

Appraisal Institute  
 Real Estate Finance Stakeholders Forum  
 November 17, 2015  
 Chicago, Illinois

Stakeholder Issue (current or future)	Problem Defined	How can the Appraisal Institute advance/address?
Current Regulatory Environment	Lack of consistency in the regulatory environment Wide differences of interpretation on guidelines amongst examiners Liability concerns for banks/appraisers Multi-state license system and need for reciprocity Regulatory "Modernization" Need to reduce red tape and improve efficiency of operations while also attracting new people to the industry Practitioners face inconsistent state regulatory systems	Promote a common licensing platform for appraisers, including bank appraisers Promote a uniform state licensing compact and consider exemption for institutionally employed appraisers Educate non-licensed reviewers/analysts/credit staff with online training (introductory education)
The concept of "fundamental value" Integration of risk ratings into valuations	Somewhat a credit and underwriting issue for lenders today Could many appraisers provide such services? A lack of understanding by regulators would be a hurdle to advancement Stress testing and risk modeling by the bank regulators – their data sources may be weak and may benefit from more information	Encourage appraisers to strengthen market analysis skills The weakest part of residential appraisals is the market analysis section according to attendees <ol style="list-style-type: none"> <li>1. Create a process or template for appraisers to walk through a market analysis with market cycle</li> <li>2. Create a lead page to the appraisal with cycle information (this would help bank determine whether to make the loan)</li> </ol> Explore concepts relating to "prospective value" or "hope value" Possible insurance between sustainable and market value (real estate insurance as a backstop on collateral) Conduct outreach with insurance industry to identify strata of risks

		<p>Educate lenders about appraisal process and difference between L and V in LTV</p> <p>Conduct outreach with the bank regulatory agencies, including those involved in stress testing</p> <p>Continue to advance the body of knowledge internally (Advanced Concepts course &amp; Market Analysis text)</p> <p>Consider shorter courses (2-3 day modules vs. weeklong)</p> <p>Look at ways to assess and evaluate appraisal methodology and find ways to jettison obsolete methods and techniques</p>
Challenging business environment in residential appraisal practice	<p>The rejection rate is high on residential appraisal reports</p> <p>Work product has become commoditized and becoming more reliant on big data (coupled with work of property inspector)</p> <p>Some appraisers are being worked out of a job (both users and service providers)</p> <p>Agencies are adopting rules and appraisers are having to adapt quickly</p> <p>Complications with analyzing big data</p>	<p>Educate bank regulators</p> <p>Develop body of knowledge around the use of big data by appraisers</p> <p>Position the AI as an advocate for Appraisal</p>
Commercial appraisals – use of reliability language	<p>Lenders are using reliability language aggressively</p> <p>Results in appraisers accepting liability and not fully getting a handle on the risk</p> <p>Some firms have added language to specify who is and who is not and intended user</p>	Educate appraisers about pitfalls and risks
Bank employee education on the appraisal process (management and engagement)	<p>Communication problems between bank departments leads to inefficiencies</p> <p>Current appraisal standards inhibit appraiser ability to provide real estate and analytics competence</p> <p>Concept often requested or in demand: “Would an appraisal report issued today provide the same value as before?”</p> <p>Negative affirmation of value – scope of work question between the client and appraiser</p> <p>Validation of the appraisal</p> <p>ASB is obviously involved as are state appraisal boards</p>	<p>Educate clients, ASB and state appraiser regulators on concepts relating to “values in excess” or “not less than”</p> <p>Host a presentation at AI Connect or webinar or workshop</p>
Extraordinary assumptions & Hypothetical Conditions understanding education	Guide Note drafted and under review	Continue with guidance development and education
Equipment and BV valuation	Opportunities exist for real estate appraisers in this area	Continue to explore development of the

		body of knowledge in this area.
<p>Next generation of appraisers, attracting younger talent</p>	<p>Stuck in an archaic way of doing business – involves regulations, credit decisions, data development          Need to find ways to promote acceptable practices and new technologies          Ex. Australia – some appraisers are completing 15 assignments a day, leveraging technology          A lot of what is in an appraisal today is not needed and much of what may be beneficial is not included</p>	<p>Develop public relations materials that promote the profession          Work towards modernization of the appraiser regulatory structure          Develop best practices for what should be in an appraisal and what should not be in an appraisal to satisfy the correct demand in the marketplace          Promote <i>market analysis</i> – this can help distinguish AI professionals          Promote use or acceptance of AI education amongst regulatory community          Emphasize the “human” skills of appraisers – personal interaction, touch and feel – the ability to interactively listen and connect and this importance this plays in the real estate financing and risk management processes.</p>