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New Products Help To Speed Process

By Brad Finkelstein

ALL THE NEW REQUIREMENTS FOR property valuations in the mortgage lending industry, both on the servicing and loan origination sides of the business, have enhanced the need for different types of products to be introduced into the market.

Validata Lender Services, an appraisal management company based in Rockville, Md., has come out with Desktop Valuation, a tool that lets lenders look at a property to see if it is worthwhile for a loan applicant to order a full appraisal.

In today's environment, with tougher lending standards combined with declining property values, it could cost the borrower between \$400 and \$500 to go through with a full appraisal only to have the application rejected because of valuation issues, John Henry Sisk, director of operations for Validata, explained.

The same is true if the borrower is look-

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ing to refinance. So Validata is now bringing Desktop Valuation to the market. Unlike a full appraisal, this only costs \$75.

With this product, appraisers formulate an opinion of a property's value based on assumptions that the property is in good condition and conforms to its neighborhood's style and construction.

The Desktop Valuation Summary Appraisal Report contains information about the property type, market trends, comparable sales and an initial opinion of value. At that point, if this valuation shows a likelihood of a loan being approved, a full appraisal can be ordered, with the \$75 fee being offset from the cost of the full appraisal.

On the other hand, if the report shows it is unlikely for approval, Sisk said "if its a no, its a quick no and an inexpensive no." These reports are typically returned in 24 hours, so it doesn't slow down the process, he added.

From the lender's standpoint, the product helps to give them insight into a neighborhood that they might not be familiar with. Sisk says the report provides them with a level of confidence regarding those markets on whether or not to move ahead with a full appraisal.

Another company out with a new product is ISGN Corp. of Bensalem, Pa., which has introduced iAppraisal Advantage to the

marketplace. This product combines a desktop valuation done by an appraiser with an exterior property inspection by a real estate broker.

Jeryl Graham, executive vice president of valuation operations at ISGN, said for now the product is being marketed to lenders and servicers of home equity loans and in the areas of default and loss mitigation.

"We acknowledge the appraiser has a very difficult job today and they are under a lot of pressure from all areas. So we feel the best use of this product is that the appraiser has sufficient time in assessing the information, so they are making an informed decision as to their opinion of value.

"And we really feel that with the amount of information and data that is available in the industry today, that us sharing that information with our appraisers so that they can support their own due diligence and we're going to give them a competitive point of differentiation with this product in their delivery and in their report content," Graham said.

It is a step above a desktop appraisal, but not as extensive or expensive as an appraiser visiting the property in a drive-by or full appraisal.

She noted that as data becomes more available across all markets in the three to five years, a product similar to iAppraisal Advantage for purchase money mortgages is likely to be developed.

This product helps to make sure that the appraiser remains the "relevant party" in providing an opinion of value, Graham

said. In products such as an automated valuation model or a broker price opinion, the appraiser is typically not used to make the valuation.

With this report, ISGN is adding information relative to the type of last sale used (such as traditional sale, short sale, foreclosure sale, etc.) for the comp property. It is not important for the appraiser to know this information, she said, but also for the end user of the valuation report.

Graham said that in her discussions with lenders, one of the things regulators are

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looking for during the examination is not just the underwriter's review of the subject property, but also the information the appraiser used to validate their decisions regarding comp selection and neighborhood characteristics of the subject property. This report is "on target" for what the regulators are looking for, she said.

Tampa, Fla.-based Mortgage Contracting Services, a national field service company which provides property inspections, property preservation and REO property maintenance, last year added photo inspection services to supplement the tradi-

tional data required for valuations, proof of property condition and other verification reporting.

Chad Mosley, vice president of business development, said in the past, lenders and servicers could use an AVM as part of their decisioning process on different parts of their portfolio. But the interagency guidelines have changed and now require an actual inspection of the property condition when an AVM or a BPO is used.

So MCS' property condition report leverages its expertise in the inspection arena on the default side.

Caroline Reaves, chief executive, added some lenders and servicers starting to request property condition reports on full appraisals just to avoid some of the fraud problems and certify that the house is there and meets the condition described in the report. This service is being provided for loan originators.

The whole mortgage industry, Mosley explained, is looking to make as sound of a collateral decision as there is on their portfolio. It is an independent person, a licensed property inspector, providing this information. There is an inspection of the interior and exterior of the subject property, documented by photographs.

Everybody is being cautious, Reaves added, "and checking extra boxes now." The report is a relatively inexpensive way to make sure the valuation is correct. It is not a home inspection, just a confirmation which states the property is in the condition that it was reported to be in, she added. ♦