



www.txappraisers.org

# Connections

Official Publication of the  
Association of Texas Appraisers, Inc.



Ian Martinez, ATA-R  
ATA President

*"...we have much to learn from each other...we owe much of our professional development to exchanges with our colleagues..."* - Sanders A. Kahn

This point of view was written in the book that Bryan Reynolds

mentioned during the Mid-Year event presentation of the course he taught. The book entitled: "Down To Earth" is a compilation of selected articles that were written over a period of 35 years by Sanders A. Kahn, a noted practitioner of real estate and appraisal. It's a good point to keep in mind. The book also states: "As appraisers, most of us regularly find ourselves in disagreement with others because as appraisers we are expressing an 'opinion of value.' In defending these values, we engage in controversy. So, we are all controversial by virtue of our

chosen profession." I've attended events where that statement certainly proves true. Amid the controversy when we meet and engage in useful conversation, there is opportunity to learn, to develop and to grow. That is the basis of ATA's Mission Statement.

If you were able to attend the Association of Texas Appraisers 13th Mid-Year Meeting on February 15<sup>th</sup>-16<sup>th</sup> in New Braunfels, TX, you experienced the benefit of that exchange firsthand. The opportunity for conversation and to learn from one another was greater than ever. The attendance at this event was the highest of all time, which was an exciting milestone for ATA. The interchange of thoughts and ideas not only in the conference room, but also while networking and during breaks, was stimulating. I personally enjoyed speaking with several appraisers about reboots that they are exploring and implementing in their businesses to maintain relevance in today's changing environment. That kind of constructive interchange is invaluable.

The educational offerings during this event were also top notch. On Friday the 15<sup>th</sup>, Diana Jacob, an excellent instructor that is well known to ATA, presented a course entitled: Rural Property Appraising. The accompanying text material described it as: "a continuing education course that visits the rural residential appraisal challenges and offers directives through the USPAP as well as builds on known data from agricultural services through different web venues." As always, Diana was an exceptional instructor and the course was timely and relevant.

(Continued on page 2)

### Upcoming Industry Meetings:

- Apr. 9—NAA Board of Directors Meeting, Salt Lake City, UT
- Apr. 10—NAA Membership Meeting, Salt Lake City, UT
- April 10-12—ACTS Conference, Salt Lake City, UT
- May 3—AQB Public Meeting, Denver, CO
- May 3-5—AARO, Denver, CO
- May 17—TALCB Meeting, Austin, TX
- June 6-7—TAF Board of Trustees Mtg., Park City, UT
- June 17—ATA Corpus Christi Meeting, Corpus Christi, TX
- Aug. 9-10—ATA 14th Annual Meeting and Education Conference, Georgetown, TX
- Sept. 15-17—Appraisal Summit, Las Vegas, NV
- Sept. 30-Oct. 2—Valuation Expo



### Inside this issue:

Welcome New/Designated Members	2
Can Your Appraisal Business Run Without You	3
Award Winners	3
TALCB Corner	3
The Digital Transformation of the Appraisal Industry	4
Which is More Accurate: Zillow or Redfin	6
Seeking New Board Members	7
1st Time Appraisal Test Takers Increased in 2018	7
Upcoming ATA Meetings	7
Building Non-Lending Business Webinar	8

# From the President (con't)

(Continued from page 1)

Before we ended day one, there was an important presentation that was given by Pam Teel about the unprecedented decision of the Appraisal Standards Board, to have a 4<sup>th</sup> exposure draft of the proposed changes to the 2020-2021 USPAP. The 4<sup>th</sup> draft is in response to relevant public feedback from the 3<sup>rd</sup> exposure draft. If you've had the opportunity to read through it, you can likely see that the proposed changes are significant. The potential impact is so important that the ATA Board of Directors wants to prepare a response to be presented at the forthcoming ASB meeting. To that end, we want to have your opinion as a Member of ATA, regarding your approval or disapproval of the most significant proposed changes. A poll was prepared and posted on the ATA website so that each member could voice their own opinion. ATA will then be able to use the results of that poll to develop and present an appropriate response to the ASB.

On Friday evening, we enjoyed a great networking event where we got to know our fellow appraisers in a more relaxed setting. There was good conversation about the day's instruction and presentation. Also, there was a good exchange of thoughts and ideas about the appraisal profession, the challenges and changes that we all face each day.

