

Hybrid Appraisal Reports

AND THE DATA THAT SUPPORTS THEM

Introduction

DataMaster is a tool built by appraisers for appraisers, to move data more efficiently from your MLS and public records. Eliminating the need to tediously type data and switch back and forth between screens.

Our unparalleled access to property data means we can empower you to make great valuation decisions. We work *with* your MLS to bring you data straight from the databases they use for each property.

LET'S GET STARTED
BY LEARNING A
LITTLE MORE ABOUT
HYBRID APPRAISALS



What Is a Hybrid Appraisal Report?

hy·brid·i·za·tion

hībrədə'zāSH(ə)

hybridize [hahy-bri-dahyz]

verb, hybridized, hybridizing.

1. to cause to produce hybrids; cross.
2. to breed or cause the production of (a hybrid).
3. to form in a hybrid manner.

Hybridization is
the crossing or
breeding of
several
products,
processes, or
systems to
create
something new:
a hybrid.

WHAT IS A HYBRID APPRAISAL REPORT?

HYBRID APPRAISAL REPORT

APPRAISER



HOME INSPECTOR



MATHEMATICAL
MODELING TOOL
(AVM)



Hybrid Appraisal Reports include Appraisers, Third-Party Home Inspectors, and often, Mathematical Modeling Tools.

NEIGHBORHOOD

IMPROVEMENT

Appraisers must consume different types of data from different sources to make their valuation decisions.

CONDITION

AGE

MARKET

PROPERTY VALUE



General Data

General Data pertains to real estate values and information on a macro level.

"Data that relates to the four forces that affect real property values - social, economic, governmental, and environmental forces."





Specific Data

Specific Data pertains only to a specific property. Think of Specific Data as data on the specific assignment level.

"...Details about the property being appraised, comparable sale and rental properties, and relevant local market characteristics."

There are two *sources* of data according to the Dictionary of Real Estate Appraisal (4th Edition)


Primary Data & Secondary Data



Primary Data

Primary Data - the appraiser's first-hand knowledge. You inspect the property, you see the out-dated carpet or the home theater system that will blow your socks off.

"Information that is gathered in its original form by the analysts."



