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FEATURE REPORT

LandSafe readies AppraisalPort rollout, transitions to AI Ready

LandSafe, the appraisal management company that handles Countrywide's mortgage business, is replacing its AppraiserLink software system and migrating its appraisal fulfillment process to FNC's AppraisalPort online portal, through which appraisers send and receive appraisal orders and reports.

Upon replacement, all LandSafe appraisal orders will be sent to appraiser partners, and all completed reports must be returned, via the portal.

As part of the transition, the Appraisal Institute Ready (AI Ready) format will replace Lighthouse and the subscription to WebServices, FNC's current methods of appraisal transmission, according to FNC.

The move comes as appraisers are raising concerns with state regulators about AI Ready and possible alterations the conversion process makes to their reports.

Making the switch

According to **Nick Wanzenried**, FNC's LandSafe/Countrywide account manager, LandSafe has been using the Collateral Management System (CMS, the sister product to AppraisalPort) since late 2005 internally for staff reviewers and processors.

LandSafe has been on AppraisalPort to a limited degree for six to eight months, according to **Todd Baur**, president and COO of LandSafe. For example, some desk reviews have been outsourced on AppraisalPort — in the range of 5,000-10,000 orders per month.

The company is now moving full speed ahead with a beta test of FNC's system across the rest of its

business and its fee appraiser panel — which Baur numbered at 10,000 to 14,000. It ran a pilot in mid-April and is beginning rollout in May of AppraisalPort. That rollout will continue through July until virtually all appraisal orders flow through the system.

What's the scale of the migration? LandSafe serves all Countrywide's lending companies and has a number of external lender customers. Its U.S. market share is substantial, according to Baur, with the company managing more than 1 million appraisal services each year.

The adoption could also pave the way for a smooth integration over the next few years with Bank of America, which announced in 2007 plans to buy Countrywide and also uses AppraisalPort. "When we go through the integration with Bank of America, it will be largely seamless for our appraisers," Baur said.

Although it isn't yet clear how LandSafe will merge or coexist with Bank of America's appraisal operation, Baur said, "What is known today is that both Bank of America's appraisal organization — Home Focus Services — and LandSafe utilize FNC's technologies."

The process

According to FNC, the combination of CMS and AppraisalPort ensures the appraisal process flows as follows:

1. LandSafe takes in orders from Countrywide and other customers. Those orders are aggregated by an internal system and sent to CMS.
2. CMS receives an order for an appraisal product

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and runs logic to route it to the correct team within LandSafe so it can be managed.

3. Another set of logic assigns the order out to the best appraiser to fulfill that order. “Ideally, the order can go from the various system LandSafe interfaces with out to the appraiser without a human being touching it,” Wanzenried said.

4. After the appraiser is chosen, the order and any information needed to fulfill it is sent via AppraisalPort.

5. After the appraiser does the inspection and completes the appraisal, he can upload it through AppraisalPort back to CMS.

6. Once the appraisal is back with LandSafe, CMS and Countrywide’s internal system run analysis on loan data to determine how much review is needed. The work product is sent back to the customer automatically.

“We have very sophisticated assignment logic, where we look at the individual appraiser’s profile,” Baur said. “We look at their quality, their service levels, their competency, their capacity and those kinds of things. In some cases, (the system) auto-assigns it to an appraiser; in other cases, it manually assigns it to an appraiser; and in some cases, we make it available in kind of an auto-advertise functionality. All three of those are supported over AppraisalPort as a means for us to distribute the work.

“It’s just a really efficient method for us to deliver communication and documentation back and forth,” he added. “Ultimately, that efficiency benefits our customers in the form of faster appraisal turn times and high quality.”

Automation and appraiser independence

LandSafe’s transition should be a non-issue for many appraisers, Baur noted.

“The vast majority of appraisers on our fee panel today already subscribe to AppraisalPort for one of their other clients,” he explained.

Wanzenried said it will also give them more options for forms software.

Industry support for AI Ready

AI Ready was developed in late 1999 and early 2000 through a joint venture between the Appraisal Institute (responsible for the data standard) and FNC (which created tools to work with the standard via the Open Appraisal Document Interface).

AppraisalPort adopted AI Ready in 2001, and Washington Mutual began using it for its appraisal work.

Today, the AI Ready certification is given to forms software packages to certify that they comply with the Appraisal Institute’s residential data storage and transmission standard. Software and Web interfaces that comply with the AI Ready Standard can read and write to the same standard XML format.

According to the [www.AI Ready.com](http://www.AIReady.com) Web site, the following appraisal software packages support the AI Ready format for at least some appraisal forms:

- a la mode XSite Order Manager
- ACI Reports
- Appraisal Partner API Residential
- Bradford Technologies ClickForms
- Day One Nova
- Homeputer FPS
- SFREP Appraise-It
- United Systems Appraisal Studio
- WCA RealEasy Appraisals

See [www.AI Ready.com](http://www.AIReady.com) for more information on vendor support.

“It’s my understanding that in the past, LandSafe has encouraged their appraisers to submit through Lighthouse (data format), essentially through ACI,” he said. “By moving (to AI Ready), appraisers have more freedom in terms of which forms package they can use to conduct their appraisers.”

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See the sidebar for a list of software vendors supporting AI Ready.

How else might the move affect them?

According to FNC, the move to Appraisal Report and a more data-based appraisal process should resonate well with recently proposed changes to the appraisal industry. Specifically, the combination of CMS and AppraisalPort provides appraiser independence and an extra layer of security, according to the company.

