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## **APPENDIX**

**A list of references used in this material is in the Appendix.**

# Overview

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## Seminar Description

This seminar explores valuation services with various names in the market, including bifurcated, hybrid, or “desktop” appraisals, as well as evaluations. These valuation services are not new but are becoming more popular, leaving many appraisers unsure of the general requirements for each service, which appraisal standards might apply, and how such services might create liability beyond those of traditional valuation services. Appraisers who serve lenders and other users of desktop appraisals and evaluations will find this seminar helpful in deciding whether to offer a variety of valuation services. Representatives of lenders, appraisal management companies, private mortgage companies, mortgage service companies, portfolio lenders, and underwriters who are users of these valuation services would benefit from this seminar. The seminar addresses both residential and commercial valuation services.

Why should a general appraiser sit through a seminar with half a day on desktop appraisals? Here’s a great example of why it should interest you, as noted by a state-credentialed real estate appraiser who has been providing desktop appraisals and evaluations on residential and commercial properties since 2005.

*“Commercially, it is harder for the appraiser to understand the desktop applications. **However, Commercial Desktop Reports are far easier than Residential Desktop Appraisals in my experience.** General data is available for commercial properties that is not available for residential properties. Condition is easier to quantify/qualify, and the income capitalization approach sets its own range of value, without ever looking at the property either way. As you know, in the review world, it is easy to look back at a property’s income and derive a reasonable value range, without ever seeing a photograph of the property.*

*“On the residential desktop appraisal side, there needs to be something ... interview with owner, virtual inspection with owner, or a property data report to provide the property maintenance and condition. These are generally provided by the loan officer or a real estate agent for our Bifurcated projects, or even desktops.”*

The appraisers interviewed were positive about offering desktop appraisals of commercial and residential properties and evaluations. These appraisers had more than 10 years’ experience in providing such services and branded themselves as experts.

As clients’ needs change, so do the services real estate appraisers are requested to provide. Valuation services with a narrow scope of work or evaluation services have their place in the market. You may have offered such a service in the past, or you may be considering doing so today. The information provided in this seminar will give you the what, where, why, when, and how of these various valuation services. We’ll review the expectations for valuation services with a narrow scope of work, including potential uses, appraisal standards implications, extent of the applicable scope of work, and liability concerns as they relate to residential and commercial valuation assignments. An

overview of the types of clients that might be interested in these services may open the doors for expanding your business.

Evaluations are another valuation service with a narrow scope of work that more appraisers are beginning to offer or consider offering, depending on applicable state laws and rules. Some appraisers report that they have been offering evaluations for years. This seminar will review evaluation report formats and the business case for them. Evaluations are used for both residential and commercial property types.

Being able to accommodate all types of assignments with varying classifications will keep us relevant in today's changing world. This seminar will give you some clarity about the different valuation services clients are requesting more often today and likely in the future. Another aspect of this seminar is to assist you in making business decisions about how you can include this type of valuation work in your business plan in a manner that will help decrease your liability.

Growing your business starts with understanding your customer/client. You must understand that users of your valuation services are experiencing changing demands from their clients. They are adapting their services to meet these demands and that means changes are inevitable in their real estate valuation needs. This seminar will prepare you to better understand the rules and guidelines that apply and suggest ways for you to adapt your services and have a reasonable degree of confidence that you are not increasing your liability unknowingly. Consider this thought as we go through this discussion: Appraisers who focus on professional development of valuation skills and expand the use of technology in valuation will be the future leaders in the industry.

Part 1 reviews bifurcated, hybrid, or desktop appraisals, both process and reporting. However, regardless of the label that you or your client might use, it is an appraisal service with a narrow scope of work. So, we'll cover how narrow-scope valuation services differ from what you know as a traditional appraisal process. Lenders, the secondary mortgage market (mostly Fannie Mae and Freddie Mac), and other types of investors and users of appraisal services are finding ways to shorten appraisal turn times and, in many cases, eliminate the traditional appraisal report as we know it. While not all appraisal services you provide will be eligible for a narrow scope of work, a growing number will move in that direction because of the recent appraisal threshold increases.

Part 2 provides an overview of the report writing requirements for desktop appraisals, including how your role as the appraiser in producing such a service changes your appraiser liability. Fannie Mae used a 1004P form and Freddie Mac used a 70H form as tests, and the GSEs anticipated edits to the forms. This part will review the guidelines on which appraisal standards may be applicable in desktop appraisal assignments, as well as state appraiser licensing laws and requirements for appraisers who are associated with the Appraisal Institute.