It
starts
With
You

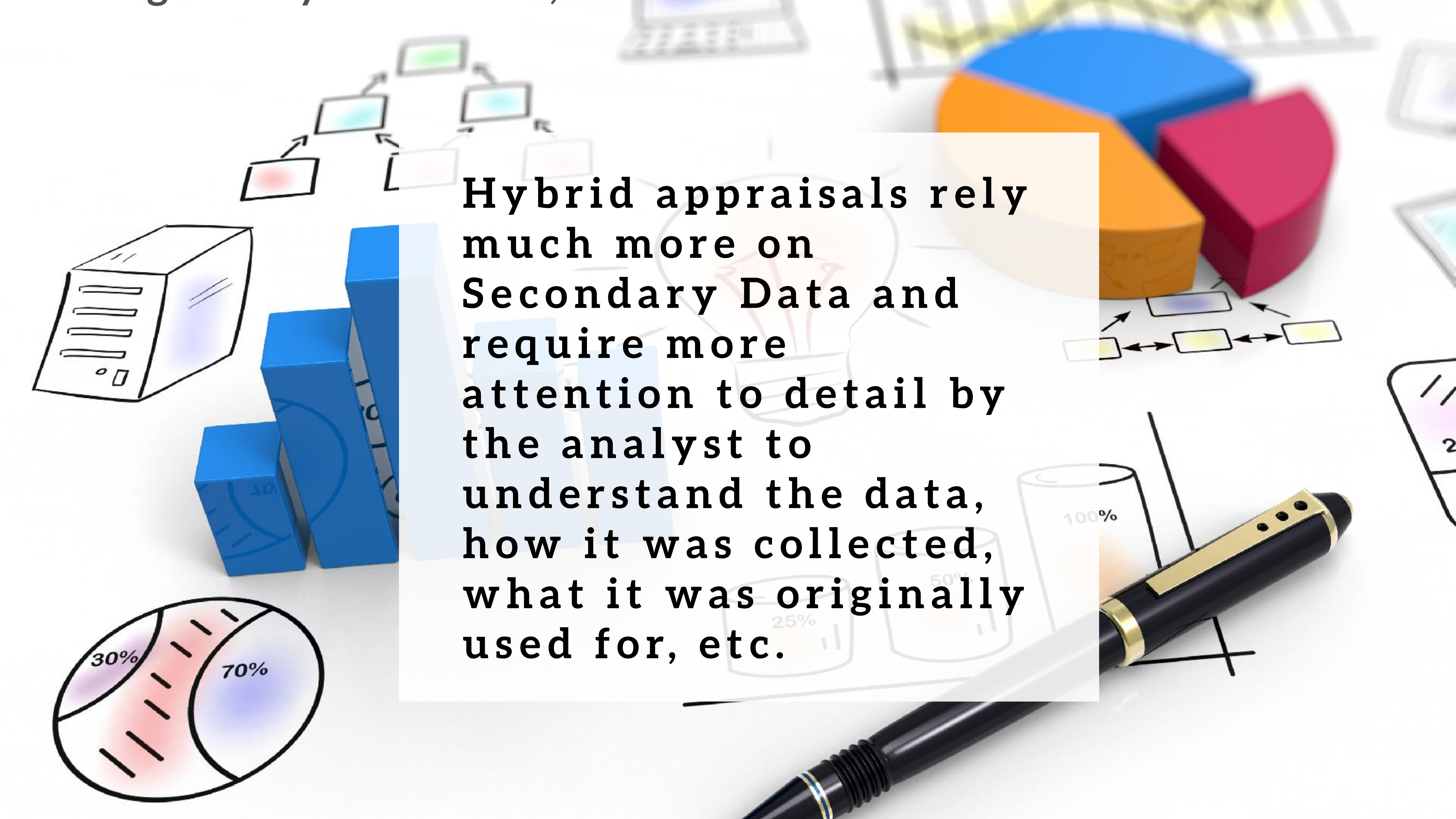


Information

Secondary Data

Secondary Data - this could be information from the MLS listing or by a property inspector; it's data that someone else collected and you're using.

"Information that is not gathered in its original form by the analyst."



