valuation, or if it primarily used as a means of quality control.



Assurant has developed Assurant Hybrid Appraisals, enabling customizable Hybrid desktop appraisals with interior inspections.



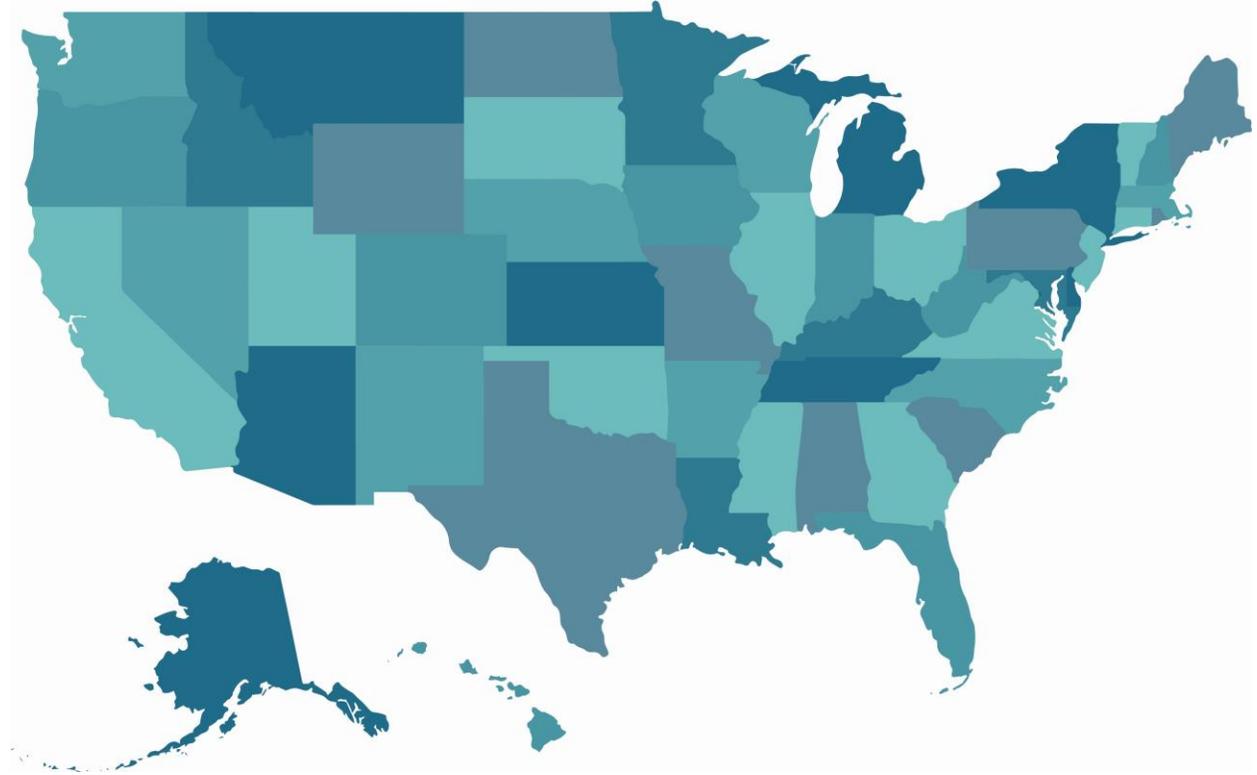
Nations Lending Service, Inc announced their bundled services: NATIONS LINK and EQUITY EXPRESS. The integration of the two programs provides their national lending clients with the best winning combination of hybrid appraisal products for HELOCs.



Property Solutions, formerly Computershare Mortgage Solutions, has handled BPO appraisals, property inspections, and valuations for more than a decade. Over the past year, they have used alternative types of appraisal products in disaster areas, reducing the pressure and stress for appraisers and property assessors. When asked if technology will replace appraisers, the answer was no: Automation is designed to support appraisers.



Home Inspection Industry



Home Inspection Stats

- About 5 million home inspections are performed each year
- Most real estate agents recommend home inspections
- FHA & VA recommend home inspections



The American Society of Home Inspectors

- Founded in 1976
- 7,248 members as of April 2018
- 3,197 members are certified as home inspectors



International Association of Certified Home Inspectors

- Founded in 1990
- 20,800 active members as of April 2018
- 45 different certifications



3 - Companies that Offer Home Inspection Training

- The Home Inspection Industry has many options for training
- No required standards, licensing, or certification
- Repairs mentioned in the inspection may be serious or minor
- Watch for different terminology
- Home inspectors use different terminology - for example, *average* may not describe what you think of as average
- Unlike real estate agents, home inspectors are not trying to sell the property but many try to find issues to justify their fees.

E&O and Risk



According to Peter Christensen, General Counsel LIA Administrators & Insurance Services

- Review the Engagement Letter
- Be clear about which part of the report is your work and separate it from the work and/or information completed by a third party on which you relied
- Ask yourself "What is this report being used for?" - if it is solely for internal use by a lender, it could be far less risky than a report that will be delivered to a borrower.
- Is the workfile created viable? Can you defend and support your conclusions?

Final Thoughts & Takeaways



Workfile

1. USPAP RECORD KEEPING RULE Requires you to have and maintain a workfile
2. Review the Limiting Condition, Statements and Certifications.... Do you agree with them?
3. Remember your State or Professional Organizations may have additional Certifications
4. Review the RECORD KEEPING RULE
 - a. Name of Client, intended users
 - b. True Copy
 - c. All the documentation necessary to support your analyses, opinions, and conclusions
 - d. Dated certifications

Reconciliation (Standard Rule 1-6)

- Know the source, limitations, and reliability of the Secondary Data used in the analysis.
- Summarize the information you analyzed and the appraisal methods used
- Simply describe how reliable the data was or was not

- Describe the results of any analytical tools you used and their reliability
- Clearly communicate your conclusions.

Thank You!



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