



ST Internacional

Grupo Sociedad de Tasación

Santiago Herreros de Tejada
Managing Director
Cell: (+34) 677 44 03 73
sherreros@st-tasacion.es
www.stinternacional.com



INDEX.

- ST Internacional
- Markets
- Highlights Spanish Real Estate Market

“LEADING TECHNOLOGY FOR A CHANGING APPRAISAL ENVIRONMENT WORLDWIDE”



About ST Internacional.

- ST Internacional belongs to **Grupo Sociedad de Tasación** which is a group of complimentary companies involved in the appraisal business since 1982. The group companies are the following:
 - **Sociedad de Tasación S.A:** The leading independent Valuation firm (AMC) in Spain.
 - **ST Idea:** Technology and software applications for the Appraisal business.
 - **ST Consultores:** Real Estate consultancy services.
 - **ST Internacional:** International Business development company of the group.

ST- Sociedad de Tasación : Some figures – (July 2010)

- Offices 17 Offices
- ST Staff 191 Professionals
- Appraiser Network: 780 Engineers and Architects

- Gross Sales 2009 60 million USD
- Number of Appraisals 2009 148000 (**288.000 in 2006**)



About ST Internacional.

- ST Internacional is a global appraisal consultancy firm which provides leading technology solutions which guarantee quality of the appraisals, minimize risks, maximize efficiency in business management, reduce costs and increase the profitability of the business units involved in the valuation / appraisal industry.
- ST Internacional also advises international governments in the implementation of regulations and valuation standards in order to offer safety and security to local markets.
- ST Internacional offers its services to organizations which are key in the sustainability of the mortgage market-: financial institutions, appraisal management companies and governmental organizations.



Markets – Group ST



- Headquarters: Principe de Vergara 43, 28001, Madrid, España
- Valuation Technology: Gesta & TASA
- Client: Sociedad de Tasación S.A



- Valuation Technology: GeXta & TASAMEX
- Client: Hipotecaria Nacional (BBVA Bancomer)
- Consultancy Works: Government Authorities (SHF, CNBV)



- Technology: ST Appraisal! New!!!
- Status: Currently demo version only
- Goal: Strategic Partnership



Highlights Spanish Real Estate Market



Spanish Real Estate Market

- Period 2001 – 2006 (Real Estate Boom):
 - Very high growth in bank credits
 - Low interest rates
 - High rates of employment in the Spanish Market
 - More than 450 000 homes constructed in 2003: That same year 850 000 homes were constructed in the USA
 - In 2006 more homes constructed in Spain than in Germany, France and UK together
 - 1.8 million mortgages and appraisals delivered in 2006 in Spain



Spanish Real Estate Market

- Period 2007 – 2009 (credit crunch)
 - More than 70 000 RE Agencies Closed.
 - Debt of more than 287 000 million € of spanish RE companies with banks
 - Late 2008: 1.100.000 new homes empty, 500 000 second hand empty homes (from which 300 000 are in the market), and the properties in default which financial institutions are launching to the market
 - Unemployment is increasing considerably



Spanish Real Estate Market (Appraisal Market)

- Banks and Financial institutions are obliged by Law to use Appraisal Management Companies in Spain to order appraisals
- The Bank of Spain is the organization which supervises the Industry: financial Institutions and Appraisal management Companies
- The market is regulated since 1982, and we have different laws:
 - Ley del mercado hipotecario (RD 685/82). Modified por RD716/2009 – Regulates the Mortgage Market. This Law created the Appraisal Management Companies
 - Orden ECO 805/2003 Guidelines to give an opinion of value. How the appraisal should be done and the information that the report must have
 - RD 775/1997 – Requirements to register as an AMC. How to be authourized and sanctions to AMC´s. Appraisers incompatibilities etc
- There is an association in Spain which group 40 Valuation Companies in the market, which is called ATASA



Spanish Real Estate Market (Appraisal Market)

- Actually there are 53 Appraisal Management Companies in Spain, under the regulation and supervision of the Bank of Spain
- The first 5 AMC's have 50 % of the spanish market share
- The AMC's develop appraisals done by independent professionals (appraisers) which collaborate with the AMC's.
- The AMC's offer value to the process as they investigate and develop the technical, formal and IT aspects of the full appraisal process (from ordering to invoicing), .
- The AMC's have a QCI team which review the appraisers reports, and the appraisal is not delivered to the lender until the report is ratified by the appraisal review team (controlers) which offer value and security to the mortgage market

The AMC's are responsible for the appraisals delivered through them.

