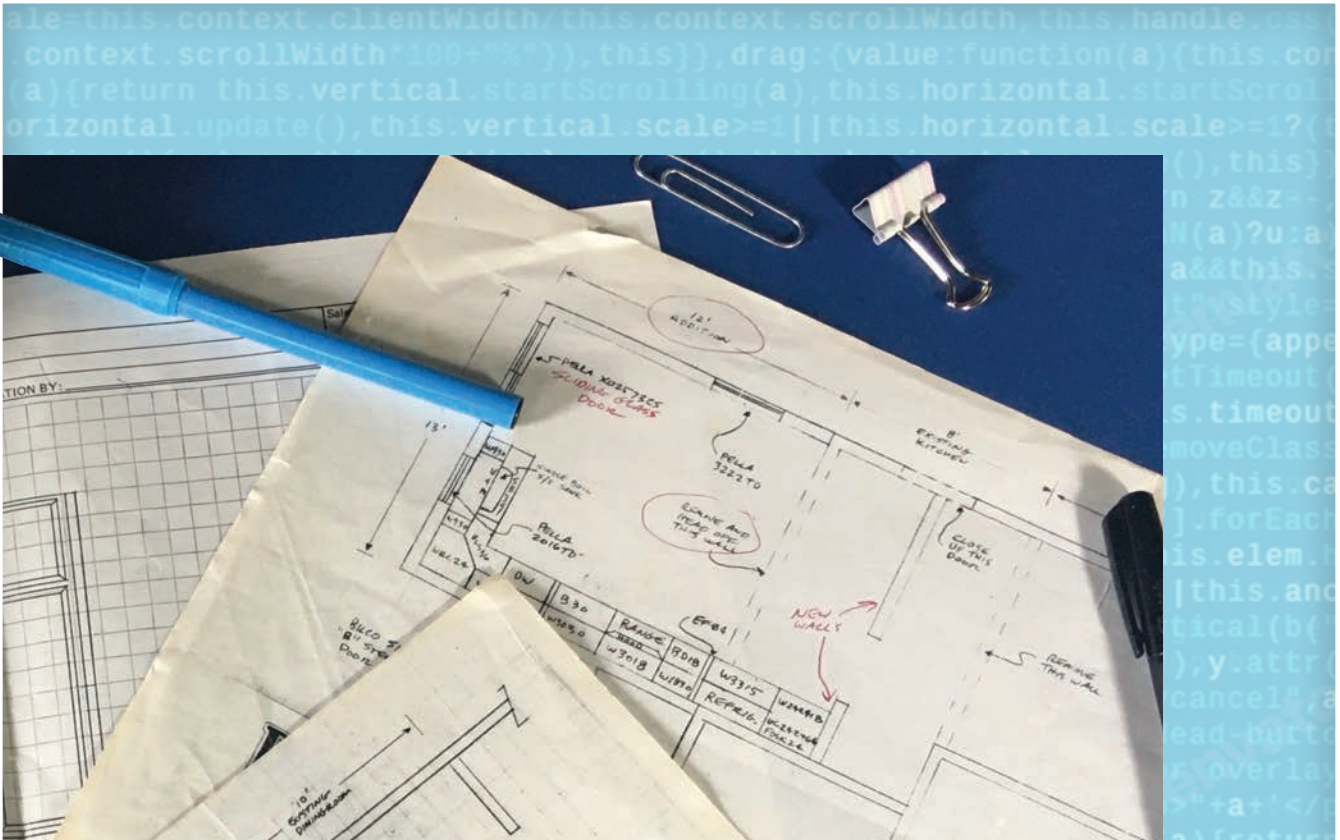


appraiserfocus magazine



The New UAD: Easier to Write, Easier to Read

How the ambitious overhaul of the Uniform Appraisal Dataset will improve the appraisal reporting process

Matthew D. Johnson

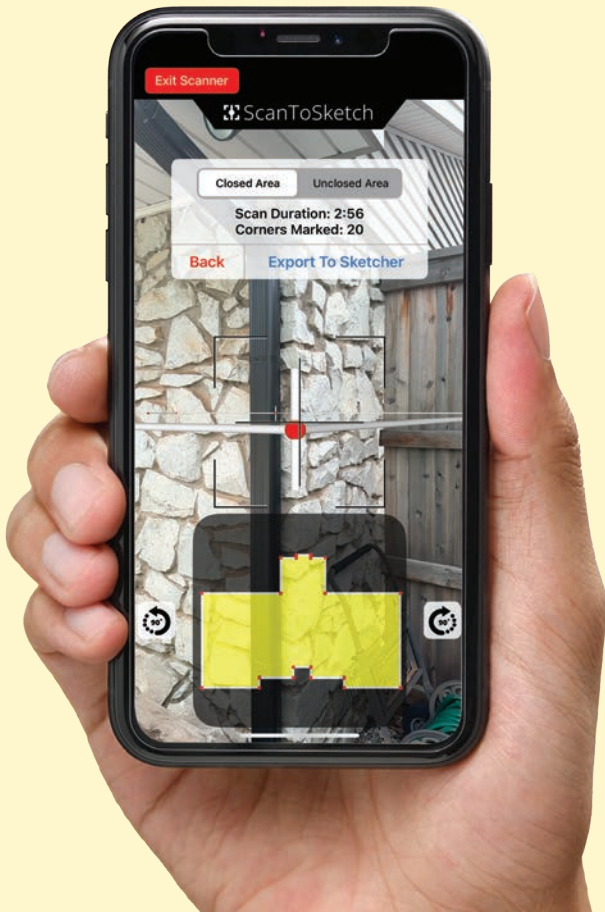
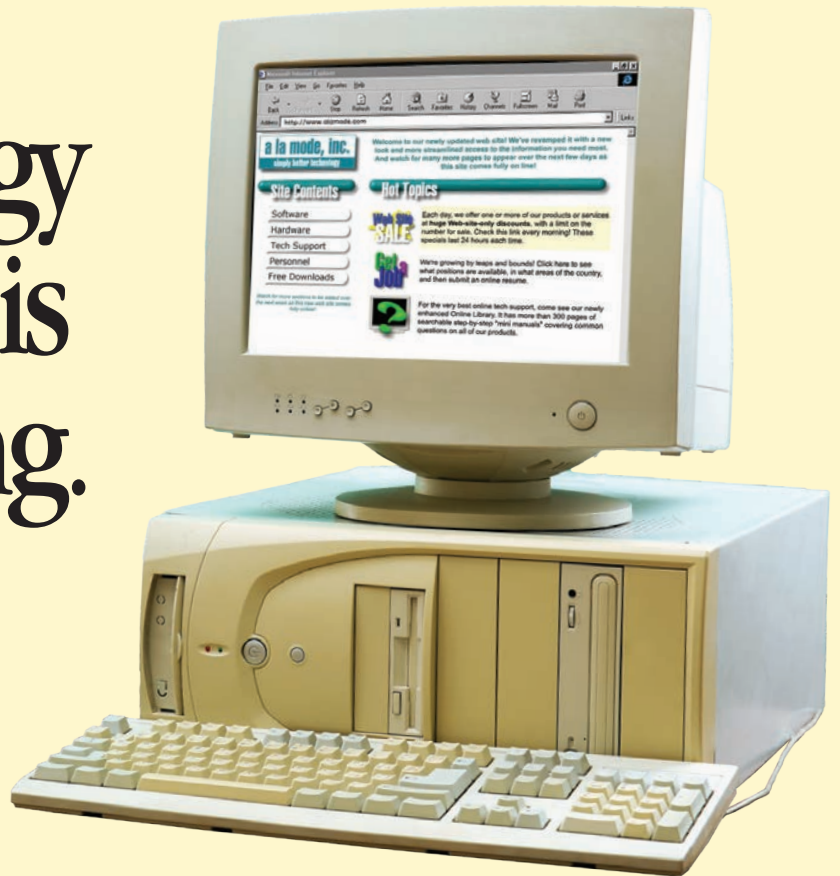
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Matthew D. Johnson

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A NOTE FROM THE PRESIDENT



It has been an honor to serve as President of The National Association of Appraisers this year. When I became an appraiser over 30 years ago, I never imagined being a representative for appraisers on a national scale. My goal continues to be to increase the value of membership in the NAA through the work of our organization and connections made in the appraisal arena.

We have continued to grow our membership and have co-hosted two conferences, ACTS and Summit, where quality education and appraisal-related updates are shared. The conferences have raised our members' knowledge of changes in the profession and given them the tools to adapt in this ever-changing profession.

Like the seven presidents before me, I constantly strive to advocate for the NAA. I have been busy representing you, NAA members, by attending meetings such as The Appraisal Foundation Board of Trustees (BOT), The Appraisal Foundation Advisory Council (TAFAC), the Appraisal Qualification Board, the Appraisal Standards Board, the Council to Advance Residential Equity (CARE), the Association of Appraiser Regulatory Officials (AARO), the Federal Housing Finance Agency (FHFA), the Association of Texas Appraisers (ATA), the South Carolina Professional Appraiser Coalition (SCPAC), the North Carolina Professional Appraiser Coalition (NCPAC), the Mississippi Coalition of Appraisers (MSCAPP), and the Appraisal Expo to advocate for boots-on-the-ground appraisers. I also was honored to participate in the Women's Forum at the Appraisal Foundation meeting in Indianapolis in May of 2024. These connections have given me the honor to chair the TAFAC committee for 2025 to continue my work for NAA members.

In 2024, the NAA became a partner with the Appraisal Foundation, which has given us a seat at the table on the national appraisal scene. This partnership has allowed me to continue building bridges with other appraisal organizations and collaborate on behalf of the NAA, which is elevating the voice of boots-on-the-ground appraisers and

allowing us to sign a collaborative effort to FHFA with concerns regarding appraisal waivers. Communication with appraisers and appraisal organizations has been a focus to promote the NAA's recognition in the appraisal profession.

In 2024, we recognized Heather Sullivan, MNAA with the Appraiser of the Year award, and Jim Park with the 2024 President's Award. These awards were created for individuals who continually give to the appraisal profession.