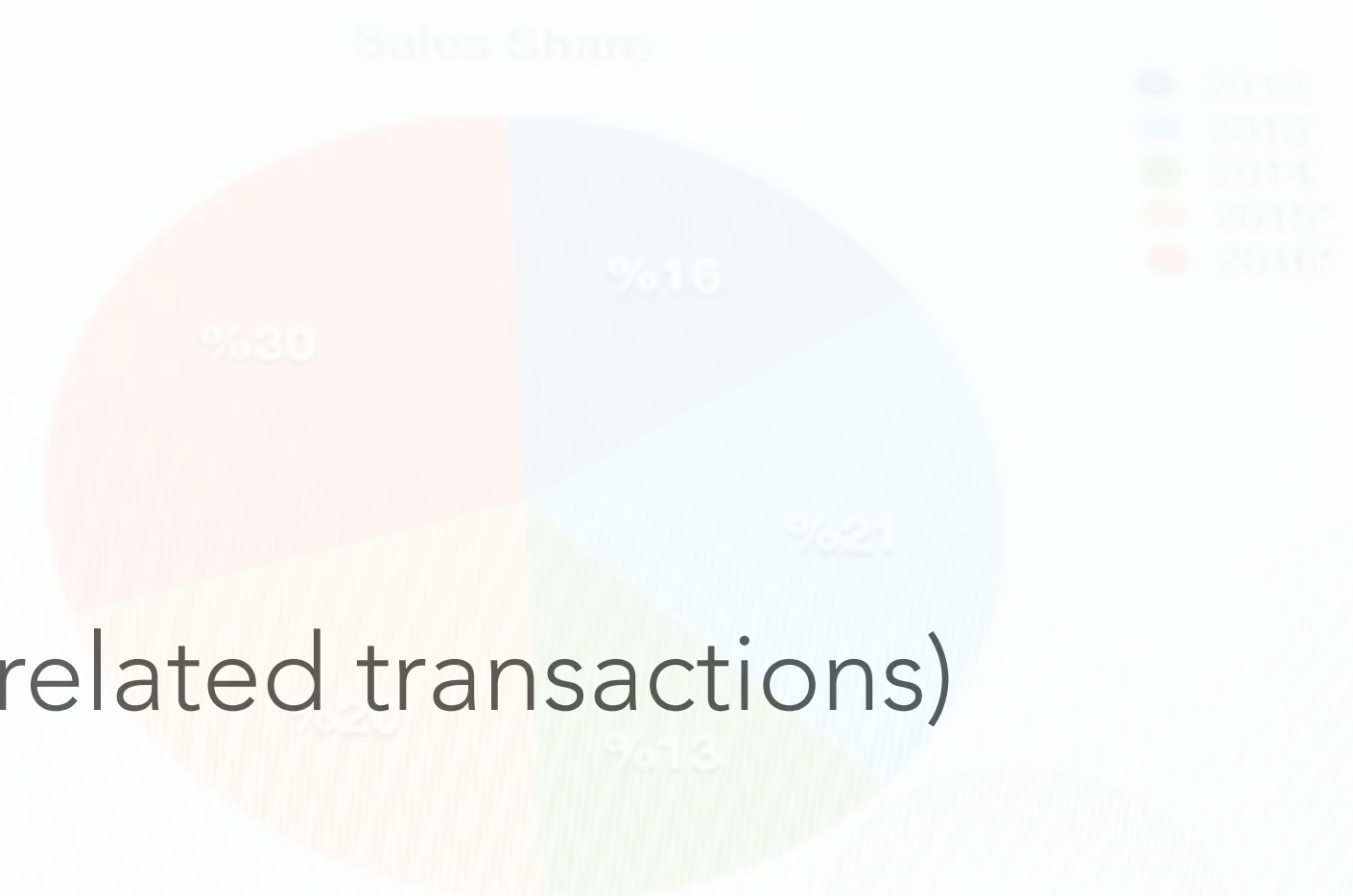
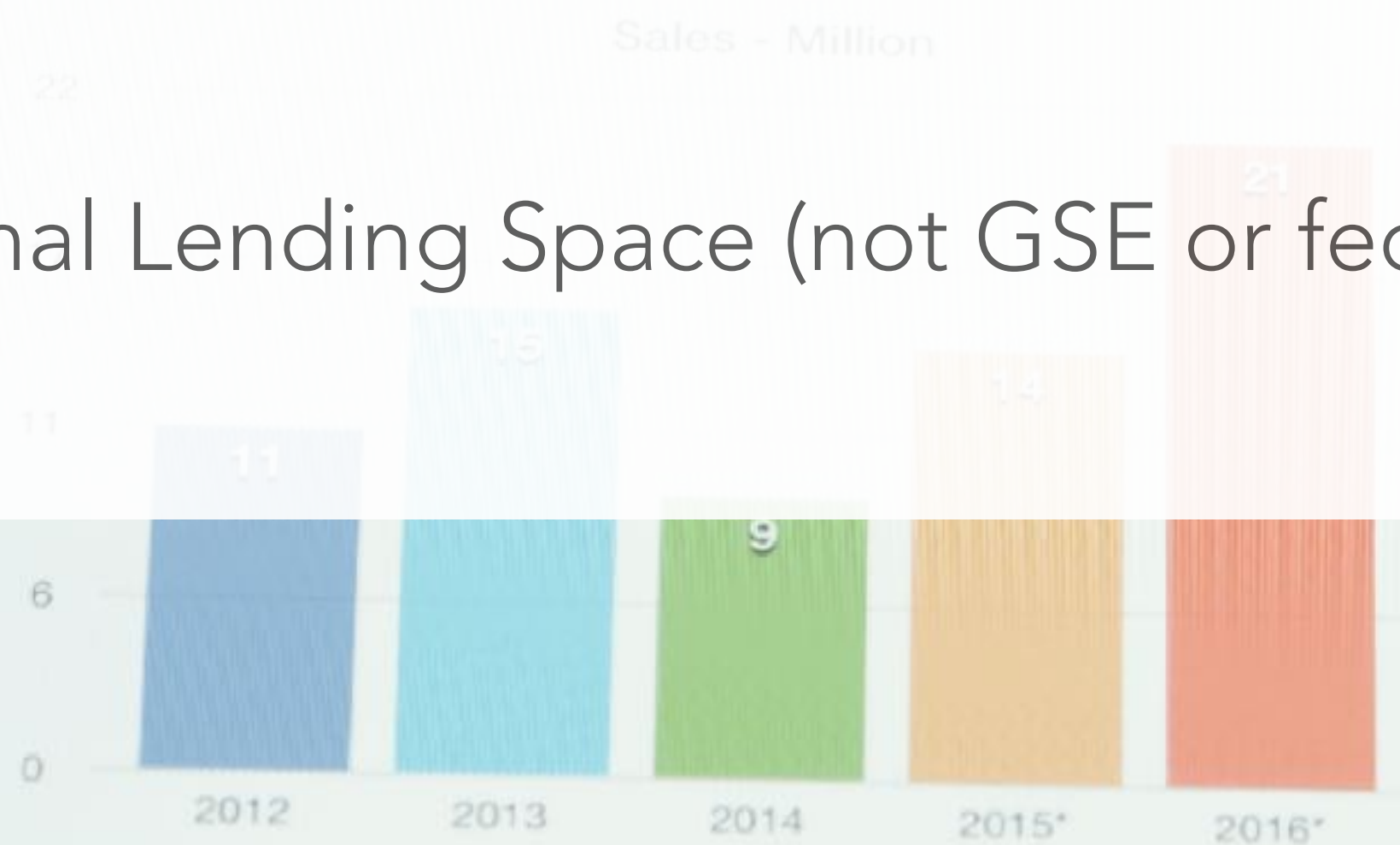
Hybrid appraisals rely much more on Secondary Data and require more attention to detail by the analyst to understand the data, how it was collected, what it was originally used for, etc.