Part 3 examines the topic of evaluations. These assignments make up a large part of the financing world and have done so for years. Due to the increased thresholds for federally related transactions (FRTs), more loan amounts fall below the threshold than in prior

years, which increases demand for evaluation services. Appraisers who are considering offering evaluations and those already offering them will enjoy this section.

Why should a residential appraiser sit through a seminar with half a day on evaluation services? Here's a great example of why it should interest you, as noted by a state-credentialed real estate appraiser who has been offering residential and commercial desktop appraisals and evaluations since 2005.

*“The residential evaluations run about half the cost of a traditional appraisal when an inspection is included and about a third the cost of a traditional appraisal without inspection. The time involved in an evaluation compared to a traditional appraisal assignment is less. You are paid less for an evaluation but can do more of them compared with the traditional appraisal report.”*

The appraisers interviewed reported their annual incomes to be higher from doing evaluations and desktop appraisal assignments.

Part 4 will focus on the materials available to guide us through evaluation services that are narrow in scope. These services are being provided by state-credentialed appraisers who are legally able to do so outside of USPAP and by others who are qualified to do so according to IAEG guidelines. Two examples of evaluation outlines from the Appraisal Institute Guide Note 13 provide a good starting point for developing a format for an evaluation report.

## USPAP References in this Seminar

All references in this seminar to the *Uniform Standards of Professional Appraisal Practice* (USPAP) are from the 2020–2021 edition (Washington, D.C.: The Appraisal Foundation).

## Learning Enhancements

The seminar has been designed with a variety of elements to enhance your learning experience.

- **Preview.** To give you a taste of what is to come, each part begins with a Preview page, which includes a brief overview of the content, learning objectives to consider as you move through the content, and, where appropriate, learning tips that will assist you in understanding the material you're about to cover.
- **Learning Objectives.** Each learning objective covers information required for understanding the concepts in the seminar. Look them over before the part begins so that you have a frame of reference as you move through the material. At the end of each part, reread the objectives. Are you able to do what is stated? If not, this is the time to ask your instructor for help or review the concepts that you do not understand.
- **Discussion Questions.** To supplement the discussions, we've included questions to help you apply what you are learning.

- **Case in Point.** We've also included brief, real-world examples to help you decide whether to offer narrow-scope valuation services.
- **Review.** Each part concludes with a Review page, which repeats the learning objectives and, where appropriate, lists key terms and concepts that have been covered.
- **Solutions.** Answers to the discussion questions are provided behind the Solutions tab at the back of this handbook.

**Note.** *Unless identified otherwise, photographs or graphics in this handbook are from [www.pixabay.com](http://www.pixabay.com).*

## Classroom Guidelines

To make the seminar a positive experience for everyone attending, we have some guidelines for your consideration:

- 100% attendance is required. No exceptions.
- Limit use of computers and wireless devices to classroom projects.
- Communicate with business associates during break time instead of class time.
- Put away reading materials such as newspapers and books that are not used in class.
- Silence cell phones and other communication devices.
- Use recording devices only if prior permission has been granted.
- Refrain from ongoing conversations with those seated near you and other distracting behavior.

## Learning Objectives

After completing this seminar, participants will be better able to

- Describe desktop appraisals, such as bifurcated and hybrid products, and their use.
- Increase your knowledge of how real estate collateral is used inside federally regulated banks and financial institutions. This includes a review of the significant federal and state laws governing all valuations—appraisals and evaluations—used for loan originations, modifications, and other subsequent transactions.
- Recognize appraisal standards, Interagency Appraisal and Evaluation Guidelines, lender requirements, and state requirements for credentialed appraisers.

- Compare the differences in development and reporting that differentiate appraisals from evaluations and desktop valuation services.

## General Information

- **Breaks.** There will be two 10-minute breaks during the morning session and two in the afternoon session unless noted otherwise by the seminar sponsor.
- **Attendance sheets** will be distributed during class to verify your attendance during the session.
- **Certificates of completion** can be downloaded from the Appraisal Institute website after completing the evaluation of the instructor and seminar material. You must log into your account and go to Education and Events tab to find the seminar listed and click on the view tab to the right of the class title. Remember that attendance during the entire seminar is required.