The NAA continues to be a voice for appraisal trainees. We sponsor trainee events at our conferences and will have our first-ever Trainee Field Trip event in San Antonio. We co-sponsored multiple Appraiser Diversity Initiative events in Sacramento in 2023 and Colorado Springs in 2024. We are pleased to co-sponsor another ADI event at our upcoming San Antonio conference in April 2025.

Finally, I would like to thank the NAA Board of Directors, the NAA committees and Teresa Walker for their commitment to the NAA and the appraisal profession. Together we are making a difference. ●

Sincerely,
Malinda Griffin, MNAA
President, NAA



Connect with me about how to get involved with the NAA. Reach me at malindagriffin@gmail.com

ON THE COVER
The New UAD: Easier to Write, Easier to Read



2025

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Hansel Dobbs, MNAA

8, 16 What's Your Tam?, Upzoning: A National Appraisal Discussion



Hansel Dobbs, MNAA, is the Chief Appraiser for Aloft Appraisal, where he contributes to valuation technology as a subject matter expert and also manages quality control for the appraisal firm side of the business. Formerly, Dobbs served as Chief Appraiser for Consolidated Analytics and Red Bell Real Estate, and he earned additional experience in appraisal review while working at LandSafe. He started his appraisal career while in college in Abilene, Texas, and returned to Rockwall, Texas, to help his dad with his residential appraisal firm located in downtown Rockwall.

Matthew D. Johnson

24 The New UAD: Easier to Write, Easier to Read



Matthew D. Johnson is in his 19th year with SFREP and, after working in the company's technical support department, is the company's Director of Customer Communications responsible for SFREP's live webinars and pre-produced training and promotional videos. He's a graduate of Western Carolina University with a degree in Mass Communications. Matthew, his wife Bethany and their dog Penny live in his hometown of Charlotte, North Carolina. Matthew is an avid aviation enthusiast and photographer and is a rabid Charlotte FC MLS soccer fan.

Isaac Peck

10 Why Report a State Board Investigation or Complaint?



Isaac Peck is the Publisher of Working RE magazine and the President of OREP, a leading provider of E&O insurance for real estate professionals. OREP serves over 10,000 appraisers with comprehensive E&O coverage, competitive rates, and 14 hours of free CE for OREP Members (CE not approved in IL, MN, GA). Visit www.OREP.org to learn more. Reach Isaac at isaac@orep.org or (888) 347-5273. CA License #4116465.

Rebecca Johnson, MNAA

30 Unlocking Success: The Power of Trainees



Rebecca Johnson is a Certified Residential Appraiser based on the Southeastern coast of North Carolina. She is the founder of the Appraisal Trainees Learning Together Facebook group, which has grown to over 3,500 members. As a dedicated professional, she serves on the Board of Directors for the North Carolina Professional Appraiser Coalition (NCPAC) and is an active member of the South Carolina Appraiser Coalition (SCPAC) and the NAA, where she also serves on the Communications Committee. Believing that knowledge is power, Johnson is passionate about sharing her expertise with prospective appraisers, guiding them through the intricacies of the appraisal process. She is a proud graduate of the University of Wisconsin-Whitewater, where she earned a degree in Public Relations and Communication, which she credits for her effective communication and outreach skills.

Rick Mayberry, MNAA & Dana Murray, MNAA

12 Artificial Intelligence and Real Estate Appraising



Rick Mayberry, MNAA, has been a certified general appraiser since 1991. He is considered a thought leader with respect to leveraging leading-edge technologies and integrating them into practicing appraiser practice. In the last 10 years, Mayberry has been involved in applying varying forms of artificial intelligence to the profession. The last two years, he has been focused on the development of dashboards and the subspecialty of machine learning. He is always available to speak with you.



Dana Murray, CDA, RAA, MNAA, is a U.S. Navy Veteran and a Certified Residential Appraiser working in the mountains of Western North Carolina. He has been an appraiser since 2004 and has held a number of leadership positions in state and national appraiser coalitions.

Stephanie Streep-Tuley, MNAA

20 Lessons from the Supervisor's Desk



Stephanie Streep-Tuley, MNAA, is a Certified Residential Appraiser and the Managing Partner of an appraisal firm with three residential appraisers. She has been appraising residential real estate in the San Antonio market area since 2010. Stephanie has been a member of the ATA since 2014, received her designation in 2021 and became a board member in 2023. She is passionate about the appraisal community, an active member of the NAA, the co-chair of the Appraiser Trainee Committee and regularly attends National Conferences as a vocal appraiser advocate.

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Chief Appraiser, Aloft Appraisals



"My hope is that we can find a way to expand the Total Addressable Market for our services, educate the average market participant about what we offer, and thrive as residential real estate appraisers."

What Is Your TAM?

How appraisers can grow market demand for our services

IN A TIME OF RAPID TECHNOLOGICAL CHANGE affecting every profession, including ours, I've been reflecting on what truly defines an appraiser's core competency. What unique role do we fill? I believe it's complex problem-solving within the context of real estate valuation, which involves assessing a market's response to different features and characteristics, commonly known as adjustments.

We are uniquely equipped to derive adjustments using methods such as paired sales, depreciated cost, grouped data, and many other methods. Our problem-solving also involves a broad range of complex soft skills, including deep knowledge of local market characteristics, local demand and supply drivers, and local data sources essential for tackling complex real estate problems.

With these core competencies in mind, I've been considering innovation in appraisal products and services that require a nationwide workforce of professionals who possess these very skills. This means comparing the wide range of services we have the capability of offering and the average product line of residential appraisers today. What forces are holding us back from expanding our product lines and therefore our Total Addressable Market (TAM)?

TAM, in the context of appraisal products and services, refers to the overall revenue opportunity that is available if a product or service is marketed and sold without any constraints. For the appraisal industry, this includes the entire market demand for residential property valuations and real estate consulting. TAM encompasses all potential customers, including individual homeowners, real estate investors, banks, and other financial institutions, assuming 100% market penetration. Calculating TAM helps companies understand the market size and potential growth opportunities for their appraisal-related offerings. Introducing a new product or service can expand the TAM by reaching additional customer segments and meeting new market needs.

In residential real estate appraising, our most successful products are the URAR 1004 and the GP Residential forms. One reason for this is that these forms are deeply integrated into the broader branding of our profession. The average American associates our work with these products, and we are well-known for providing valuation

services for lending transactions. However, fewer people are aware of our work in areas such as estate, green, right of way, and many other areas.

This brings us to the branding of "residential real estate appraiser" on a national level. Your branding consists of two parts:

1. The marketing and branding you individually conduct to promote your services and products.
2. The broader marketing and branding associated with "residential real estate appraiser."

Considering this, think about the URAR 1004 and GP Residential forms:

1. We promote these services through our own marketing and branding.
 - Nearly every appraiser in the country knows how to perform these services.
 - We all have the technology and tools to perform and deliver them.
2. The larger branding associated with "residential real estate appraiser" is deeply linked to these products, so the market knows where to go for these services.

But what about solar valuation? Let's assume you're marketing solar valuation locally, and this service forms a small part of your business. You've studied solar valuation; you know how to perform these credibly and you are able to effectively market it as a product.

You've promoted and developed the tools and methods to perform this service and deliver it profitably. However, does the broader marketing and branding associated with "residential real estate appraiser" connect us to this product/service? Are we known for this product? I don't think we are.

1. Not enough appraisers nationally know how to perform this service and actively find a market for it.
2. Not enough appraisers understand the technology, tools, and methods for performing and delivering such a service profitably.

This indicates a lack of innovation or service adoption within our profession. There's a disconnect between our capabilities and the services/products that the average

market participant associates with us and actively seeks us out for. This suggests we're missing potential revenue and opportunities to increase our TAM, as well as fully leverage our skills within our licensure.

I've spoken with many appraisers from across the country, and it's astonishing how many products and services we can provide. Yet, most of us continue to offer a limited selection primarily demanded by lending clients. How can we shift the "residential real estate appraiser" brand to broaden our TAM? How do we become recognized for a wider array of services in a way that benefits everyone in the profession?

Here are a few challenges preventing this progress:

Nationwide Deployment: To become known for a service as a profession, it must be accessible nationwide. Finding an appraiser to conduct a solar valuation or value an Energy Star-rated home should not be difficult.

Product Deployment: We need the ability to create and introduce products independently of a few form-filling companies. Our pace needs to be quicker, and adoption wider.

Education: We need more case-study-based training to help appraisers expand their product suites and learn how to perform various services, whether it's bankruptcy, right of way, solar valuation, or other types of work.

Innovation: We need creativity and product design to think on a grander scale as a profession.

Many product and service examples are well-recognized, and some of you may already offer them. Even so, I encourage more of us to broaden our offerings.

My concern is that there's a sense of a barrier between a new service idea and the actual deployment of it. This bottlenecking is what I believe holds us back as a profession. At the end of the day, we have the licensure and foundational hard and soft skills to provide our customers with a larger menu of services, but we lack the specialized training, experience, and technology to efficiently deploy them.

My hope is that we can find a way to expand the Total Addressable Market for our services, educate the average market participant about what we offer, and thrive as residential real estate appraisers. While I can't prescribe specific solutions, I hope this discussion sparks a larger conversation for us all to think about. ●

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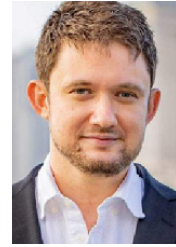
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Isaac Peck
Senior Broker at OREP.org



“What exactly should you do if you do receive notice from your state regulator that a complaint has been filed against you or that they are investigating you?”

Why Report a State Board Investigation or Complaint?

Acting early can make all the difference



TO SAY THAT THERE IS A HIGH VOLUME OF STATE BOARD complaints filed against appraisers is an understatement. Fannie Mae has admitted filing over 1,000 complaints (they call them “tips”) with state boards and licensing commissions for a single calendar year period. Even if we consider that Freddie Mac is filing slightly fewer complaints, the Government Sponsored Entities (GSEs) are easily filing over 2,000 complaints against appraisers per year.