What Are Hybrid Appraisals Used For?

- Mortgage Servicing/REO Side
- Portfolio Management
- HELOCs
- Non-Traditional Lending Space (not GSE or federally-related transactions)

SALES

YEAR	UNITS SOLD
2013	11
2014	15
2015*	9
2016*	14
2017*	21



What are Hybrid Appraisal Used For?



MOODY'S
INVESTORS SERVICE

On March 12, 2018, Housingwire published an interview with Lima Ekram, an analyst at Moody's. She reported that Moody's is seeing an increase of loans using alternative methods for calculating property values. The following are excerpts from her interview.

"In seeking to reduce operational costs, increase efficiencies and address the shrinking rates of U.S. property appraisers, mortgage market participants are exploring the use of alternatives to traditional means of calculating property values and, in some cases, starting to use them more."

"Their [Alternative Valuation Methods] use in tasks that affect the credit quality of the RMBS [or Residential Mortgage-Backed Securities] securitization collateral could, however, lead to a weakening of new RMBS transactions."

What are Hybrid Appraisal Used For?



MOODY'S
INVESTORS SERVICE

Highlighting the potential for different approaches to yield different outcomes, some of which are more reliable than others, Ekram continued:

"Among alternative approaches, the components used in arriving at a valuation will vary, sometimes significantly."

Hybrid appraisals, for example, rely on information from on-site property examinations conducted by a third party, often a real estate agent or broker.

