

DMBA Appraisal Update – January 2020!!

Special request questions for DMBA Members? If any of you have questions during the month, please feel free to email me or call and I will be glad to personally respond. If the topic is of enough interest, I will be glad to expand it and include it for the next monthly update. Thanks,

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Welcome to the New Year and New Decade!! Will this be another Roaring 20's? How about Roaring 20-20's? Here is a quick summary of this month's highlights, although not in order of importance.

1. **Bifurcated Appraisals on Hold?** It appears FHA and VA are holding to basic appraisal concepts and not eagerly signing onto the bifurcated appraisal concept. What is a bifurcated appraisal? Fannie Mae presents it as a speed inducing and cost saving method. Utilizing this method someone inspects the house/condo/duplex and sends that data electronically to an appraisal office and an appraiser writes the report. YES, writes a report never seeing the subject or comps and relying upon the data transmitted. To an appraiser that has been commanded to view the subject and all comparables, not even to use a MLS comp photo, this is a strange intersection of potential change. Not a good change in my personal opinion. See references in the following article.
2. **Dallas home sales sets a record pace for 2019.** Steve Brown's article summarizes a good 2019 for the folks here in the DFW market.
3. **Appraisal Form Changes.** Fannie is presenting an updated appraisal form change and will be called the "UMPD as the Uniform Mortgage Data Program and will be one form for both the UAR and Condo reports, field and drive-by's. The last appraisal report was revised in 2005 and the UAD, "Uniform Data Set" whereby appraisal comments were standardized was in 2011. The UAD was designed to allow Fannie could harvest appraisal data on the subject and comparables. Fannie now has an extensive base of all data in the USA for an extended market. This harvest of data is a step in Fannie's desire to bifurcate the appraisal reports and possible a reason that FHA and VA, which lack the data, are not comfortable with the change.

The revised form is attached and is quite extensive in detail, much more extensive than the appraisers and market analyzes a property. Significant changes are likely as this is only the first draft.

"To be a person acting in the capacity as an agent of the assigned VA appraiser, the person must be otherwise permitted to sign an appraisal report as 'Appraiser' on any of the approved VA forms."

VA Puts Reins on Bifurcated Appraisals

by Isaac Peck, Editor

The Department of Veteran Affairs (VA) recently issued guidance on VA bifurcated appraisals which further demonstrates the caution with which many regulators are taking when approaching this new form of "bifurcated" appraisals.

In June 2019, Congressional Bill H.R. 299, the Blue Water Navy Vietnam Veterans Act of 2019, included this provision: *"The Secretary shall permit an appraiser on a list developed and maintained under subsection (a)(3) to make an appraisal for the purposes of this chapter based solely on information gathered by a person with whom the appraiser has entered into an agreement for such services."*

To accommodate this requirement, the Department of Veterans Affairs (VA) published guidance outlining the rules for its Assisted Appraisal Processing Program (AAPP). The VA does not require its appraisers to participate in the AAPP process, but leaves it up to the appraiser instead. The VA makes it clear that the AAPP process will only be allowed in cases where assignments are non-complex, where the sales price is below one million dollars, and where the appraisal is not for new construction. Ultimately, the VA will have discretion on which assignments the appraiser *may* utilize the AAPP process.

Additionally, the outside "person" the appraiser contracts with to gather information must be "an individual who may perform appraisal-related work in compliance with VA policies, USPAP, state, and local laws," such as "another VA fee panel appraiser licensed in that jurisdiction, a non-VA fee panel appraiser licensed in that jurisdiction, or an appraisal trainee/apprentice registered or otherwise authorized to provide valuations in that jurisdiction."

This removes any doubt that the outside "person" must be another appraiser or trainee. The VA goes even further, writing "To be a person acting in the capacity as an agent of the assigned VA appraiser, the person must be otherwise permitted to sign an appraisal report as 'Appraiser' on any of the approved VA forms."

The AAPP process also has the following stipulations:

- Any person the VA appraiser contracts with to gather information is acting as an agent for that appraiser.
- Upon request, the VA appraiser must provide the VA with all relevant information concerning the person they contracted with to gather information, including a copy of the agreement and all evidence relied upon in determining that such person met the ethical and moral character requirement.
- The VA appraiser must pay all fees charged by the person gathering information.
- The person gathering information must attest that they are knowledgeable in all VA requirements for Minimum Property Requirements (MPRs).
- The person gathering information is required to understand and follow guidance from USPAP and USPAP Advisory Opinions (AO), with particular attention to AO2, 21, and 31.
- The VA panel appraiser must communicate to the point of contact (i.e., real estate agent, Veteran, home owner, etc.) who is conducting the site visit and that such person is working on behalf of the VA panel appraiser.
- In any case where Tidewater is invoked, if the assigned VA appraiser did not conduct the site visit, the VA appraiser must make a site visit to the subject property at no additional fee to the lender or Veteran.