“Leading Technology for a changing appraisal environment worldwide”



Background.

The residential real estate valuation market is broken in many countries and there are several factors which imply risk which must be avoided

- Not best possible appraisers being selected
- Heterogeneous criteria between the different professionals involved in the valuation industry
- Heterogeneous content in the valuation reports
- Non- existence of independent quality control over the valuation reports
- No audited databases
- Information not standardized
- Manipulable PDF´s
- Deficiencias in regulation / legislations



Background.

When this happens, deviations may occur and if real value of a property is not shown there is a substantial potential financial loss which affects

- Domestic Market
- National Market
- International Markets

It is extremely important to protect the market from these practices which can impact the future of global economy very negatively.



Valuation / Appraisal Market: In search of excellence

- The need of change in processes and methodologies already existed in several markets but now, due to the current situation, the need is more evident. It is necessary to make in depth and significant changes in how the valuations are produced and delivered.
- In order to achieve security in the mortgage market, it is key to achieve an optimum control over the valuation products. The combination of strict regulations implemented by governmental authorities with efficient technologies is essential to have a healthy valuation and mortgage market.



“How has ST Internacional approached the issue”



Quality Control

At ST Internacional we believe that the quality control during the valuation / appraisal process is done in the following phases

- In the management process
 - During the development and supervision (quality control) of the valuation report
 - In the process of auditing the market data of the **databases** used to do the valuation.
-
- It is extremely important to invest in robust, integrated, flexible, secure and trustworthy valuation technologies to achieve productivity, quality and profitability