If you take into account complaints filed by the general public, real estate agents, appraisal management companies, lenders, and other appraisers, the true number of complaints filed against appraisers may be closer to 4,000 per year.

While not every complaint filed against an appraiser is investigated, or even taken seriously by the state appraiser board or real estate commission, that’s still a lot of heat facing appraisers.

All of this raises an important question: What exactly

should you do if you do receive notice from your state regulator that a complaint has been filed against you or that they are investigating you?

Here is some straight-forward advice:

1. Don’t try to go it alone. Seek out an experienced appraiser, USPAP expert, or attorney who can view your appraisal and the complaint against you independently. You can also have them review your response prior to you firing it off to the state board. Many appraisers are quick to respond and some are even still emotional when they write their response letter. This is a mistake. It pays to take a few days (or a week!) and approach this with a level head and to seek professional help in reviewing your appraisal and your response.

2. You must report the complaint or investigation to your insurance carrier immediately. This part is absolutely key. Many appraisers think they aren’t required to tell their insurance carrier. In some cases, the state might

send a letter just saying that they're "inquiring" about an appraisal, or maybe even simply requesting a copy of an appraisal. Why would you, as an appraiser, need to report such a simple inquiry to your insurance carrier? It's not even a complaint yet!

Here is wording from one of the main policies that we offer here at OREP:

The Company will reimburse the Named Insured for reasonable attorneys' fees, costs and expenses incurred resulting from the investigation or defense of a disciplinary action first received by the Named Insured and reported in writing to the Company during the policy period by reason of an act or omission in the performance of Professional Services. The maximum amount payable, regardless of the number of disciplinary actions, shall be \$10,000 per Claim and \$25,000 per policy period. The Company shall not be obligated to defend any disciplinary action, or pay any fine, penalty or award resulting from any disciplinary action.

In other words, the policy will reimburse you up to \$10,000 of reasonable expenses, but you have to report the "investigation" during the policy period. If the state sends you a letter "inquiring" about an appraisal or asking for a copy, that is an investigation.

You might think this is harsh, but it drives home the point of how important it is to report any investigation or complaint to your insurance carrier right away.

This type of policy language is not specific to OREP either. This requirement is present in the great vast majority appraiser E&O policies. One of OREP's largest competitors actually requires that you report the investigation within 60 days of receiving it for coverage to be offered!

So, if you want coverage and support from your insurance carrier with a state board complaint (and you should!), then report it when you receive it. We've seen plenty of cases where appraisers report these matters six months—or even years—later, and wind up upset when coverage is declined. I encourage you not to go it alone when the state board comes knocking.

As an aside, this advice also applies to claims as well. If you receive a demand letter, or if a real estate agent, buyer or seller threatens to sue you, or if anything happens that you think might be a claim, it pays to report it to your insurance carrier. Getting a potential claim on the record with your insurance carrier is the surest way to ensure that you will have coverage down the road if it does turn into a full-blown claim. Especially when it comes to claims, you don't want to wind up in a questionable coverage position.

One final word of advice about state board complaints and investigations: The recommendations here apply even if the state is simply sending you an "inquiry," or sends you a request for your workfile, or is performing any kind of scrutiny into you or your appraisals. Note that

the policy wording quoted above references an "investigation." The word "inquiry" is found in the definition of the word "investigation." If the state is inquiring about your appraisal, or asking you questions, or requesting a copy of your workfile, that is an investigation and it needs to be reported to your insurance carrier right away. Every appraiser E&O policy that I've ever read has very similar language and has a similar position.

WILL THIS IMPACT YOUR INSURANCE PREMIUMS?

Many appraisers do not report board complaints or investigations because they are concerned that their insurance carrier will increase their premiums. This fear is not unfounded. In the years following the 2008 real estate crash, I have worked with insurance carriers that used to non-renew an appraiser's insurance policy for reporting even a frivolous complaint!

Here's the best way I can answer this concern: It depends on the insurance carrier. Some insurance carriers continue to penalize appraisers for simply reporting a state board investigation—regardless of whether the complaint was frivolous or if it required a professional defense before it was dismissed.

As the appraisal insurance market has softened over the last decade, some insurance carriers have adopted more liberal approaches—increasing an appraiser's premium only when more than \$2,000 is spent on their defense, for example.

Here's how we handle it with OREP's primary program (the one that we have underwriting authority for): We do not penalize you for reporting a state board investigation. In the vast majority of cases, our OREP insureds are able to receive professional support and assistance—with no increase in their premiums.

Of course, our underwriters review the legitimacy and allegations of each complaint. We don't like allegations of fraud, for example. But our general rule is that if the cost of your defense is less than \$5,000, you will experience no increase in your premium. If the cost of your defense exceeds \$5,000, then it's likely your premiums will increase by \$100-\$200 per year. In my experience, over 90 percent of board complaints do not reach this threshold.

DON'T RISK IT

You don't have to go it alone if the state board comes knocking. Seek help and report it to your insurance carrier. Even if you're working with an insurance carrier that will increase your premiums at the mere mention of the word "investigation," it's better than having your coverage denied if the state digs in and comes after your license. Don't risk it. Sticking with an insurance carrier like that might not be a good idea anyway. Stay safe out there! ●

FOCUS ON TECHNOLOGY

Rick Mayberry, MNAA
Dana Murray, MNAA



"Appraisers can leverage AI to enhance their methodologies."

Artificial Intelligence and Real Estate Appraising

Should appraisers embrace or reject the use of AI?



IN RECENT YEARS, the real estate industry has seen a transformative shift toward incorporating technology into every facet of its operations. We have come a long way from developing photographic film so we could paste a small quantity of photos into a report that we actually typed on a typewriter. Among the newest and most groundbreaking advancements is the use of Artificial Intelligence in real estate appraising. AI, with its ability to process and analyze vast amounts of data quickly, offers unprecedented opportunities for enhancing accuracy, efficiency, and decision-making in property valuation.

Here are some of the impactful ways AI is changing real estate appraising:

- Automated Valuation Models (AVMs):** An AVM is a computer software program that analyzes data using an automated process. It may use regression or adaptive estimations, but it's overall a logarithmic process. It is not generally considered AI. It's moving that way, but the underlying and proprietary algorithms are how companies in the business sell and market themselves, touting why their algorithm is better. If using an AVM in an appraisal, you must remember to review USPAP AO 18 (Use of an Au-

tomated Valuation Model AVM). This Advisory Opinion addresses how an appraiser may use an AVM.

- Enhanced Data Analysis:** AI excels in handling and analyzing the big data inherent in real estate transactions. It can identify trends, patterns, and anomalies that might not be apparent to human appraisers. Generally speaking, this is known by data scientists as machine learning. It can be very complex and isn't really meant for appraisers. Remember, one needs to be able to explain (USPAP) how the electronic tool works. Modelling, which is the driver of pattern matching, is very complex and should only be developed by people with a statistics, computer science, or data science background. This capability can provide nuanced and comprehensive market analyses. An interesting experiment I did found 78 million transactions over 10 years in the Canopy MLS. Using Microsoft Azure's AI platform, I modeled and then uploaded this data. Interestingly enough, the No. 1 value driver is the flooring field. I was confused at first, and then I realized the flooring field is a proxy to quality of construction. Then it made sense. This is just an example.

- Predictive Analytics:** AI's predictive analytics can forecast future market trends based on current and his-

torical data. This ability is invaluable for appraisers who need to understand not just the current value of a property, but its potential future value under different market conditions.

• **Image Recognition and Analysis:** AI-powered image recognition technology can analyze photographs of properties to assess conditions, features, and even estimate repair costs. This technology can significantly reduce the time needed for on-site inspections and provide objective data that supports the appraiser's findings.

• **Streamlining Processes:** AI can automate many routine tasks involved in appraising, such as collecting and organizing data, filling out forms, and generating preliminary reports. This automation allows appraisers to focus on more complex and nuanced aspects of property valuation, enhancing overall productivity and accuracy.

• **Actual Operations:** On a practical note, not all appraisers are going to jump into using AI to enhance their reports or provide data analysis, but some will. Many appraisers are already having good experiences using programs like ChatGPT to help with re-writing a challenging write-up or having the AI ChatBot provide input on limiting liability in how it is worded. Some early adopters are already using the data analysis tools by loading in an Excel or CSV file and using prompts to provide additional support for everything from market analysis to adjustments.

CHALLENGES AND CONSIDERATIONS

While AI offers numerous benefits, its integration into real estate appraising also presents challenges. Some of the biggest concerns are data privacy, the potential for biased algorithms, and the need for oversight to ensure accuracy and accountability. Additionally, the human element of understanding local market nuances and the condition of a property cannot be entirely replaced by AI. Appraisers who are planning to add some type of software valuation program to their appraisal practice should refer to USPAP AO 37 (Computer Assisted Valuation Tools).

FUTURE PROSPECTS

The future of AI in real estate appraising looks promising, with ongoing advancements in technology expected to further enhance AI's capabilities. The development of more sophisticated algorithms, combined with an increasing availability of real estate data, will likely make AI an indispensable tool in the appraiser's toolkit. And this is how we should treat it. Not as a potential replacement, but as another tool like a digital camera that we are going to use to help us become more efficient and more accurate.

ETHICAL AND REGULATORY CONSIDERATIONS

As AI becomes more prevalent in real estate appraising, ethical and regulatory considerations come to the fore-



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FOCUS ON TECHNOLOGY

The future of AI in real estate appraising looks promising, with ongoing advancements in technology expected to further enhance AI's capabilities. The development of more sophisticated algorithms, combined with an increasing availability of real estate data, will likely make AI an indispensable tool in the appraiser's toolkit.

front. Ensuring that AI algorithms operate transparently and without inherent biases is crucial. Some of you may wonder how a computer program (artificial intelligence) can be biased? AI bias is the underlying prejudice in data that's used to create AI algorithms, which can ultimately result in discrimination and other social consequences. Here are three real-life examples of when AI algorithms have demonstrated prejudice and discrimination.