REAL ESTATE N. TEXAS HOME SALES SET RECORD PACE IN '19

BLISTERING DECEMBER HELPS AREA CLOSE YEAR UP 3% OVER 2018 IN PREOWNED MARKET

By STEVE BROWN

Real Estate Editor

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North Texas' housing market ended 2019 on a high note, and the jump in sales during the final month was enough to push the year's home purchases to an all-time high.

Last month's preowned home sales were up 15% compared with December 2018.

Area real estate agents sold more than 108,000 single-family homes for the year — 3% more than in 2018, according to preliminary data from the Real Estate Center at Texas A&M University and North Texas Real Estate Information Systems.

"Dallas-Fort Worth winds up with record sales again," said James Gaines, chief economist for the Real Estate Center. "The Dallas side of the Metroplex was actually a little better than Fort Worth."

In December, 9,056 houses changed hands, the highest total on record for the final month of any year in North Texas.

Lower mortgage rates in the second half of 2019 boosted home buying in the D-FW area and across the country after a slowdown in purchases early in the year.

"One of the things that helped was that the fourth quarter of 2018 was a down quarter because interest rates went up, oil prices were down and things slowed down," Gaines said. "October, November and December numbers looked extraordinarily good on a year-over-year basis.

"The fourth quarter was enough that it made up for some of the slowdown that started earlier in the year."

Along with the higher sales in December, median single-family home prices were up 5% year over year to \$270,000. For all of 2019, North Texas home prices were 3% ahead of those in 2018, according to the Real Estate Center.

At the end of the year, 20,535 houses were listed with real estate agents in the more than two dozen North Texas counties included in the survey. That's a 4% decline in inventory from the end of 2018.

There are indications that January will be another strong month for North Texas home purchases.

The number of pending sales — properties under contract but not yet closed — is up 18% from a year ago.

Gaines said he doesn't expect the big home sales gains to continue through the new year.

"We won't see those percentage rates going forward," he said. "I don't think we are going to see those double-digit rates of increase."

Home prices in North Texas have risen more than 60% in the past 10 years. Gaines said it's unrealistic to expect the same kinds of home market growth moving forward.

"The decade of the 20-teens was an exceptional decade for Texas and D-FW in particular," he said. "As we look forward to the decade of the 2020s, it would be unrealistic to expect us to duplicate that rate of growth.

"It's not that we won't grow. It's just not going to be a very high rate of prosperity."

Twitter: @SteveBrownDMN

UMDP

UNIFORM MORTGAGE DATA PROGRAM

INDUSTRY STAKEHOLDER INPUT PHASE 1 EXECUTIVE SUMMARY

From early 2018 through mid-October, the Freddie Mac – Fannie Mae UAD Working Group collected initial feedback from industry stakeholders in these categories: lenders, appraisal software and forms vendors, appraisers and appraisal management companies, industry trade groups and associations, and government agencies.

The feedback validated the project's high-level objectives and identified current pain points in three key areas.

HIGH-LEVEL OBJECTIVES

Respondents overwhelmingly validated the three objectives proposed by the working group:

1. Provide the industry with a higher degree of clarity of data that will be used to drive risk analytics and underwriting decisions.
2. Provide updates and additions to the existing data elements that are representative of the current appraisal and technology environment, but flexible enough to support future changes in a timely manner.
3. Redesign the appraisal forms to improve usability for all stakeholders.

PAIN POINTS

Stakeholders identified pain points with the current process that fall into three areas:



Data elements that comprise the UAD and are captured in forms:

- Lack of standardization
- Data shortcomings
- Ineffective images
- Data inflexibility
- Lack of context to support analytics
- Disparate data sources



Forms, including:

- Static/inflexible, not dynamic
- Sales comparison grid shortcomings
- Lack of uniformity
- Outdated certification language
- Excessive information



General comments:

- Alignment – current data set and forms do not sufficiently align with USPAP and state regulatory requirements
- High level of effort needed to implement new forms – slow time
- Reduce total process time
- Eliminate industry duplication
- Overall this effort will be worthwhile despite level of effort to change

NEXT STEPS

Broader exploration of pain points and solutions with industry stakeholders will continue throughout 2019, and the GSEs will continue to provide periodic progress updates.