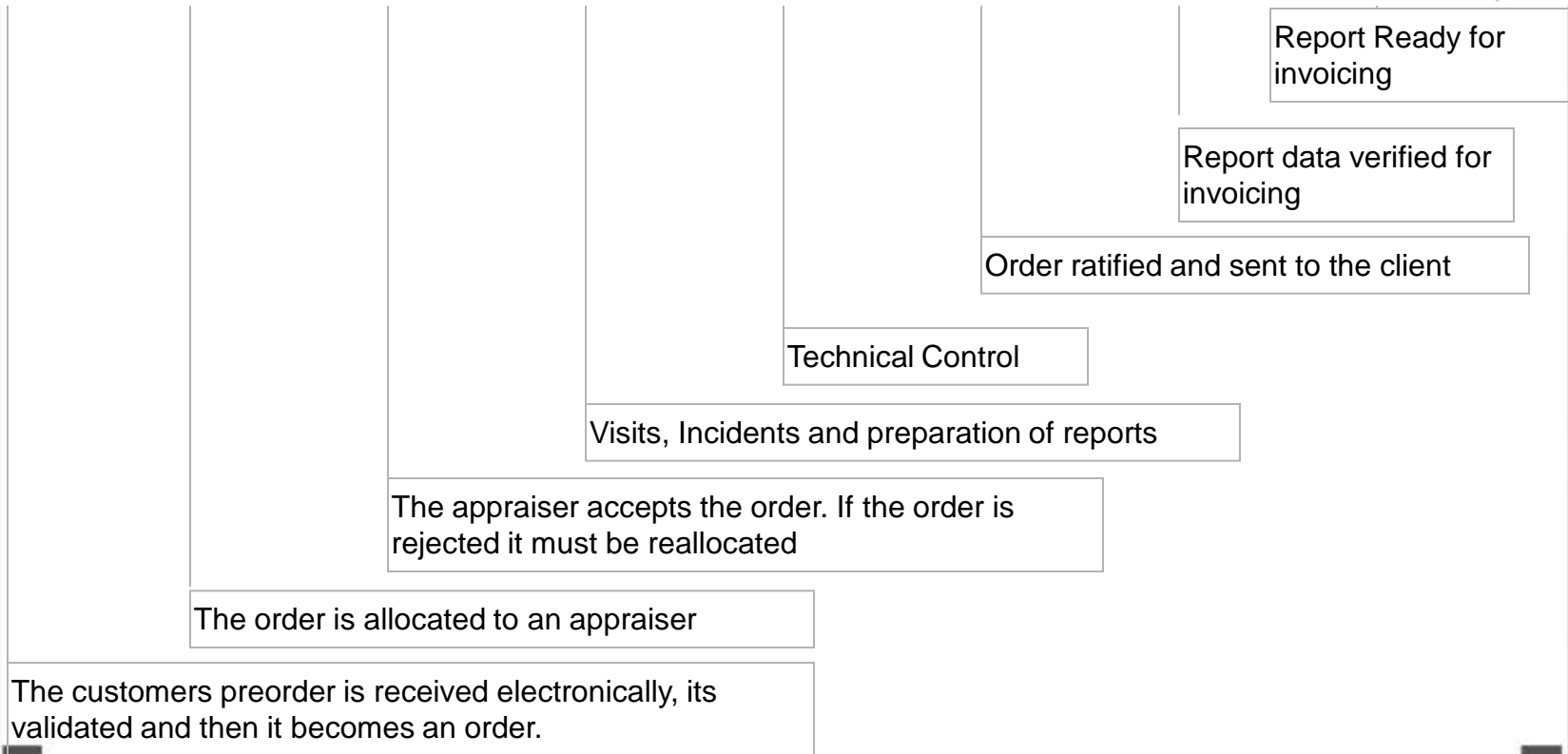
Technology – General Overview

:

1. All of the administration, management, valuation, and customer relationship processes are done via Internet.
2. All of the internal users, and all of the external collaborators (appraisers), develop their work using digital certificates (authentication process).
3. All of the documents which are generated, are signed electronically by the professional which develops the report, and by the review appraiser which controls the quality of the appraisal report generated. All of this with the goal of constituting legal documents in the digital world which can be incorporated at the electronic files of Financial Institutions..
4. The systems which are used are standard, opened and robust and allows total and continual interconnection with the customers. .



Quality Control: Workflow



Technology – Web Portal For Financial Institutions

ST Web Portal for financial institutions for appraisal orders and appraisal reports monitoring.

ST provides Financial Institutions with a web based tool which allows them to request orders, request information with regards to the status of the appraisals ordered, and recuperate documents

This tool allows two different approaches a) individual office where the office will only be able to access its own information; b) headquarters office which will be able to access the information of all of the bank offices, and that will also allow the headquarters to request orders

Those channels allow to process appraisal orders, report follow up, notify complaints / incidents, delivery of finalized reports, delivery of the data used to do the appraisals.

Technology – File Verification Service & PDF Validation Service

Records / File verification service of ST -Sociedad de Tasación

ST-Sociedad de Tasación has a service by which each client which receives an appraisal report physically (paper), can also request the digital visualization of the received report by accessing a website. Each report is secured through a verification signature code, which jointly with the reference of the report does the authentication of the report.

Validation service of PDF documents of ST-Sociedad de Tasación

ST-Sociedad de Tasación has available a validation service of pdf documents (appraisal reports and appraisal certifications) which allows to check that a document signed electronically by ST – Sociedad de Tasación has not been manipulated.



Technology - Management

- The technology must guarantee the assignment of the best possible appraiser / valuer through different criteria such as location, experience, intended use of the appraisal / valuation, volume of work, holidays, technical quality, turn over average time as well as any other which is needed to be included.
- Appraisers to do their work, will only need a digital certificate, a computer, an internet connection, and an internet explorer. Each of them has at least an ADSL line to do their work. In order to access the system the appraiser must provide its digital certification.