For example, the system can be set up so loan officers can't guide appraisers — automated data scrubbing can clean up some of the comment fields so inappropriate comments are not passed to the appraiser.

"Loan officers will say, 'You must have \$250,000 on this home. If you don't think you can meet that, don't accept the order.' This allows us to eliminate that sort of communication," Wanzenried said.

The delivery mechanism is also more secure than using e-mail, according to FNC. AppraisalPort ensures that no one can interfere with a report between the time the appraiser completes the report and signs it and the delivery of it to the client, company officials said.

Appraisers take action over AI Ready

Not all appraisers are happy with AI Ready-based delivery, however. To work with a company such as LandSafe, they have to use an AI Ready-certified forms software package that converts their reports to an AI Ready file. A number of appraisers are fretting about that conversion and fear there's a treacherous gap in the delivery process.

One is **George W. Dodd**, SRA, owner of Appraise-Virginia in Mechanicsville, Va. Dodd presented those concerns before the Virginia Appraisal Board in February.

His biggest worry is that with AI Ready, the report that appraisers create is not what's sent.

"When you send it through the system, your signature is removed," he argued. "It's converted into a digital format. Your signature is simply floating

around as an attachment.

"And then items that aren't compatible with the system, or too many items — such as extra photographs, maps, sketches and addendums — are omitted. You have essentially made the appraiser, through the communication process, submit a misleading report. And the appraiser has lost control of his signature," he added.

Dodd points out that security isn't the problem. The issue is that USPAP specifically requires that appraisers sign a certification page vouching for the contents in the report.

"If the report the client gets is not what I submitted, then how do I know what they got, and how do I make certain that what they've gotten is a reflection of my value determination?" Dodd said.

He claims to have documented cases where underwriters have contacted appraisers looking for comments and support for items in the appraisal that were originally included.

"They've sent back copies of these appraisal reports, and they look nothing like what the appraiser had sent," Dodd said.

Dodd's worries go hand-in-hand with fears that clients are able to open PDF files and change and alter information. However, Dodd said his concerns with AI Ready are more specific.

"If they want to strip appraisal data out of the appraisal report, there's nothing I can do about that," he said. "This is not about copyright. It's not about them populating AVMs. It has nothing to do with that. This is entirely a separate issue, where the reports I created and the support I provided for that value are being changed between the time I create it and the time my client receives it."

At the February meeting of the Virginia State Board, Dodd presented a petition signed by hundreds of appraisers. Under the terms of that proposal, appraisers would not be allowed to use any appraisal delivery system in which their reports are altered. Technology providers such as FNC would have to prove that what the appraisers sent is what

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the client receives.

“But if they can’t do it, people can’t be forced to send appraisal reports through it,” Dodd said.

“What does it mean? It probably means the appraiser is going to send it to the client the way he created it, and then the client can do whatever the heck they want with it. But you can’t make me an accomplice to sending you a misleading appraisal.”

According to Dodd, response at the meeting was overwhelming, and he’s confident the measures will be adopted. At the next board meeting, the board will have to decide whether to adopt the petition. If they do, it will become enforceable immediately. Another critic of the AI Ready program is a la mode. CEO **Scott Kinnaird** has argued that compliance with an “open” XML format should not require that appraisers use a for-profit, fee-based Web site. Comparing a house’s plumbing system to software infrastructure, he went so far as to refer to AI Ready as “a virtual plumbing toll booth” in a recent article in the company’s newsletter.

Kinnaird would like to see a solution to the problem where ties between the AI Ready certification and format and a proprietary vendor (FNC) are severed. In the article, he also proposed that any files delivered to the client include the PDF of the report the appraiser saw on screen in his appraisal software.

Members of FNC’s team believe the fears are mostly unfounded, and new rules aren’t necessary. AppraisalPort Product Manager **Kagan Coughlin** pointed out that AppraisalPort provides a viewer tool by which appraisers can view the final AI Ready version of their report before they send it, find any mistakes in the file and take actions to correct them.

“Every effort is made to make sure this is what the client is going to see,” he said. “You need to approve it. You either approve it each time, which some appraisers do, or you approve it implicitly going forward.”

Baur said that although he understands appraisers’ position, he believes those concerns are unnecessary.

“I’m sensitive to the concerns of appraisers. I wouldn’t want my work disassembled or parsed out,” he said.

However, LandSafe isn’t in the business of stripping out appraisal data, he added.

“What’s valuable to me is the appraiser’s experience, knowledge, expertise in the market they service and ability to analyze the data they’re provided,” Baur said.

AI Ready-based technology is critical for businesses such as his because it solves a practical concern for the company — managing quality for the large volume of appraisals flowing through the door.

“We’re doing over a million appraisals a year,” Baur said. “I physically can’t look at every one of those appraisals, but I want to know that every one is exceptional when I deliver it to my customers.”

The technology essentially lets LandSafe evaluate appraisals as a data field.

“If it’s a PDF, it takes a person to look at it. If it’s a data format, I can write algorithms that say, ‘Are the comparables very dissimilar from the subject property? Do they bracket the subject property? Are they in the proximity of the subject property? Are they recent?’ It allows me to analyze all those things and be able to grab the outliers. If you look at this as a bell curve, I want to look at the tails,” Baur said.

Ultimately, he added, AI Ready gives him assurance that there is “some standard out there the majority of software vendors can play to.”