UAD & FORMS REDESIGN INITIATIVE

Freddie Mac and Fannie Mae (the GSEs) have launched an initiative (started in May 2018) to update the Uniform Appraisal Dataset (UAD) and uniform appraisal reporting forms. The UAD and Forms Redesign initiative will leverage extensive stakeholder input to update the appraisal dataset, align it with the industry-standard MISMO® Reference Model Version 3.0, and overhaul the uniform appraisal forms to establish a more flexible, dynamic structure for appraisal reporting.

This work is designed to provide greater clarity to lenders, borrowers, and investors; simplify appraisal reporting and reviewing; and build a foundation for appraisal modernization.

Visit the UAD web page for more details about the UAD & Forms Redesign Initiative.

This initiative is under the auspices of the Uniform Mortgage Data Program ("UMDP"), which undertakes jointly by the GSEs at the direction of the Federal Housing Finance Agency to enhance data quality and market access.



Fannie Mae

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New Concepts for Next Generation SCA GRID

Removed abbreviations and concatenations within cells of the grid

New Concepts:

- Each row of the table will now be a single data element
- Some cases there are 2 data elements
 - Example: Row Name - View/Impact, displayed as "Mountain | Beneficial"
 - Data Indented is a sub-category for the data element in the row above above
- **Always Required to be Displayed** – Data elements that have a label which will always display in the grid, regardless if there are any values for the Subject or any of the Comparables
 - Ex. Sales Price, Proximity to Subject, Site Size are noted on the next tab as 'BLACK' Text
- **Appraisers Discretion** – Features that the appraiser can choose to pull into the grid if they choose / need to make an adjustment or support the opinion are noted on the next tab as 'BLUE' Text
 - Ex. Pool, Corner Unit, Green Certification
- **If the Subject property has a value within the report** – then this data element will automatically display the label and row with the value for the subject, regardless of Always Required to be Displayed vs Appraisers Selection to Be Displayed for the grid; this allows the appraiser to either make an adjustment for the comparables or leave blank
 - Ex. Flood Zone

	Subject Property	Comparable #1	Comparable #2	Comparable #3
Property Information				
Neighborhood and Photo	173 Main Street	224 Ave A, LLC	34157 Lambert Rd.	9307 My Street
Case Number / Subject File	SAW04000104 04/2014/0104	SAW04000104 04/2014/0104	SAW04000104 04/2014/0104	SAW04000104 04/2014/0104
Transaction Subject		N. S. (Tax Report)	The Report	Tax Report
Lot Area		3.96 ac	1.11 ac	2.16 ac
Legal Description		2015e	2015e	Off-lot/lot
Sale Price	\$920,000	\$1,500,000	\$472,000	\$494,900
Marketing Agreement		\$0	\$0	\$0
Day or Transfer Type		\$0	\$0	\$0
Joint Tenancy Transaction		\$0	\$0	\$0
Assignment of Purchase		\$0	\$0	\$0
Form of Financing Conveyance	Conventional	Cash	1st	1st
Form of Financing Conveyance	S	S	None	S
Sales Contract Date	12/14/2013	1/23/2014	2/20/2014	1/22/2014
Sale Date		0/30/2014	4/15/2014	4/1/2014
Days on Market		0	0	0
Property Rights Acquired	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Unrecorded Annual Amount of	\$1,200	\$1,000	\$0	\$0
Outstanding Rights Not Conveyed		48 Rpts	0	Water Rights
Subject to Easement	Yes	No	Yes	0
Water Description	No	No	No	No
Project Information				
Project Name	202	202	202	ADC
Same Project as Subject	Yes	Yes	Yes	No
Ownership	Individual	Individual	Individual	Corporate
Project Funding	PI	PI	PI	PI
Minimum Monthly Price	\$100	\$0	\$0	\$100
Completion Month/Year	Percentage of Units Sold	Percentage of Units Sold	Percentage of Units Sold	Percentage of Units Sold
Project Activity or Services	None	None	None	None
Local Site Ownership/Control				
Site				
Site Size	2.96 Acre	1.96 Acre	4000 sq ft	5 Acre
Address/Highway	2 Yes	2 Yes	2 Yes	2 Yes
Zoning/Use/Type				
Tract Name	200A Phase 2 (1) - Lots 210-230	None	None	None
Map/Section/Block	Lot 201	Lot 201	The Village of North Hill	Mount St. Mary Estates
Map/Section/Block	Suburban	Suburban	Suburban	Suburban
View / Impact	Mountain / Beneficial	Valley / Beneficial	Valley / Beneficial	Valley / Beneficial
Surge	Ful	Asbestos	Asbestos	Asbestos
Site/Owner / Tenant	Self / Beneficial	Self / Beneficial	Self / Beneficial	Self / Beneficial
Approved Environmental Condition / Availability	Low/High	Low/High	Low/High	Low/High
State of Water / Impact	Lot / Beneficial	Lot / Beneficial	Lot / Beneficial	Lot / Beneficial
Water Usage	Good	Bad	Good	None
Right to Improve this Water	No	No	Yes	None
Drainage Access Rights	No	No	Yes	None
Permitted Water Use Features	Deck / Por	Deck / Deckhouse	Deck	None
Approximate Total Living Measurement (Feet) (Interior and/or Exterior)	170	125	0	0
Drainage / Impact	Evidence of Erosion (Water)	None	None	None
Topography / Impact	Wet / Beneficial	Flat / Beneficial	Wet / Beneficial	Wet / Beneficial
Renewable Energy Component	Solar Panel	None	Solar Panel	Solar Panel
Renewable Energy Component	Wind Turbine	Wind Turbine	None	None
Accessories				
Basement/Deck/Screening/Equipment/Enclosure/Other	Finished Living	Finished Living	None	None
	Fireplace	Fireplace	None	None
	3 Viewed	3 Viewed	None	None
Property Street Access				
Street Frontage (Feet) (Right)	Yes	No	Yes	Yes
Street Type	Colony	Residential Access	Colony	Highway
Street Surface	Asphalt		Asphalt	Asphalt
Maintenance Responsibility	Public		Public	Public
Utilities				
Utility / Provider Public	Water / Public	Water / Public	None	None
Utility / Provider Private	Water / Private	None	None	None
Property Improvement Information				
Year Built	2014	2014 (Estimated)	2014	2014
Structure Style	Manufactured Home	Manufactured Home	None	None
Material of Construction	Aluminum	Aluminum	Aluminum	Steel/Aluminum
Levels	0	2	0	0
Foundation Utility	Manufactured / Floor Plan	Floor Plan	None	None
Construction Method	Mobile / Manufactured	Mobile	Mobile	Site Built
Year Number	0	1	4	0
Green Star	Yes	No	Yes	Yes
Green Level of LEED	Green Green			