1. In October 2019, researchers found that an algorithm used on more than 200 million people in U.S. hospitals to predict which patients would likely need extra medical care heavily favored white patients over black patients. While race itself wasn't a variable used in this algorithm, another variable highly correlated to race was, which was healthcare cost history. The rationale was that cost summarizes how many healthcare needs a particular person has. For various reasons, black patients incurred lower healthcare costs than white patients with the same conditions on average. Thankfully, researchers worked with Optum to reduce the level of bias by 80%. But had they not been interrogated in the first place, AI bias would have continued to discriminate severely.

2. Arguably the most notable example of AI bias is the COMPAS (Correctional Offender Management Profiling for Alternative Sanctions) algorithm used in U.S. court systems to predict the likelihood that a defendant would become a recidivist. Due to the data that was used, the model that was chosen, and the process of creating the algorithm overall, the model predicted twice as many false positives for recidivism for black offenders (45%) than white offenders (23%).

3. Amazon is one of the largest tech giants in the world.

And so, it's no surprise that they're heavy users of machine learning and artificial intelligence. In 2015, Amazon realized that its algorithm used for hiring employees was found to be biased against women. The reason for that was because the algorithm was based on the number of resumes submitted over the past 10 years, and since most of the applicants were men, it was trained to favor men over women. Regulators and industry professionals must work together to establish guidelines that foster trust and confidence in AI-assisted appraisals.

CASE STUDIES AND REAL-WORLD APPLICATIONS

Several real-world applications highlight AI's impact on real estate appraising. Companies like Zillow and Redfin use AVMs to provide instant home valuation estimates. And in the early going we see quite a large range of predictive values provided by various programs. If a property is actually listed for sale, all of the major AVMs appear to closely match the list price, while properties that are not actively on the market have wide ranging values assigned by the AVMs. My own home has a Zestimate ranging from \$165,000 to \$228,000 (the problem here is there is no information about the home and its updates available as it has never been for sale). Homeowners across the country love to debate whether their Zestimates are too high or too low. When it comes time to sell, the estimated market value calculated by Zillow can be the jumping-off point for an interesting discussion between real estate agents and sellers.

In 2016, Zillow CEO Spencer Rascoff sold a home in Seattle's Madison Park neighborhood for \$1.05 million. The day after the sale, the Zestimate for the home reached \$1.75 million. On Zillow's website the following day, it was down to \$1.575 million. A 40% difference. According to Geekwire, over 20% of sales have a Zestimate that misses the sale price by more than 20%.

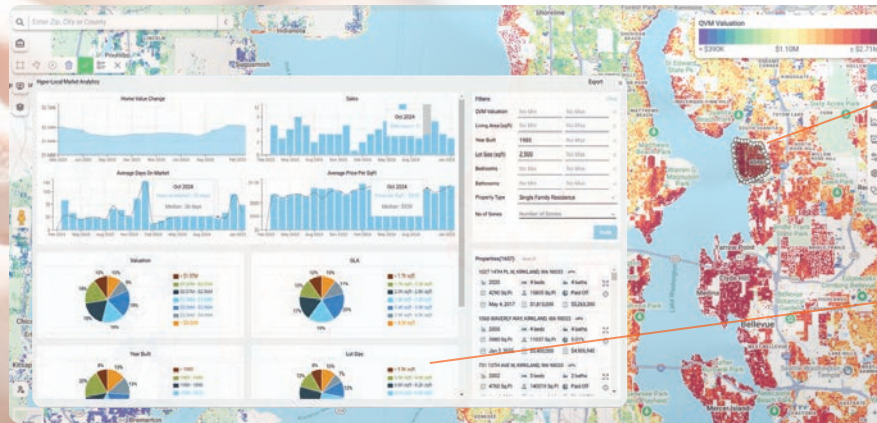
While we can see that there have been issues with some AVM applications in the early going (Zillow dropped its iBuyers program), there are startups that are developing AI tools that analyze satellite and street view images to assess property conditions and even predict future maintenance need.

CONCLUSION

The integration of AI into real estate appraising represents a significant step forward for the industry. By harnessing the power of AI, appraisers can achieve greater accuracy, efficiency, and insight in their valuations. However, embracing AI also requires careful consideration of its limitations and challenges. As the technology continues to evolve, the real estate appraising profession must adapt and innovate to remain at the forefront of accurate and reliable property valuation. ●



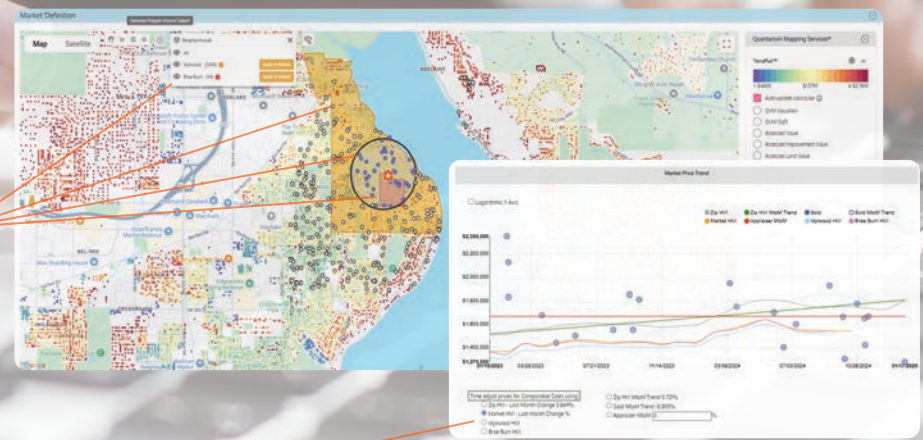
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Hansel Dobbs, MNAA
Chief Appraiser, Aloft Appraisals



"After thoroughly analyzing both bills, I'm here to provide a detailed overview of their contents and implications."

Upzoning: A National Appraisal Discussion

Washington state's new upzoning laws present challenges for real estate appraisers



AS AMERICAN CITIES CONTINUE TO EVOLVE, Washington state's HB1110 (initially effective July 1, 2024) and HB1337 (initially effective January 1, 2024) stand out for their substantial influence, echoing a broader movement toward upzoning nationwide. These bills, designed to increase housing density and promote inclusive growth, are reshaping the urban experience. For real estate appraisers, this legislative change presents new challenges. Assessing the highest and best use of properties in neighborhoods undergoing transformation requires a renewed approach. After thoroughly analyzing both bills, I'm here to provide a detailed overview of their contents and implications.

The introduction of Washington state's new upzoning laws, HB1110 and HB1337, present a series of challenges for real estate appraisers, particularly when it comes to determining the highest and best use of properties. Traditionally, appraisers rely on established and simpler

zoning regulations to appraise property values based on permitted uses. However, with these new laws permitting greater density in previously single-family zones, the landscape has become significantly more complex.

Housing Demand and Supply: Washington state estimates that the Puget Sound's four counties need about 640,000 new homes by 2044 to meet population growth. Approximately half of these new homes must be affordable to households earning very low incomes (50% or less of the area's median income).

One of the primary challenges is the uncertainty surrounding future development potential. Appraisers must now consider a wider array of potential uses for each property, including multifamily developments with up to six units, properties with multiple ADUs, and the conversion of additional units to individual condominium ownership. Additionally, appraisers will increasingly need to factor in the concept of assemblage, which involves the

combination of adjacent properties to create a more valuable or functional development opportunity. This expanded scope requires a nuanced understanding of zoning changes and the flexibility to evaluate diverse property configurations and their highest and best use. This ambiguity can complicate market analysis and comparable sales assessments (translation: more complex and more expensive highest and best use analysis). Additionally, as neighborhoods transform under these new regulations, historical data may no longer provide accurate benchmarks

And this isn't just Washington's issue. Variations of these upzoning efforts are appearing across the United States, each with its own nuances. Cities nationwide are grappling with similar challenges, making this a truly national conversation. Because of this, it challenges every appraiser to rethink their approaches, consider the broader impacts on how to perform highest and best use, and stay ahead of the curve in a profession integral to independent property valuation in the United States.

“One of the most important things that we do is our highest and best-use analysis because that will determine use.”
Byron Miller, SRA, AI-RRS, RAA, MSSE

Upzoning refers to the process of changing the zoning regulations for a particular area to allow for higher-density land use. This can include permitting the construction of more units on a given parcel of land, increasing the allowable building height, or otherwise enabling more intensive development than was previously allowed. The goal of upzoning is often to promote urban growth, increase housing supply, and support economic development.

WHAT IS HB1110?

- Passed into Law: April 20, 2023
- Effective Date: July 23, 2023
- Required Implementation Begins: July 1, 2024

HB1110 is set to shake up zoning laws in Washington state after being passed on April 20, 2023, making it easier to develop more middle housing in urban areas.

HERE'S A SIMPLIFIED BREAKDOWN OF WHAT THIS BILL CHANGES:

Tier A | For Cities with Populations of 75,000 or More:

1. Standard Residential Lots (within a half mile): At least four units can be built per lot.
2. Near Major Transit Stops (within a quarter mile): At least six units can be built per lot.
3. With Affordable Housing: At least six units can be built per lot if two units are affordable housing.

Tier B | For Cities with Populations Between 25,000 and 75,000:

1. Standard Residential Lots: At least two units can be

built per lot.

2. Near Major Transit Stops (within a half mile): At least four units can be built per lot.
3. With Affordable Housing: At least four units can be built per lot if one unit is affordable housing.

Tier C | For Smaller Cities (less than 25,000) within Larger Urban Areas:

1. Standard Residential Lots: Up to two units can be built per lot.

This bill aims to increase housing density, particularly around transit hubs, and incentivize the inclusion of affordable housing units. It's a significant shift toward more flexible zoning regulations, designed to address housing shortages and promote urban growth.

WHAT IS HB1337?

- Passed into Law: April 18, 2023
- Effective Date: July 23, 2023
- Required Implementation Begins: January 1, 2024

HB1337 is a legislative effort in Washington state aimed at expanding housing options by making it easier to construct and use accessory dwelling units (ADUs). Here's a simplified summary of what this bill changes:

Encouraging ADUs: HB1337 encourages the development of accessory dwelling units, which are smaller homes located on the same lot as a primary residence. These can be attached or detached units.