Technology – Development of the Report

- The program must guide the appraiser in the process of developing the report
- The program must have data centric tools to improve the productivity of the appraisers and help them deliver high quality results.
- The program must be a data collection program with prepopulated fields and the output must be the form or the appraisal report.
- The program must guarantee that the criteria, methods, procedures, and techniques used for each of the appraisals depending on its typology and on its legal characteristics are the appropriate



Technology – Development of the Report

- The technology must guarantee the integrity of the data introduced, as well as the integrity of the procedures used
- The pdf must be generated by the system, and each report must be unique and the system must guarantee that it can not be manipulated
- The program must be easy to use and appraiser friendly. The program must allow the appraiser to incorporate all of the documents needed to develop the appraisal by scanning them.
- The program has on every screen instructions (help bottom) about how to complete each field and therefore avoids mistakes because of misunderstanding
- The program must adapt it self to hundreds of specific client requirements making sure compliance is being met and that correct valuation criteria is being used

Technology – Quality Control Program

- The program must guarantee that the most appropriate quality controller is assigned
- The program must allow to visualize all of the appraisals before they are ratified
- The program must inform the reviewer about the main characteristics (typology, property use, construction phase, urbanism aspects) of the product appraised
- The program must inform the quality controller via automatic alerts about possible mistakes at the appraisal report
- The program must alert the reviewer through internal Databases about values in the neighbourhood where the property is being appraised, in order to check the coherence of the certified value
- The program must inform if the appraiser has used all of the necessary documentation
- The program must inform if the appraiser has done all of the needed comprobations

Technology – Quality Control Program

- Must check the appropriateness of the technical procedure used to do the appraisal
- Must Inform about the visual characteristics of the property via pictures and images
- Must allow to check visually the compulsory documentation needed (eg: deed) to do the appraisal
- Must allow the quality controller to Stop the appraisal (in the case he identifies possible mistakes) and communicate online with the appraiser, explaining him / her what must be double checked. Once modified or corrected, the process is repeated until the appraisal is ratified
- The program must allows the quality controller to ratify the appraisal once it is correct
- The program must allow to send the client the PDF of the appraisal.

Appraisal Control Process

The Appraisal Control is key in order to guarantee the quality of the appraisal:

- Through the Appraisal control what we achieve is the following:
 - Guarantee that the appraiser has used all of the necessary documentation.
 - Guarantee that the appraiser has done all of the needed comprobations.
 - Check the technical proceedment used to do the appraisal.
 - Check the coherence of the certified value.
 - The use of intelligent control systems as a tool to achieve quality and productivity in the appraisal process.
- It is key that the control process is fast, and therefore the technology used must allow the fluent transmission of information to the appraiser with the incorrections detected, and allow him to collaborate with the needed modifications.
- ST does quality control of the appraisal throughout all of the process



Appraiser friendly service and methodologies

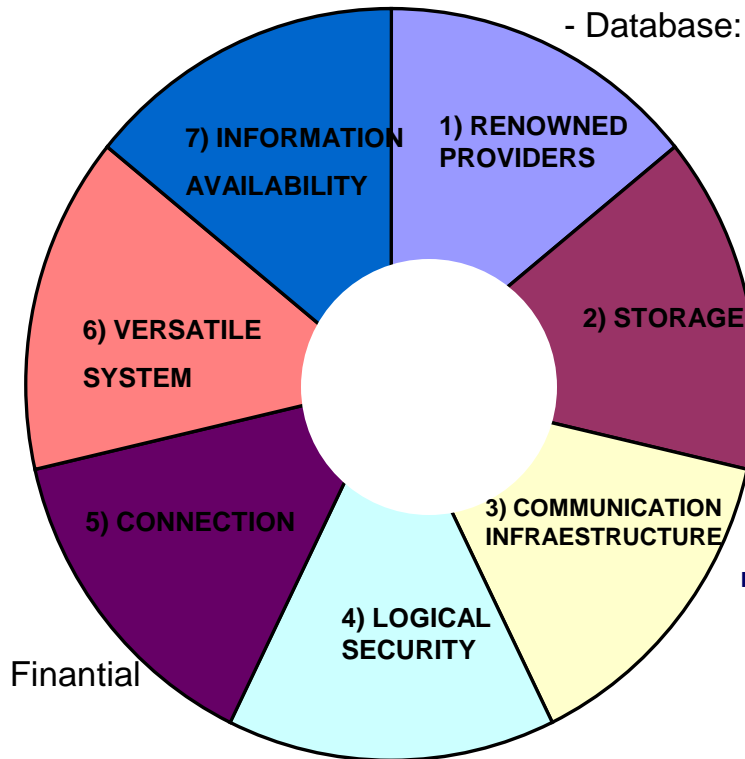
- Training (online) offered through IT application.
- Appraisers receive orders directly via IT application. (No commercial effort).
- Rates already incorporated at the IT application which generates the invoices for collaborating professionals, and lenders.
- Continual interaction between Quality Reviewer and appraiser through IT application.
- Easy to use software which guides the appraiser through the process of doing the appraisal.
- System assures appraisers that compliance is being met



