

# Appraising the Technological Situation

Finding an appraisal-management company with the right tools can advance the loan-origination process

By Michael Dresden

**T**he regulatory environment for financial services has only served to step up the pressure in the time-sensitive, complex and competitive industry of residential mortgage lending.

Timelines are becoming increasingly compressed for everyone in the business, including lenders' appraisal-management company (AMC) and appraiser partners. As the case review and auditing requirements grow immensely in the legislative and regulatory communities, the investment marketplace and consumers all scrutinize appraisers' work.

Fortunately, the best processing and communications technologies can expedite nearly every stage of the appraisal process, from uploads to customization and quality control. Advanced technologies can also help AMCs select the most qualified appraiser for any assignment. As a result, AMCs that embrace best practices can be good and be fast.

Choosing an AMC with strong leadership, excellent staff communications, responsiveness and the right technology in place can further speed the loan-origination process. As a result, the best AMCs serve as a valuable professional buffer and help improve the loan-origination process.

## Closing the technology gap

A 2014 study from the Appraisal Institute shows that more than half of appraisers in the United States are between 51 and 65 years old. Many of these individuals learned appraising and developed as professionals long before smartphones and constant connectivity

became so prevalent. Alert AMCs, especially those that don't rely on fourth-party appraisal aggregators, can play a valuable role in bringing appraisers up to speed on new technology and present-day timelines and processes.

Today, appraisers facing condensed timelines can access data, including comparables, much more quickly and comprehensively than ever before. This is a good thing, as tech-savvy consumers are able to access much of the same transaction data.

Appraisers can be out in the field during the day or early evening, communicating with the assigning entity at any time through a laptop or smartphone. They can then enter reports later at night, or at any time, through an AMC's customized Web portal, creating benefits for everyone.

## The importance of staying current

A quick overview of the appraisal assignment and management chain will help illustrate some of the technologies in play.

■ **Orders:** Lenders' orders to an AMC can be manually entered, placed through an AMC's in-house, customized Web portal or, more likely, flow through a loan-origination system (LOS). It is incumbent on AMCs with true national coverage to have technology capable of integrating with any lender system. Therefore, in practice, a lender's LOS can interface directly with an AMC or through a platform integration of the AMC's system and an LOS.

■ **Assignment:** AMCs will assign an appraiser through an "intelligent order" system, which automatically assigns an appraiser through an

in-house, customized algorithm. This system ensures the file will be assigned to the most-qualified available appraiser — a key element in achieving overall quality in loan origination. The system also records and maintains a history of individual assignments and their selection criteria, accessible by the AMC and its lender clients. This can be helpful should any regulator question the assignment of an appraiser to a given property.

■ **Correspondence:** AMCs should maintain historical records of all correspondence during the life of a file for compliance purposes. An adequate system should accommodate standardized data input, as well as a notes

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section for comments. It should not be possible to delete comments, which allows for full discovery of a file. As required, it is possible to issue e-mail reports from such a platform. In general, these records will be maintained by AMCs for a minimum of five years. Appraisers must keep copies of appraisal records for that same length of time.

■ **File delivery to AMC:** Appraisers will submit their finished appraisals to AMCs through a secure, in-house Web portal. As indicated earlier, such systems have helped immensely in reducing the time need to complete an appraisal.

■ **Quality review:** The core technology here is an automated, AMC-designed process following a set check-list. Regardless, auditors will review the results, with the system providing the ability to incorporate comments. Although technology helps AMCs with checklists, recordkeeping, file retrieval and transmission, it will never replace the manual review of an appraisal by a highly-trained and experienced quality-control professional.

■ **File delivery to client.** In most assignments, the completed and reviewed appraisal will be delivered through the platforms discussed earlier.

### Putting it all together

Although many technology platforms have become industry standards, national AMCs should be able to design customized solutions

that fulfill a lender's total reporting, compliance and auditing needs. The AMC also should be able to quickly incorporate new reporting standards or lender requirements into the technology workflow.

National AMCs participate in appraisal-industry platforms like those offered by the Appraisal Subcommittee (ASC). Integration with the ASC's database directly links AMCs to the Federal Financial Institutions Examination Council's active database of nearly 80,000 certified and licensed state appraisers from the National Registry.

This linkup registers AMCs against the National Registry of state-certified and licensed appraisers, which includes licensure and certification information, disciplinary action and appraisers' current status. It also helps AMCs quality-check their appraisers, or recruit new ones.

To avoid cyberattacks on financial records, AMCs must be well-versed in IT security and have solid disaster-recovery programs and capabilities in place. Existing technology platforms should also be easily adapted to new compliance standards or lender requirements.

All of the above requires an AMC with substantial financial resources and a consistent commitment to all necessary technology implementations, including associated training. With those costs, however, come a quality that greatly improves appraisals and loan originations. ■