Reducing Barriers: The bill removes many restrictions and eases regulations to facilitate the construction of ADUs. This includes:

1. Limiting impact fees to no more than 50% of those for the primary residence
2. Prohibiting requirements for the owner to live on the property
3. Allowing at least two ADUs on lots within urban growth areas
4. Eliminating minimum lot size requirements for ADUs
5. Prohibiting maximum size restrictions under 1,000 square feet for ADUs
6. Removing parking space requirements for ADUs near transit stops

SUMMARY OF RESPONSES TO WASHINGTON STATE'S UPZONING BILLS

Appraiser Coalition of Washington (ACOW): ACOW has engaged with various stakeholders regarding HB1110 and HB1337, emphasizing the legislation's impact on consumer protection and the need for education on highest and best-use analysis. Kathryn Walsh, MNAA, President of ACOW, states, "Residential appraisers must collaborate to gain clarity on the rules and policies impacting the real

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estate market and pursue education that elevates the profession to higher expertise and demand.”

Washington State Attorney General: The Attorney General clarified that appraisers must follow RCW 18.140 and WAC 308-125 for each assignment. For properties rezoned for additional units, appraisers' authority is determined by their assumptions and highest and best-use analysis. Complaints are reviewed to ensure compliance with state law.

Fannie Mae Selling Guide: Fannie Mae outlines that the highest and best use of a site must be legally permitted, financially feasible, physically possible, and more profitable than other uses. The existing improvements should continue in use until it is financially feasible to remove or renovate them.

Accurate Group - Chief Appraiser Michele Golden: Golden highlights the potential consumer harm from upzoning, including increased lending costs and infrastructure challenges. She emphasizes the need for proper education on highest and best-use analysis and advocates for appraisers to join task forces to address these issues.

Heather Sullivan - MNA, SF Collateral Risk Lead-Associate, Fannie Mae Head of L&D: “Significant effort is required to ensure that both the appraisal profession and the real estate industry are aware of and prepared to address the impacts of the nationwide shift towards higher-density housing. As purchasing decisions increasingly reflect the anticipated potential of the land, it is crucial for appraisers to begin identifying and analyzing the effects of current land use regulations and potential modifications. This proactive approach is essential to maintain the credibility of our valuation results.”

General Observations: Competency remains a central theme. The Washington Attorney General suggests that licensure level does not limit an appraiser's ability to perform highest and best-use analysis if they are competent. Partnerships with local general appraisers can help appraisers gain the necessary expertise. Josh Walitt states, “Two appraisers can partner on an assignment, taking advantage of one appraiser's certified general credential and expertise, while the other non-general appraiser works alongside or under their oversight.”

NOT MY PROBLEM!

Upzoning laws similar to Washington state's HB1110 and HB1337 are becoming increasingly common across the United States as cities and states grapple with housing shortages and urban growth challenges. These laws aim to increase the density of residential areas, thereby boosting housing supply and making better use of available land.

For instance, in California, SB 9, also known as the California Housing Opportunity and More Efficiency (HOME) Act, allows homeowners to split their single-family resi-

dential lots and build additional housing units on their properties. Oregon has also implemented HB 2001, which mandates cities to allow duplexes, triplexes, and fourplexes in areas previously zoned for single-family homes only. In Houston, Texas, the city has implemented new measures to increase residential density by allowing for smaller lot sizes and more flexible building regulations in certain areas.

These upzoning initiatives reflect a broader trend of rethinking traditional zoning laws to address contemporary housing needs. As these laws continue to emerge, they bring significant implications for urban development, property values, and appraisal practices nationwide.

MINNESOTA'S NEW ZONING LAWS & APPRAISAL QUALITY

On December 20, 2019, the Commerce Department notified appraisers and appraisal management companies about the new zoning laws in Minneapolis, which went into effect on January 1, 2020. These changes were part of the broader 2040 zoning plan, making Minneapolis the first city in the country to enact a uniform zoning code allowing one to three units to be built on a single parcel.

To understand how the new zoning laws are being implemented, the Commerce Department requested appraisals completed in Minneapolis after January 1, 2020. They reviewed 135 appraisal reports for properties in Minneapolis, and the findings revealed significant gaps in compliance and understanding among appraisers. The following summarizes the department's findings:

1. Correct Specific Zoning Classification: 117 appraisals correctly identified the zoning classification (e.g., R1A, R2B).

2. Correct Zoning Description: Only 15 appraisals correctly used the updated zoning description "Multiple-family District." The other 120 reports still used outdated descriptions like "Single Family District" (R1, R1A) and "Two-family District" (R2, R2B).

3. Highest and Best-Use Analysis: Only three appraisal reports conducted a highest and best-use analysis conforming to USPAP Rules 1-3 and 2-2(xii). The remaining 132 reports did not account for the new zoning law allowing multiple family uses, stopping their analysis at single-family residential.

4. Supporting Data in Work Files: None of the work files included data supporting the appraisers' analysis or conclusions. This violates the USPAP Record Keeping Rule, which mandates that a work file must contain all necessary data, information, and documentation to support the appraiser's opinions and conclusions.

The study highlights a significant shortcoming: the lack of highest and best-use studies within the appraisal process. The broader implication is that the drive for faster

and cheaper appraisals is creating a risky appraisal environment, compromising the thoroughness and reliability of appraisals. Addressing these gaps is crucial for maintaining the integrity of the appraisal process and safeguarding property valuations against regulatory and market changes.

IN CONCLUSION

A key takeaway from this deep dive into national upzoning comes from Minnesota's study of 135 appraisal reports, where only three adhered to USPAP-conforming highest and best-use analysis. This small study paints a likely picture of a widespread issue. It begs the question: In our relentless chase for speed and cost efficiency, has the critical element of highest and best-use analysis been left in the dust?

We live in a world obsessed with faster and cheaper solutions. The appraisal industry is no exception, with increasing pressure to deliver quick turnaround times at reduced fees. But at what cost? The rush to streamline and cut corners often means sacrificing thorough, meticulous analysis. The highest and best-use analysis, a cornerstone of accurate and reliable appraisals, seems to be the first casualty in this race.

What are the risks, and what happens to the reputation of real estate appraising when corners are cut? The integrity of our work is at stake, and with it, the trust of our clients and the stability of the market. Shoddy appraisals that overlook the nuances of highest and best use can lead to misguided investments, financial losses, lawsuits, and a tarnished image for the profession.

As zoning becomes a tangled web of complexities, and the true need for highest and best-use services becomes glaringly apparent, we must ask ourselves: Are we, as professionals, truly prepared for this challenge? The answer lies in our willingness to prioritize quality over speed, to invest in ongoing education, and to hold ourselves to the highest standards.

Will our clients step up and recognize the value of paying for a thorough, USPAP-compliant analysis? This is a call to action for them as well. Quality comes at a price, and it's time for clients to understand the importance of investing in appraisals that truly reflect the complexities of the market. Time will tell if both appraisers and clients are ready to embrace this necessary shift toward quality and integrity in our profession. ●

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Stephanie Streep-Tuley, MNAA
Certified Residential Appraiser,
Managing Partner



"Communication is a cornerstone of effective supervision."

Lessons from the Supervisor's Desk

How I found fulfillment in guiding future appraisers



BECOMING A SUPERVISOR is an often-overlooked role in the appraisal industry. While many appraisers appreciate the independence this line of work offers, I found fulfillment in guiding, teaching, and nurturing future appraisers. My passion for teaching was fueled by my experience as an assistant director of a preschool, where I developed curricula—a skill I later carried into the world of appraising.

Much like running a preschool, training future appraisers requires patience, understanding, the ability to remain calm in high-stress situations (including dealing with heated parents or agents), and often putting other's needs ahead of your own. I also used my experience for implementing curriculum to make "curriculum" for our trainees. Since there is no manual on how to train someone, we had to make up our own guides, checklists, expectations, etc.

The transition to appraising came naturally as my dad is an appraiser and graciously became my supervisor. Starting a new career while learning to manage—well,

work with—my dad was an adventure, to say the least. My dad started appraising when I was in high school. His best friend had suggested it, as his current job required-constant travel. When I was 16, I wrecked his Mercedes, and he had me "pay off" the repairs by pulling data for his orders and preparing his clipboard for the day. This was back when I had to place the grid information next to the comparable sales so he could find them in the map book.

When I started working for him after college, I had no idea what to expect. I had just moved back to San Antonio from Fort Worth and was living with my parents to save money for a down payment on a house. I always swore I would never work for him because I was terrified I would mess it up. But it was obvious that God was trying to tell me something, as within one month, his assistant left, the school I was working for closed due to a dispute with the landlord, my lease was up on the house I was renting, and I had just started dating my now husband, who lived in San Antonio.

When I first started working with my dad, I remember

my first attempt at filling out the 1004 form by myself and thinking, "I don't know what the question means, much less what the answer is!" One day, my dad told me, "You don't have to wait for me in the morning to get started if you don't want to," and I was thinking, "And do what?? I have no idea what I'm doing!"

Once, I got a little cocky in my abilities and gave a quote for an appraisal without verifying with my dad. It was a multimillion-dollar home, and I had quoted way too low, and they, of course, accepted it. Consequently, my dad made me go out to the property inspection with him and had me measure the property with a tape measure and graph paper. Little did I know, this baptism by fire would be my supervisor origin story.

Remembering my own struggles gave me sympathy for my trainees. I would warn them that for a while, they would feel completely lost and that it was okay to feel that way.

EVOLUTION OF SUPERVISION

When I attained certification, the need for additional administrative support led to Marcella's entry into our team. Without hesitation, we welcomed her aboard, unknowingly setting the stage for our future partnership. My dad

and I eventually became her supervisors, and once she was licensed, she became a partner. My dad is a master at sales, adept at people management, and his charisma wins over clients with ease. My ability to patiently mentor and guide trainees, coupled with my knack for offering diverse explanations for concepts, has proven highly advantageous for everyone in the office. Marcella's organization, fueled by creativity, streamlines operations. Her versatility and dedication add a perfect balance to our strengths, making us an unstoppable team.