Base Cabinet Subject	Yes	SS	No	SS		SS
Plumbing System (Full)	Period Warm Air / Gas	None	SS	SS		SS
Gas/Plumbing	Condition	Excellent	SS	Permitted	SS	Structural
Mechanical System	4. Air		SS	Warm	SS	None
Mechanical System	5. Gas/Plumb		SS	Warm	SS	None
Accessibility/Modifiable Area	6. Electrical/ Bathrooms	None	SS	Exceeds Bathrooms	SS	None
Green Construction	7. 2nd Floor	Brick/stone/Flaggy Stone	SS		SS	SS
Green Construction	8. Carpeted/Engine Cover	None	SS		SS	SS
Energy Rating and Score	9. 10th Flr ADA	None	SS	None	SS	None
Design Style	10. One Unit	Contemporary	SS	Baroque	SS	Classical
One Unit	Yes	Yes	SS		SS	SS
Two Units	Yes	No	SS		SS	SS
Other Units (3/4/5/6/7)	No	Yes	SS		SS	SS
Reference/Remarks/Comments	11. Other Unit	SS	SS		SS	SS
External Quality and Condition	Subject Property	Comp #1		Comp #2		Comp #3
Condition Rating	Q1	Q4	SS	Q4	SS	SS
Condition Rating	Q1	Q1	SS	Q1	SS	Q1
External Improvement Features	Log Stone Wood Composite	Log		Log Stone Wood		Log Stone Wood
Window						
Window/Door Shutters Flood Van	None			None		None
Additional Feature/Description	Brk	Crvt		Blk		Prk
Above Grade Area Information						
Finished Area (sq. ft.)	100 sq. ft.	100 sq. ft.	SS	100 sq. ft.	SS	100 sq. ft.
Unfinished Area	0	0	SS	0	SS	0
Bedrooms	0	0	SS	0	SS	0
Full Bathrooms	0	0	SS	0	SS	0
Half Bathrooms	0	0	SS	0	SS	0
Below Grade Area Information						
Total Area	100 sq. ft.	100 sq. ft.	SS	100 sq. ft.	SS	100 sq. ft.
Finished Area	100 sq. ft.	100 sq. ft.	SS	100 sq. ft.	SS	100 sq. ft.
Unfinished Area	0 sq. ft.	0 sq. ft.	SS	0 sq. ft.	SS	0 sq. ft.
Bedrooms	0	0	SS	0	SS	0
Full Bathrooms	0	0	SS	0	SS	0
Half Bathrooms	0	0	SS	0	SS	0
Grade Level Type	Partial Below Grade	None		None		None
Interior Access	Walk Up	SS		SS		Walk Out
Grade Level Type	Below Grade	Below Grade				
Interior Access	Walk Out	None	SS		SS	SS
Interior Quality and Condition	Subject Property	Comp #1		Comp #2		Comp #3
Condition Rating	Q1	Q1		Q4		Q4
Condition Rating	Q1	Q1		Q1		Q1
Interior Improvement Features						
Structure	Good	Good	SS	Good	SS	Good
Quality						
Appearance						
Cabinetry						
Countertop						
Flooring						
Lighting Fixtures						
Plumbing Fixtures						
Walls and Ceiling						
Other/Remarks						
Additional Feature/Description	Good	Good	SS	Good	SS	Good
Structure						
Appearance						
Cabinetry						
Countertop						
Flooring						
Lighting Fixtures						
Plumbing Fixtures						
Walls and Ceiling						
Other/Remarks						
Additional Feature/Description						
Ballrooms						
Quality	Good	Good	SS	Good	SS	Good
Appearance						
Cabinetry						
Countertop						
Flooring						
Lighting Fixtures						
Plumbing Fixtures						
Walls and Ceiling						
Other/Remarks						
Additional Feature/Description	Good	Good	SS	Good	SS	Good
Appearance						
Cabinetry						
Countertop						
Flooring						