Ekram stressed that it is also important to look at whether a non-traditional appraisal alternative is being used as the primary means of property valuation, or if it was used mainly as a means of quality control.

Home Inspections in the Valuation Process

Assurant has developed the Assurant Hybrid Appraisal, enabling customizable hybrid desktop appraisals with interior inspections.



Nations Lending Service, Inc announced their bundled services offering NATIONSLINK and EQUITYEXPRESS. The integration of the two programs provides their national lending clients with the best winning combination of hybrid appraisal products for HELOCs.



Property Solutions, formerly Computershare Mortgage Solutions has handled BPO appraisals, property inspections and valuations for more than a decade. In 2017, they began using alternative types of appraisals in disaster areas, relieving pressure and stress from the appraiser and property assessors. When asked if technology would replace appraisers, their answer was no. Automation is designed to support the appraiser.



Other service providers either have hybrid appraisal reports or are creating them.





The Home Inspection Industry

Thirty-Two States Have Certification or Licensing.

A home inspection is a limited, non-invasive examination of the condition of a home, often in connection with the sale of that home. Home inspections are usually conducted by a home inspector who has the training and certifications to perform such inspections. The inspector prepares and delivers a written report of findings to the client. The client then uses the knowledge gained to make informed decisions about their pending real estate purchase. The home inspector describes the condition of the home at the time of inspection but does not guarantee future condition, efficiency, or life expectancy of systems or components.

A home inspector is sometimes confused with a real estate appraiser. A home inspector determines the condition of a structure, whereas an appraiser determines the value of a property. In the United States, although not all states or municipalities regulate home inspectors, there are various professional associations for home inspectors that provide education, training, and networking opportunities.

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The Home Inspection Industry

About 5 million home inspection are performed each year. Most real estate agents recommend home inspections as well as FHA and the VA.



The American Society of Home Inspectors

- Founded in 1976
- 7,248 members as of April 2018
- 3,197 are certified as home inspectors



International Association of Certified Home Inspectors

- Founded in 1990
- 20,800 members as of April 2018
- 45 different certifications

The Home Inspection Industry

Home Inspector Training

- The Home Inspection industry has many options for training.
- No standards, licensing or certification
- Home inspectors use different terminology - for example, *average* may not describe what you think of as average
- Repairs mentioned in inspection reports may be minor or serious.
- Unlike real estate agents, home inspectors are not trying to sell properties; many inspectors try to find issues with the home to justify their fees.



Home Inspections in the Valuation Process

E&O and Risk:

According to Peter Christensen, General Counsel LIA Administrations and Insurance Services

- Review the Engagement Letter
- Be clear about which part of the report is your work and separate it from the work and/or information completed by a third party on which you relied.
- Ask yourself "*What is this being used for?*" - if it is solely for internal use by a lender, it could be far less risky than a report that will be delivered to a borrower.
- Is the workfile you created viable? Can you support your conclusions?