My dad used to get annoyed with my mom for constantly saying the same thing three different ways, and I finally told him, "Dad, she was an elementary PE teacher for years. It was her job to explain the same thing three different ways as it was necessary for different kids to learn and understand." Working for a preschool prepared me in the same way. For example, I had a trainee that was struggling with measuring the second story and when to add for wall thickness. I first showed them referencing a sketch I had done, then I gave them plans and specs that showed the masonry and explained when and why to add for wall thickness. Then I got up and showed them on my parent's two-story home. That way, I had three different ways to explain the same issue. I had a trainee in the field

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for a complex two-story home and he was getting turned around upstairs. I grabbed his shoulders and turned him 90 degrees, handed him the floorplan from the builder and showed him, “You’re here.” I told him that it’s OK to peek out a window when mixed up. It is known in the office that questions are expected.

We have all had up-close and personal lessons in safety while out at different properties. We have a unique policy requiring someone to meet us at a property if it is still occupied. This is due to several incidents over the years. For example, twice my dad encountered situations where a teenage girl had skipped school without informing her parents. As a result, the parents didn’t notify her about the appraisal appointment. Understandably, these encounters were quite startling for both parties. The second time my dad had required the agent to meet. The agent was quite unhappy about having to do this. They sent their assistant and when the assistant walked in and saw the teenager, he looked at my dad like a deer in headlights and said, “I now understand.” He refused to leave my dad’s side for the rest of the appointment.

Once Marcella went out to a property that was supposed to be vacant. She started to measure it and when she walked around back, the backdoor was wide open. She called me panicked and asked what she should do, and I told her to leave. She was concerned about having to reschedule and making people mad, and I told her, “Let them be mad. Safety comes first. They need to secure the property before you go back out. No appointment is worth risking your life. It’s probably nothing, but you never know.” The same scenario happened again a few months later, but this time it was in a more rural area, and she said the hair on the back of her neck stood up. She had no hesitation about leaving and reached out to the agent to have the property secured.

WELCOMING NEW TALENTS

I originally had reservations about taking on a trainee. It was my father’s unwavering encouragement that persuaded me to take the leap, assuring me that it would indeed be a worthwhile endeavor. It’s a responsibility I’ve embraced wholeheartedly, albeit with its fair share of challenges. Over the years, we have welcomed numerous trainees and administrative staff into our organization.

We created a multifaceted approach for our trainees, with both my dad and I serving as their supervisors. Our trainees were expected to complete their classes, ask questions, and request a real-life example of something

they learned. We would attempt to build on their classroom education by explaining it further with examples using properties that they had worked on. My dad was great at breaking down complex concepts, while I excelled at simplifying them for others. Some of our team members

flourished and achieved certification, while others took different paths. Each new addition significantly impacted both me and the company, bringing a mix of positive and challenging experiences.

One of my first employees faced high expectations from me. I was often short with him and didn’t give him a chance to explain when issues arose. As a result, he never became a trainee, and I later realized that some of my ex-

pectations were too high. This led me to overcompensate with the next trainee, who ended up taking advantage of my leniency because I was afraid of repeating my previous mistakes.

I wish I had known about the “hire slow, fire quick” rule sooner. Finding the right balance takes time, and effective communication is key. Marcella created our company handbook to clarify expectations and explain the consequences of not meeting them. These experiences have enhanced our growth as teammates, supervisors, and appraisers, improving our collaboration and leadership skills.

CHALLENGES AND GROWTH

The year 2020 tested us like never before. Juggling multiple trainees amidst a global pandemic and personal upheavals was no easy feat. Yet, we persevered, emerging stronger and more resilient. During this period, I realized the irreplaceable value of in-person training. Remote supervision, while functional, lacked the camaraderie, collaboration, and shared learning experiences of a traditional office environment.

Working from home during the pandemic forced us to go completely digital, which ended up being the best thing we have ever done. However, while remote work provided freedom to our employees, the expectations remained the same. If their performance was hindered by remote learning, it was understood that the privilege could and would be taken away. Each trainee presented a unique set of challenges and learning opportunities. While some thrived under a tough-love approach, others found it difficult to handle. In many cases, empathy proved crucial, although some took advantage of my tendency to be too accommodating.

I adopted our oldest in 2018 and then had a baby in

One of the most profound lessons I've learned as a supervisor is the importance of open-mindedness. Each trainee brings a fresh perspective, challenging the status quo and pushing me beyond my comfort zone.

2019, so I was quite understanding when it came to sick kids and time off for school functions. In fact, we hired one of our trainees knowing she was pregnant. We worked with her to provide maternity leave, the ability to return as part-time for several months, and then ease into a schedule that worked best for everyone. However, I had another trainee who missed several days due to sick kids. While I understand the difficult balance a parent must maintain between work and home life, when it started to affect the office workflow due to the frequency, it had to be addressed. Unfortunately, despite several discussions and attempts to find a workable solution, the trainee's absences continued to disrupt the team. As a result, they ultimately had to resign.

These experiences taught me the importance of balancing empathy with the needs of the office to maintain productivity and fairness. Even though you may try to provide several solutions, sometimes it just doesn't work out, and that's okay, too. Through a process of trial and error, I'm learning to master the delicate balance between firm guidance and compassionate understanding—a skill set essential for effective supervision.

PROFOUND LESSONS

One of the most profound lessons I've learned as a supervisor is the importance of open-mindedness. Each trainee brings a fresh perspective, challenging the status quo and pushing me beyond my comfort zone. It's easy to become complacent in our ways, but true growth lies in embracing change and diversity of thought.

Communication is a cornerstone of effective supervision. Input from my business partners and our ability to listen to trainees' concerns, ideas, and feedback has been instrumental in fostering a supportive and inclusive work environment. For example, one of my trainees had just started to go out in the field on his own. He came back excited to show me how easy it was to use his phone to take pictures and upload them to our OneDrive instead of using a camera. I listened and said, "That's great! If you want to do it that way, go for it." Personally, I didn't want to clog my phone with a bunch

of work photos, but if that worked well for him, I had no issues with him doing it that way.

What I didn't know at the time was that he wanted me to do it that way too. He told my partner he was discouraged because I unknowingly blew off his idea. He explained it would help because the uploads would be immediate, I wouldn't forget my phone like I have with a camera, and the pictures were better quality, allowing him to zoom in without blurriness. He hadn't explained any of this to me and assumed I discarded his idea. Once I learned his reasoning, I started doing it that way the next day.

Another example involved a trainee who asked about a comment in a report. After going through it with him, we realized we needed to change the comment. Another trainee developed a spreadsheet to determine trends, which I still use to this day. It's a two-way street; I learn as much from them as they do from me. Without the continual challenge from my trainees and support from my partners, I wouldn't be as engaged or accomplished in my profession.

When considering qualities in potential trainee hires, I prioritize integrity and work ethic. While experience can be taught, character is inherent. A trainee's willingness to go the extra mile and take ownership of their work speaks volumes about their commitment and dedication.

CONCLUSION

Being a supervisor encompasses more than just sharing knowledge. It's a role demanding patience, empathy, and a sincere dedication to teaching, mentoring, and the profession. Despite encountering challenges, including instances of betrayal, the fulfillment derived from witnessing a trainee's development, certification attainment, and entry into the appraisal field is unmatched. To my fellow supervisors, do not hesitate to seek support, embrace the journey, derive lessons from your experiences, and, most importantly, maintain empathy and integrity in your leadership.

"Leadership is about empathy. It is about having the ability to relate to and connect with people for the purpose of inspiring and empowering their lives." –Oprah Winfrey ●

RESOURCES FOR APPRAISERS

The Realtor Property Resource (RPR) national property database, offers commercial and residential reports and data.

narpr.com

NAR publishes data on pending home sales, existing home sales and surveys such as the Appraiser Trend Study.

nar.realtor/research-and-statistics

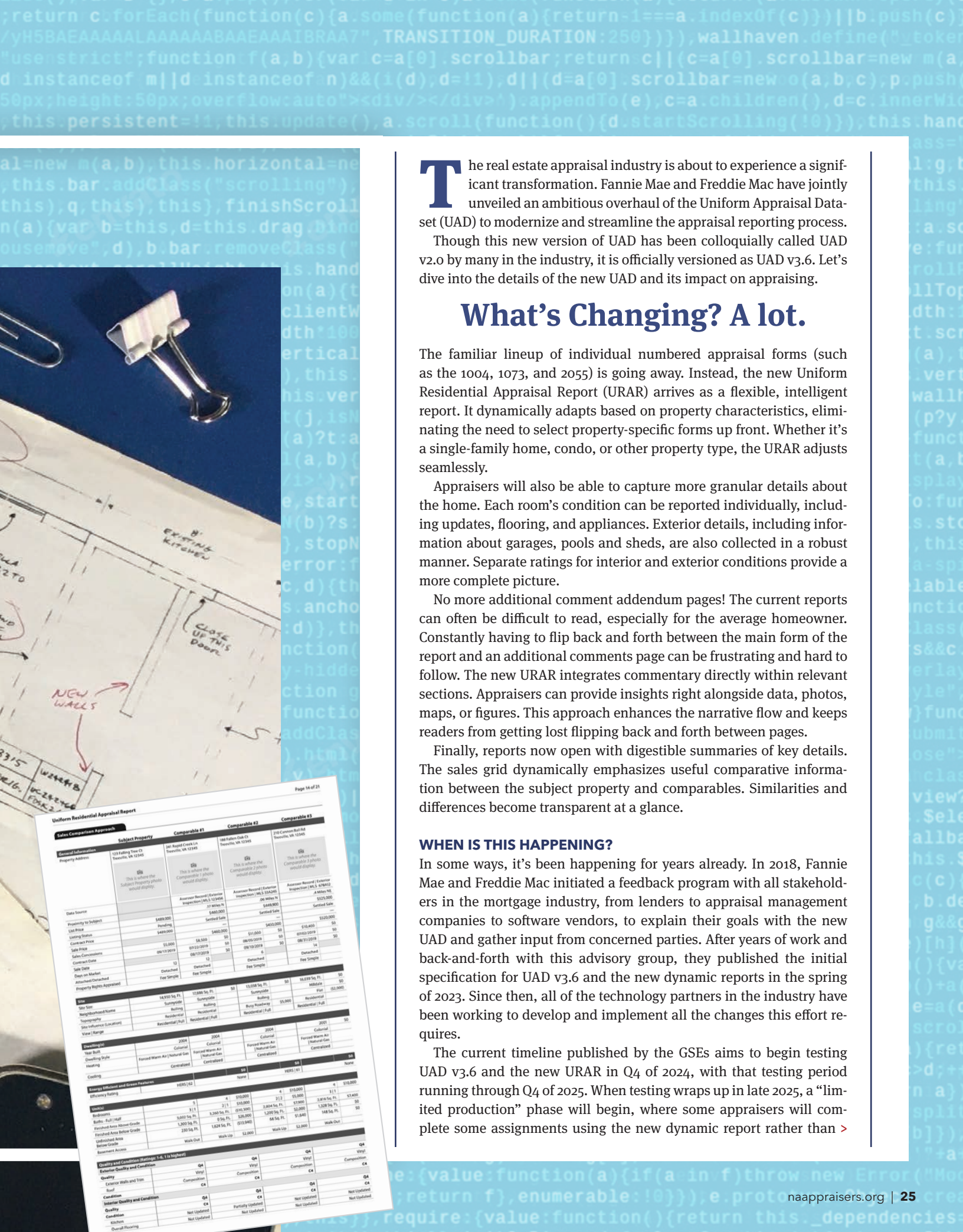
NAR's media/communications team promotes real estate appraisal and real estate education to other Realtor/appraiser members.