Lighting Fixtures, Recessed Fixtures, Wall and Ceiling Lights (Detailed) - Additional Feature Description							
Other Interiors (Guest Fitchens and Bathrooms)							
Area By	Wood	Wood	\$5	Wood	\$5	Wood	\$5
Appliances							
Cabinetry							
Countertops							
Floors							
Lighting Fixtures							
Painting							
Work and Ceiling							
Other (Detailed)							
Additional Feature Description	Fire	Green	\$5	Blue	\$5	Fire	\$5
Area By	Wood	Green	\$5	Blue	\$5	Fire	\$5
Appliances	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Cabinetry	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Countertops	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Floors	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Lighting Fixtures	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Painting	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Work and Ceiling	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Other (Detailed)	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Additional Feature Description	Fire	Green	Inferior	Blue	Similar	Fire	Similar
Vehicle Storage							
Vehicle Storage / Space	Garage 1 2	None	\$5	Garage 1 3	\$5	Garage 1 2	\$5
Attachment Type	Detached	Detached	\$5	Detached	\$5	Detached	\$5
Delivery Status / Material			\$5		\$5		\$5
Permitting Status / Assignment	Owned	Owned	\$5	Owned	\$5	Owned	\$5
Accessory (Detail) / Unit							
Number of ADU's	1	1		0		1	
Material	Building	Bar					
ADU Quality Rating	Q3	Q3					
ADU Condition Rating	Q3	Q3					
Other Features Area							
Outbuilding							
Construction Type	Shop		\$5	Shop	\$5	Shop	\$5
Finished Area			\$5		\$5		\$5
Ground/Building Area							
Full Bathrooms	1	0		0		1	
Half Bathrooms	1	1		1		1	
Kitchens	1	1		1		1	
Electric	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Permitted/Accessory	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Permitted/Accessory	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Handicap	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Additional Feature Description							
Amenities							
Chapels / Total Number	1	1		1		1	
Foodstore / Total Number	1	1		1		1	
Apparent Pool	Swim (Caged Pool)		\$5		\$5		\$5
Deck	Wood / Attached	Wood / Attached	\$5		\$5		\$5
Overall Quality and Condition							
Qual. Rating	Q1	Q1		Q1		Q1	
Condition Rating	EX	EX		EX		EX	
Summary							
List Price							
Sale Price	\$19000	\$29500		\$115,000		\$484,900	
Net Adjustment Total			\$5		\$5		\$5
Acquired Price		None	\$5		\$5		\$5
Comparable Weight		None		None		None	
Price Per Finished Area			\$5		\$5		\$5
Price Per Finished Area Above Grade (S/L)			\$5		\$5		\$5
Included Value by Sales Comparison Approach							
Included Value	None						

Grey bar for the Exhibits goes here