Final Thoughts & Take-Aways

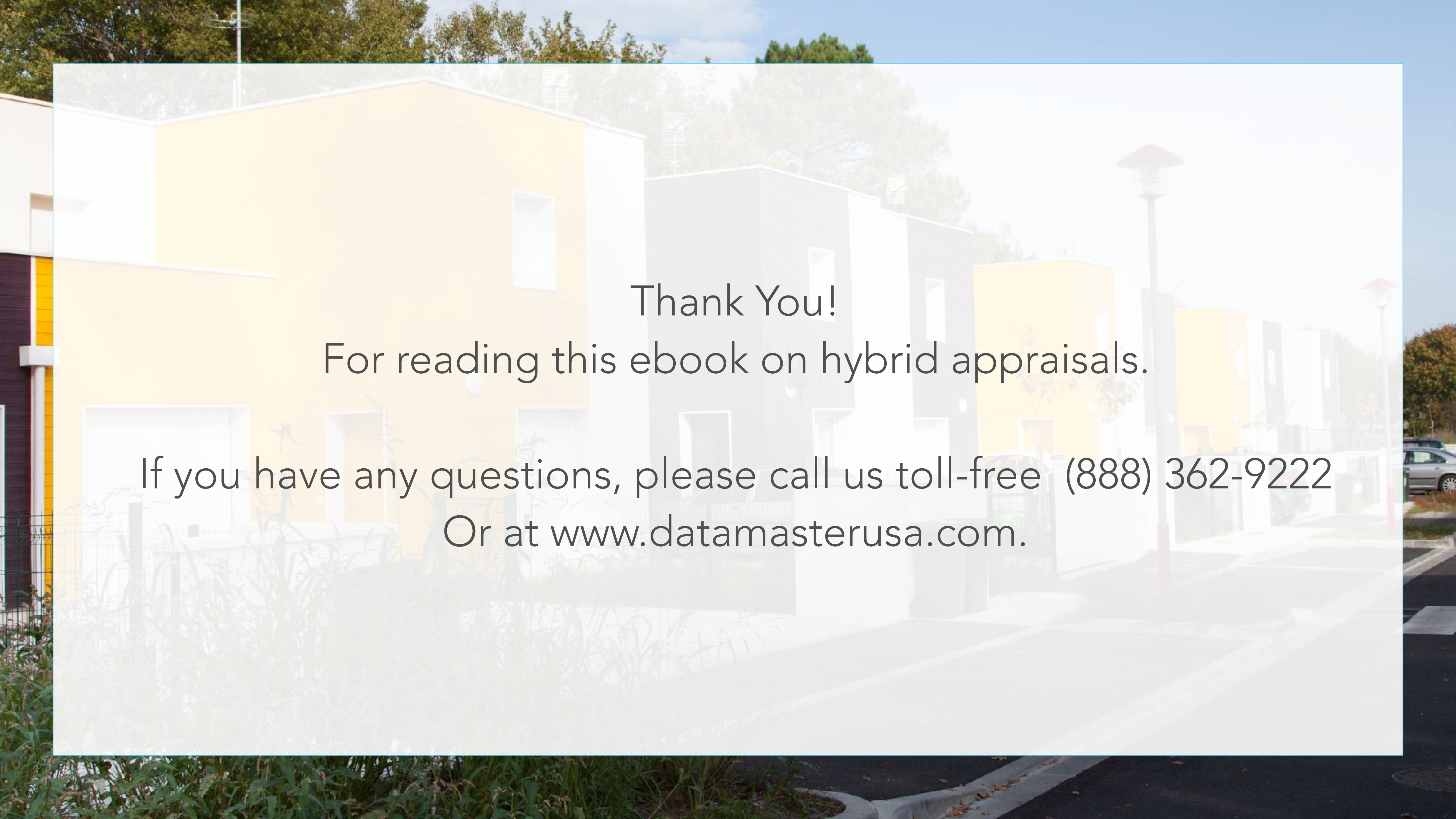
Workfile

1. The USPAP Record Keeping Rule requires you to have, and maintain, a workfile.
2. Review the Limiting Condition, statements and certification - Do you agree with them?
3. Remember your state or professional organizations may have additional certifications.
4. Review the Record Keeping rule
 - Name of client, intended users
 - True Copy
 - All the documentation necessary to support your analyses, opinions, and conclusions
 - Dated certifications

Final Thoughts & Take-Aways

Reconciliation (Standard Rule 1-6)

1. Know the source, limitations of the home inspection, and reliability of any secondary data used.
2. Summarize the information you analyzed and the appraisal methods you used.
3. Simply describe how reliable the data was *or was not*.
4. Describe the results of any analytical tools you used and their reliability
5. Clearly communicate your role and conclusions.



Thank You!

For reading this ebook on hybrid appraisals.

If you have any questions, please call us toll-free (888) 362-9222
Or at www.datamasterusa.com.