nar.realtor/newsroom



NAR advances public policies and candidates that build strong communities, protect property interests, and promote a vibrant business environment.

Check out Political Advocacy at nar.realtor/advocacy



The real estate appraisal industry is about to experience a significant transformation. Fannie Mae and Freddie Mac have jointly unveiled an ambitious overhaul of the Uniform Appraisal Dataset (UAD) to modernize and streamline the appraisal reporting process.

Though this new version of UAD has been colloquially called UAD v2.0 by many in the industry, it is officially versioned as UAD v3.6. Let's dive into the details of the new UAD and its impact on appraising.

What's Changing? A lot.

The familiar lineup of individual numbered appraisal forms (such as the 1004, 1073, and 2055) is going away. Instead, the new Uniform Residential Appraisal Report (URAR) arrives as a flexible, intelligent report. It dynamically adapts based on property characteristics, eliminating the need to select property-specific forms up front. Whether it's a single-family home, condo, or other property type, the URAR adjusts seamlessly.

Appraisers will also be able to capture more granular details about the home. Each room's condition can be reported individually, including updates, flooring, and appliances. Exterior details, including information about garages, pools and sheds, are also collected in a robust manner. Separate ratings for interior and exterior conditions provide a more complete picture.

No more additional comment addendum pages! The current reports can often be difficult to read, especially for the average homeowner. Constantly having to flip back and forth between the main form of the report and an additional comments page can be frustrating and hard to follow. The new URAR integrates commentary directly within relevant sections. Appraisers can provide insights right alongside data, photos, maps, or figures. This approach enhances the narrative flow and keeps readers from getting lost flipping back and forth between pages.

Finally, reports now open with digestible summaries of key details. The sales grid dynamically emphasizes useful comparative information between the subject property and comparables. Similarities and differences become transparent at a glance.

WHEN IS THIS HAPPENING?

In some ways, it's been happening for years already. In 2018, Fannie Mae and Freddie Mac initiated a feedback program with all stakeholders in the mortgage industry, from lenders to appraisal management companies to software vendors, to explain their goals with the new UAD and gather input from concerned parties. After years of work and back-and-forth with this advisory group, they published the initial specification for UAD v3.6 and the new dynamic reports in the spring of 2023. Since then, all of the technology partners in the industry have been working to develop and implement all the changes this effort requires.

The current timeline published by the GSEs aims to begin testing UAD v3.6 and the new URAR in Q4 of 2024, with that testing period running through Q4 of 2025. When testing wraps up in late 2025, a "limited production" phase will begin, where some appraisers will complete some assignments using the new dynamic report rather than >



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- Laura, Illinois

Uniform Residential Appraisal Report

123 FALLING TREE CT, TREEVILLE, VA 12345

SUMMARY

Opinion of Market Value	\$491,000	Market Value Condition	Subject to Repair
Final Value Condition Statement This appraisal is made subject to the itemized list of repairs or alterations below on the basis of a hypothetical condition that the repairs or alterations have been completed. This might have affected the assignment results.			
Effective Date of Appraisal	09/20/2019	Property Valuation Method	Traditional Appraisal
Assignment Reason	Purchase	Appraiser Name	Agatha Appraiser
Borrower Name	Betty Borrower		
	Bob Borrower		
Current Owner of Public Record	Jane Doe		
Contract Price	\$489,000		
Listing Status	Pending		

Property Description		Overall Quality	C4
Construction Method	Site Built	Overall Condition	C4
Attachment Type	Detached		
Planned Unit Development (PUD)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
Condominium	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Cooperative	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Condo	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Subject Site Owned in Common	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Units Excluding ADUs	1		
Accessory Dwelling Units	0		
Property Rights Appraised	Fee Simple		
Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
Zoning Compliance	Legal		

Apparent Defects, Damages, Deficiencies Requiring Action

The items listed below represent the As is condition as of the effective date of this report

Feature	Location	Description	Affects Soundness or Structural Integrity	Recommended Action	Estimated Cost to Repair
Shedding Exterior	Roof	Damaged roof with missing flashing leaving the roof permeable to water intrusion.	Yes	Repair	\$1,500
Total Cost					\$1,500

As Is Overall Condition Rating C5
Existing condition of the property as of the effective date of this appraisal, excluding all required repairs, alterations, or inspections

Appraisal Version #4
Fannie Mae | Freddie Mac
December 2023

Appraiser Reference ID: AA12343
Client Reference ID: 1234567
AMC Reference ID: 543234

the legacy numbered forms. As we enter 2026, the broad production phase will begin, and the old and new UAD will exist side by side until the industry and the GSEs are confident all the kinks have been worked out.

At an as-yet-unannounced later date, in 2026 or beyond, support for the old UAD will be dropped and the new UAD will be required for GSE appraisal work.

When developing the requirements for the new UAD, Fannie Mae and Freddie Mac also worked with their colleagues at the Federal Housing Administration and the Department of Veterans Affairs to ensure UAD v3.6 addressed their needs as well. FHA and VA both anticipate adopting the dynamic URAR after the GSEs do, though they have not announced a specific timeline for the change.

WHY DOES IT MATTER?

The UAD redesign and new URAR simplify the appraisal process, enhance data accuracy, and, perhaps most importantly, improve readability for lenders and homeowners.

In 2009 and 2010, the original UAD was developed to make appraisal reports easier for computers to parse by collecting more standardized data in the 2005 Fannie and Freddie forms, allowing increased accuracy and speed in review and data processing. A computer readable and parsable XML (eXtensible Markup Language) would be delivered to the client in the MISMO data formatting standard along with a readable PDF file.

The problem was that the PDF file, with its new UAD abbreviations and formatting, used to squeeze more >

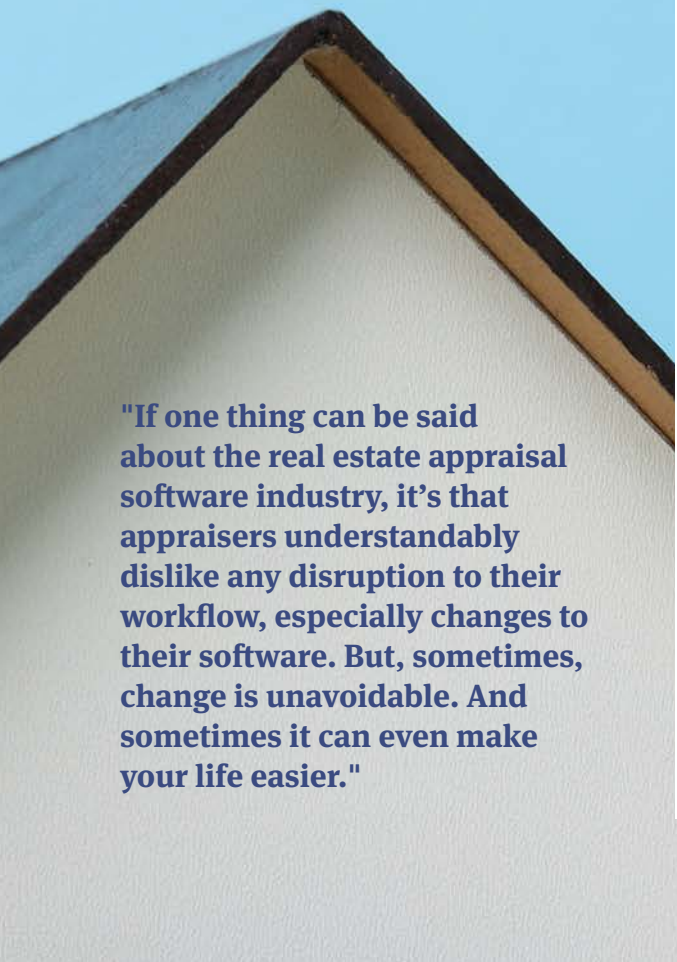
"Be in business for yourself, not by yourself."
~ Chad Barker, CEO of Velox

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"If one thing can be said about the real estate appraisal software industry, it's that appraisers understandably dislike any disruption to their workflow, especially changes to their software. But, sometimes, change is unavoidable. And sometimes it can even make your life easier."

information into the existing fields designed for plain text, which was very close to gibberish for the general consumer. A UAD abbreviation addendum was included but this caused frustration for the client. Now they had to flip back and forth between both the additional comments addenda and the UAD abbreviations addendum to decipher the full report.

