

HRAI Review

The Hampton Roads Chapter of the Appraisal Institute

Winter 2019

A Message from the President

It is an honor to be elected as the 2020 President of the Hampton Roads Chapter of the Appraisal Institute. It has been almost one year since we began to participate in the Chapter Financial Management and Administration Policy. It was a seamless transition and has been good for the chapter. I believe it will continue to be good for the chapter throughout 2020.

The chapter will continue to host educational offerings and seminars throughout 2020 that will benefit our members and local appraisers in general. Registration is now open for the USPAP course on 1/21/2019. We will also be holding our first meeting that evening as well. Ted Whitmer will be the USPAP instructor as well as the speaker for the meeting. He is a highly sought after educator and speaker so you do not want to miss those events.

We will continue to be active on social media and the internet. Please like our Facebook page at <https://www.facebook.com/hrai.org/> to keep up with upcoming events and to increase our social media presence. Also, check out our website at <http://www.hrai.org/>.

I would appreciate any thoughts or suggestions you have to make 2020 successful. We have a great team of officers, directors, and members to make 2020 a great year for the chapter. I look forward to working with all of you! Jeff Ward, SRA

Good news!

ODU's Harvey Lindsay School of Real Estate undergrad program has been approved by the Appraisal Qualifications Board of the Appraisal Foundation. Graduates of the program will receive credit toward the QE requirements in the Real Property Appraiser Qualification Criteria as follows:


Trainee:60 Hours Licensed Res:133 Hours Certified Res:171 Hours Cert Gen:244 Hours
More details to come!

2020 Officers and Board of Directors:

At our November 19, 2019 Meeting the 2020 Officers and Board Members were installed. They are: President, Jeff Ward, SRA, Vice-President, Corrina Payne, SRA, Secretary/Treasurer Tom McCoy, MAI, and Past-President Betsy Hughes, SRA, AI-RRS

Board Members: Kenneth P. Copeland, MAI, SRA, Michael B. Edwards, MAI, Michael Hanley, MAI, Jeffrey S. Harris, MAI, David Rob Wright, MAI, Jeff S. McCormick, MAI, David Green, SRA and Alt Regional Rep Jeffrey S. Harris, MAI

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Upcoming January 2020 Meeting

The next meeting will be January 21, 2020 at the Norfolk Yacht and Country Club. The CE Presenter will be Attorney Ted Whitmer, MAI, AI-GRS presentation will be Appraisal Past, Present & Future: Where we were, where we are & where we are going. Registration will open soon.

Upcoming 7-Hour USPAP Update Course

The Hampton Roads Chapter is offering the 7-Hour USPAP Update Course on January 21, 2020 at the Norfolk Yacht and Country Club. The instructor will be Attorney Ted Whitmer, MAI, AI-GRS. Registration is open and can be accessed through our website at www.hrai.org

Appraisal Institute Launches New Association Management System

This fall, the Appraisal Institute implemented a new Association Management System called netForum, which replaced AI's current 20+ year old AMS. The goals of the netForum project include:

- Increasing user accessibility to data;
- Improving business processes and efficiencies;
- Deploying an integrated web experience; and
- Enhancing member self-service.

As with any new system, especially when there have been no changes in over 20 years, there have been some glitches. Soon AI will implement phase two, which will improve the system.

If you have any questions, please contact the Chapter Executive Director at byerskj@hrai.org

Appraisal Institute Annual Meeting

The Appraisal Institute's Annual Meeting will be held in Orlando Florida, August 3rd to the 5th. The Quarterly Region V meeting will be held August 2nd, in Orlando prior to the Annual Meeting.

Appraisal Institute Education and Relief Foundation

The Appraisal Institute Education and Relief Foundation has numerous scholarship opportunities. Several of them have upcoming application deadlines approaching. You can get more information by clicking [HERE](#)

Leadership Development Advisory Council (LDAC) May 18 – 20, 2020:

LDAC establishes an "appraiser presence" in The United States Congress. Organized into Congressional Teams, LDAC participants lobby Capitol Hill and demonstrate that the Appraisal Institute is made up of professionals who recognize the importance of being actively involved in the political process. Visit the Appraisal Institute Government Affairs page.

Up to 45 Points of Appraisal Institute continuing education (CE) credit may be earned for participating in the Leadership Development and Advisory Council conference. Please refer to Regulation No. 10: Continuing Education for more details. CE will be granted at the end of the conference, after full participation is documented.