Technology: Main Features.

- 7) In house data always available online
- 1) Use of International Renowned Partners
 - Hardware infraestructure HP, UNIX, LINUX
 - Database: ORACLE
 - Accounting:ORACLE FINANCIAL

- 6) ST system is multi-layered.
- Business Processes are automatized and customized
- Use of standard formats
- 5) Service availability
- Interconection with Institutions (B2B)
- Service Mobility



- 2) Physical Location and use of IT systems service
- Back up systems in the event of catastrophes (DRP)
- 3) Central Services and offices connected to BT s data processing centre

- 4) The entire production system is secured with digital technology at user level (Very Sign)

Conclusion: In Search of excellence

Through leading IT web based applications for the appraisal market, appraisers, financial institutions, and appraisal firms may achieve the following benefits:

- **Quality Control:** Increase in the quality control of the appraisal through the process of developing the report. The industry must use IT which assures compliance is being met, and which guide the appraiser in the process of developing the report avoiding possible mistakes because of lack of knowledge
- **Efficiency:** Increase in automation, reducing turnover times
- **Competitiveness:** By allowing you to develop more accurate appraisals in less times
- **Profitability:** Savings in Staff, distribution, technology, and infrastructure costs

New ST Appraisal!

- It has a smart screen progressive process which varies depending on the typology of the appraisal. Screens must be 100% completed correctly in order to get to the next screen
- 90% of the fields are answered through scroll downs, and each field has a help button in order to avoid mistakes in the answers because of lack of knowledge
- The appraisal residential program, therefore, intuitively guides the appraiser through the process of developing the report, and there is a permanent QC ensuring completeness, accuracy, integrity, consistency, and appropriateness of market data
- It provides the appraiser with a flexible operating platform where unbiased validation of appraiser quality is a true differentiator
- The program includes technology driven data capture, valuation, review, and risk assessment



solutions



New ST Appraisal!

- The program assures that the criteria, methods, procedures and techniques used depending on the typology and legal characteristics of the subject properties are the appropriate
- The program automates and preserves complete workfiles electronically eliminating offline systems for record retention
- Compliance is integrated into the system
- Addendums are generated automatically as a result of the scroll downs which appear at 90% of the fields
- The output of completing the screens is the correct official form (eg:1004), as well as a much more comprehensive report which is organized more coherently
- This report is multilingual and the demo version produces the report in english and spanish



language



New ST Appraisal!

- Each property has a family and the system recognizes if it has been appraised previously, even if the legal aspects of the property have changed (eg: urbanism etc)
- The system adapts to hundred of specific client requirements.
- Once the report is developed the quality department of the appraisal firm or financial institution receives the form generated + all of the information introduced to develop the report electronically
- A customizable QC program is offered to Banks and appraisal management companies which maximizes the efficiency in the QC process (More than 288.000 appraisals QC d in 2006 with 50 review appraisers).

Thank You!



Santiago Herreros de Tejada

Managing Director

Cell: (+34) 677 44 03 73

sherreros@st-tasacion.es

www.stinternacional.com