The new UAD addresses this by collecting the same data as the previous version while creating a more narrative, easier-to-read PDF version of the report that's much more reader friendly. It also frees the appraiser from having to learn and use cryptic abbreviations, punctuation and formatting by dynamically adding sections of the report as they are needed and collecting information in a more familiar narrative fashion.

WHAT WILL THIS MEAN FOR MY WORKFLOW?

If one thing can be said about the real estate appraisal software industry, it's that appraisers understandably dislike any disruption to their workflow, especially changes to their software. But, sometimes, change is unavoidable. And sometimes it can even make your life easier.

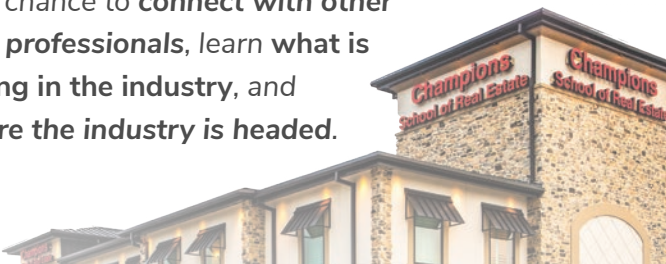
No matter which software package you use to create your appraisals, your workflow is going to change.

Most appraisal software suites present the current UAD forms in a what-you-see-is-what-you-get (WYSIWYG) format. This means that you see the form roughly as it will be printed and delivered, like a piece of paper, and you "type" into each field.

With the new UAD, the GSEs are leaving it up to the individual software companies as to how they will collect and present the appraisal report data. As you begin adding information into the report, new sections will appear so that only relevant information is collected.

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The end result will be a very narrative appraisal report that is easy to read and understand along with the computer friendly MISMO XML data that the AMC and lender computer systems will use to parse, process and base decisions on.

And, in an effort to help reduce revision requests, the GSEs are also exposing the same validation API to the software vendors that the Uniform Collateral Data Portal (UCDP) uses to check submitted reports. This means there shouldn't be any surprise hard stops, errors, or warnings after an appraiser has submitted their report to their client – they'll be able to validate their report against the GSE API before sending it in.

HOW IS SFREP IMPLEMENTING THE NEW UAD?

Software for Real Estate Professionals, the company behind the Appraise-It Pro software suite, has been working directly with Fannie Mae and Freddie Mac, as have the other major software vendors, to ensure the new

UAD is implemented correctly and efficiently.

Each software vendor was given the freedom to collect information and display the dynamic forms in whatever way they thought was best. We've made a huge effort to keep the editing process similar to form editing with the old UAD.

While some software designers may choose the "wizard" approach to collecting report information, guiding the appraiser step-by-step and not showing the final output report until the end, we've chosen to keep some semblance of the what-you-see-is-what-you-get presentation previously used in Appraise-It Pro.

As the appraiser begins filling out the dynamic form fields, new fields and sections will appear as needed. If they reach the end of a text field but have more to say, rather than trip over to an extended comment to continue their thought, the text field will simply expand to give them more room. The appraiser will see an approximation of the final printed report as it is

built, which will aid in "report awareness" and make the transition to the new UAD familiar and easy.

SFREP also has a rigorous and extensive beta testing program planned with volunteer users to get valuable feedback and help choose the best ways to collect data and present the form. While we pride ourselves in having great user interface and program design chops, we're not the real experts. Our users are.

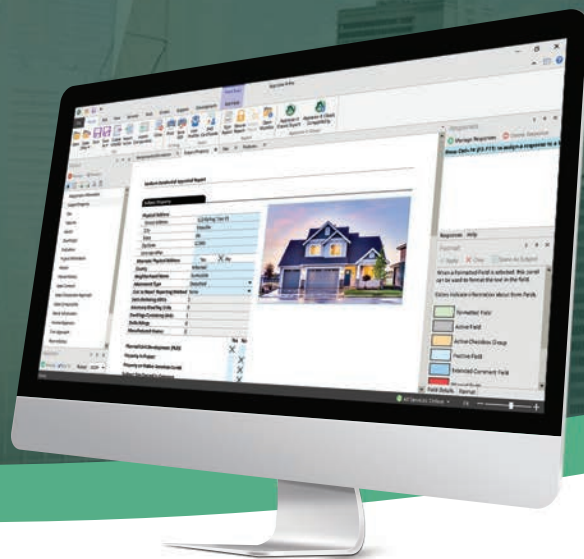
A massive training and technical support program is also planned to get our users up to speed with live webinars, pre-produced how-to videos and expanded phone and chat support hours.

And we plan to do all of this at no extra charge.

No one likes change. Especially change on this scale. But with a lot of hard work, planning and help from software professionals and our peers, we'll all come out stronger, more efficient and more profitable on the other side. ●

Discover the future of appraisal software with Appraise-It Pro!

Unlike other software vendors, Appraise-It Pro offers a seamless transition to the new UAD with an interface that mirrors your current report process. Effortlessly navigate your dynamic report with our innovative features designed to boost your productivity and success.



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OPINION OF VALUE

Rebecca Johnson, MNAA
Certified Residential Appraiser



"Now is the time to seize every opportunity in this cyclical industry to ensure your business growth"

NAA's Mission PROVIDE: Offer services designed to benefit our membership.

Unlocking Success: The Power of Trainees

Here's how the trainee system can still work in a slow market

IN THE PAST TWO YEARS, appraisal work has notably slowed down for many professionals. As a newer appraiser, I faced significant challenges finding a supervisor to mentor me into the business. Initially, many supervisors declined, saying they were too busy to train someone. Now, the common refrain is that there isn't enough work to justify taking on a trainee. Could supervisors be approaching this all wrong? I decided to investigate further.

I am in a unique position where I have access to over 3,500 prospective appraisers and trainees, as well as seasoned appraisers in my Facebook group focused on the appraisal profession. I conducted a survey among current

trainees and supervisors to understand how they are navigating this slow market. To my surprise, none of the respondents were actively engaging in efforts to generate future business for their supervisors. In fact, most reported a lack of work, and some had even been let go due to limited opportunities. This seems like a missed opportunity for trainees to reciprocate the support and knowledge their supervisors have provided.

As a new appraiser, I quickly learned that lending work is highly dependent on interest rates. To remain competitive, diversification is key to maintaining a steady workflow. This is where trainees can be instrumental in planting seeds for

future business growth while supervisors handle the limited current workload.

Consider having your trainee review every landing page of your website. If you don't have a website, they can suggest and create content by researching other websites. Many of us rarely take a critical look at our websites to make necessary updates or corrections. Additionally, if you lack a presence on Facebook, Instagram, Yelp, or

Google Business, your trainee can establish these pages, which can surprisingly generate new business. These platforms should be regularly updated and interconnected to strengthen your brand. Encourage your trainee to generate new content ideas and gather insights on what could attract more business. Remember the more business you have, the more assignments you can provide them. Your social media audience will be homebuyers, sellers, Realtors, heirs, and individuals wanting to do estate planning or estate settlement, among others.

Beyond social media, which is a huge project, trainees can extend your reach to the private sector by contacting those divorce and estate lawyers we never seem to have the time to prospect. Local real estate and Bar Associations often have social or learning meet-ups. If your trainee is comfortable meeting new people, they can promote your business at these events.

If you don't have an administrator, your trainee can help create training manuals based on what they've learned, follow up with clients, or suggest ways to streamline current processes. Just as the appraisal business evolves, so do the ways we streamline and communicate. It's always beneficial to have a fresh set of eyes to evaluate current processes.

These projects will definitely give your trainee "work," but they also need to log hours and learn. Most states allow a percentage of these hours to come from demonstration appraisals, which are practice appraisals reviewed by the supervisor. To make it even easier, these appraisals can be done in your office for the trainee to complete independently and compare for learning purposes. The trainee can also canvas by offering appraisal services to homeowners as an apprentice for a low fee. This can be a great way to generate business and continue to log hours, especially those further along in their training who require less supervision. With private work, a trainee deemed competent in the inspection process can inspect properties on their own, which isn't often the case with lending work.

Now is the time to seize every opportunity in this cyclical industry to ensure your business growth. Reflect on the tasks you've been meaning to tackle but haven't had the time for. Could your trainee assist with these in appreciation of the opportunity you've given them? If you've been hesitant to take on a trainee, a slow time might be the perfect opportunity to thoroughly train them in the best practices and procedures of the profession while simultaneously growing your business. ●

To remain competitive, diversification is key to maintaining a steady workflow.

This is where trainees can be instrumental in planting seeds for future business growth while supervisors handle the limited current workload.

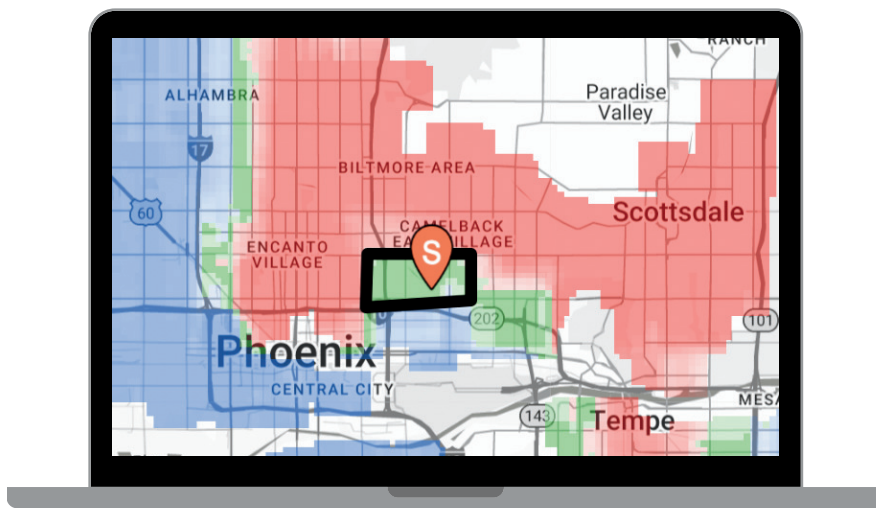
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