LDAC registration opens February 11, 2020. 125 participants will be selected, and all applicants must be a Designated Member, Candidate or Practicing Affiliate in good standing with the Appraisal Institute. The Hampton Roads Chapter sends two members annually. **If you are interested in attending please contact Jeff Ward, SRA, at jeff73@cox.net by January 14, 2020.**

2019 Year in Review

Betsy Hughes, SRA, AI-RRS, BK Appraisal Services

This year has been a year of loosening lending regulations and shortening the loan origination process but is it good for the industry?

The buzz word(s) for this year in the appraisal industry is hybrid or bifurcated appraisals. A hybrid appraisal is a two-step process that typically involves two different people each with a specific task. The first in the process is a third-party inspector who completed the Property Data Collection (PDC). The property inspection can be exterior only or can be an interior and exterior inspection. The inspector may be a real estate agent, an appraiser, or really any "qualified" person. Once an inspection is completed and reviewed by the lender/appraisal management company (Client), the data is submitted to a licensed appraiser who completes a desktop appraisal to determine the value. The forms and certifications used in the process will vary by Client. Some Clients may include additional market data, graphs, charts, and a market analysis which may aid the appraiser in the valuation, but the data supplied is Client specific. Hybrid appraisals are not new in the industry, they have been around for many years. They seem to emerge in strong markets and fade away when it starts to decline. It is a lower-cost appraisal option for the Client.

Lenders are not the only ones using hybrid appraisals. Fannie Mae is testing a system to modernize the appraisal process. It is called Value Verify and is a hybrid system. They have broken the appraisal process into steps. The first step is to complete a property data collection (PDC) by a licensed appraiser. Desktop Underwriter will review the PDC then an appraiser will be assigned the appraisal order which will turn into a desktop appraisal since an inspection has already been completed. The assignment may go to the same appraiser that completed the PDC. Fannie Mae is only using licensed appraisers for the PDC unlike lenders who are using any "qualified" person.

In addition to the change in the appraisal process, the need for appraisals seems to be diminishing. As of September 27, 2019, the FDIC, The Federal Reserve, and the Office of the Comptroller of the Currency (OCC) issued an amended rule to allow the threshold for residential real estate transactions to increase to \$400,000 from \$250,000. This means that an appraisal is not necessary for loans less than \$400,000. The rule became effective on October 9, 2019 and is the first threshold change since 1994. Their reasoning was based on appreciating markets that would provide "burden relief for financial institutions without sacrificing safe and sound banking practices." This amendment does not mean that lenders will forego an appraisal; it should depend on a risk assessment and loan-to-value ratio which would aid in making a wise lending decision.

Transactions exempt from an appraisal would require an appropriate evaluation which does not need to be done by a licensed appraiser in most states. Rural residential properties would also fall under the exemption rule and will require an evaluation. It is important to note that the threshold rule does not apply to federally backed loans which include the Federal Housing Administration (FHA), the Department of Housing and Urban Development (HUD), the Department of Veterans Affairs (VA), Fannie Mae, or Freddie Mac. Although federally backed loans are a large portion of the market, the OCC predicts the new rules will apply to approximately 40% of home sales.

Along with the increase in the threshold, appraisal waivers have been a discussion with regulators since 2017. Fannie Mae and Freddie Mac have implemented programs that waive appraisal requirements for new home purchases and refinance transactions up to \$250,000. Instead of an appraisal they will use propriety models, MLS data and tax records to determine risk. Their reasoning behind the waivers is to lower costs and shorten closing times for consumers. Fannie Mae indicates waivers will represent about 5% of their portfolio; Freddie Mac is not willing to provide an estimate. In May 2018, Congress passed a law (S.2155) to waive appraisals in rural areas when a licensed appraiser is not available. In the summer of 2018 North Dakota requested to waive appraisal reports on some residential loans due to an appraiser shortage. In July 2019 the Appraisal Subcommittee granted North Dakota's request to waive appraisal licensing requirements for one year on residential and commercial properties. This only applies to portfolio loans and not those backed by the GSE's, however; with the increase in the threshold to \$400,000 more loans will now qualify for an appraisal waiver. In fact, in the case of North Dakota, where most residential mortgage lending transactions are less than \$400,000, appraisals will no longer be necessary. This is a very risky decision. The concern is that now that North Dakota has been approved, other states will be granted exemptions.

Between Fannie Mae modernizing the processing system, the increase in thresholds, and the approval of appraisal waivers; the need for appraisers is dwindling in the mortgage industry. This is a scary thought since appraisers are the valuation experts to minimize risk for lenders. The above changes were implemented to improve the customer experience and reduce closing times but in the long run is the risk worth the short-term reward? It appears that the industry has been basking in the robust market "sunshine" long enough to forget the financial crisis of 2008.