On Saturday the 16<sup>th</sup>, Bryan Reyn-

olds, also an excellent instructor that ATA knows well, presented a course entitled: "Size Matters: ANSI Standard for Measuring Residential Properties". The course was created by David "Hamp" Thomas, and the text materials describe it as a: "course on estimating gross living area, a review of the ANSI & AMS Guidelines, and providing a better understanding of the overall influence of price-per-square-foot on the home valuation process." Bryan always has a way of capturing your attention and making important points stick. His presentation of this course was no different and we learned more about measuring standards that previously might have been confusing.

As day two wound to a close, so did the 13<sup>th</sup> Mid-Year Meeting. It was another fantastic ATA event that I enjoyed and benefited from greatly. I hope that you were also among those of our peers who took advantage of the chance to learn from each other. I believe these worthwhile events are such good opportunities to learn, develop and grow. I look forward to seeing all of you at the upcoming Association of Texas Appraisers 14<sup>th</sup> Annual Meeting and Educational Conference in Georgetown, TX on August 9<sup>th</sup>-10<sup>th</sup> 2019.

*Ian Martinez, ATA-R*



## New and Designated Members

The ATA President and Board of Directors would like to welcome our newest members:

**John Budd, Sr.**, San Antonio  
**Jeff Coultas**, New Braunfels  
**Randy Ellisor**, Cleveland  
**Todd Fleury**, Spring  
**Kimberly Freese**, Rosharon  
**Katie Fritsch**, New Braunfels  
**Howard Green**, Houston  
**Cynthia Griffin**, Canyon Lake

**Janet Henley**, Marble Falls  
**William May**, Leander  
**Dusty Patterson**, San Antonio  
**Gynell Vestal**, Pearland  
**Michael Wilde**, Sugar Land  
**Lance Zwiener**, Cedar Park

*Welcome!*

Congratulations to those who were recently awarded designations:

**Cynthia Dennen**, ATA-R  
**Elizabeth Scheffer**, ATA-R

If you are interested in applying for a designation with ATA, please go to our website, [www.txappraisers.org](http://www.txappraisers.org), and click on the Join Us link and download the Designation Application.

# Can Your Appraisal Business Run Without You?



Dustin Harris The Appraiser Coach

Perhaps your vacation is an opportunity to build relationships or simply a time to relax and get away from it all, but you should be able to leave your office for

one to two weeks without it having a detrimental effect on your appraisal business.

Now, I understand that there will likely be some negative effects for anyone to leave their office for an extended period of time. You are the appraiser and the business owner, so of course things will run a little differently without you around. Nevertheless, things should still run efficiently and effectively when you are away. If you are worried about your business suffering major financial and professional setbacks every time you leave, then it is time to start building a team that you can rely on to run your


business if you cannot be there. If needed, start hiring employees. If you already have a great staff, start empowering them to make decisions while you are away. Cross train everyone as much as possible so that they can help each other rather than bothering you when it comes to problems in the office.

Much of your stress can be relieved if you know that your staff can take care of your business while you are away. While some clients may not be willing to let them do inspections, they can at least take calls, accept orders, and maintain a professional appearance while you are gone so that your appraisal business does not suffer.

got  
**LAND?**  
Or thinking about purchasing land?



Land acquisition and management resources to help you reach your property goals.

get started at  
[gotLAND.tfs.tamu.edu](http://gotLAND.tfs.tamu.edu)  
 TEXAS A&M  
FOREST SERVICE



## Award Winners



**ATA 2019 South Central Texas Outstanding Service Award Winner**  
Brandi Dunagan



**ATA 2019 Pospisil Scholarship Award Winner**  
Katie Fritsch

## TALCB Corner

Mark your calendar for the next TALCB meeting, scheduled for May 17 at 10 a.m. at the Stephen F. Austin Building, Room 170, 1700 North Congress, Austin, TX.

Log on to <https://www.talcb.texas.gov/> and download the agenda and meeting materials.

If you can't make the meeting in person, it will be broadcast live on the TALCB website.



# The Digital Transformation of the Appraisal Industry



Jeff Bradford  
Bradford Technologies

For over 30 years, I have been serving appraisers and during that time I have seen many changes in the appraisal industry. Mostly these changes have been due to advancements in technology,

but not all were due to technology innovations. Some were due to changes in compliance and regulations, such as the Home Valuation Code of Conduct (HVCC) and Dodd-Frank, or due to the changes in requirements to become a Certified appraiser.

There were changes caused by advancements in technology, such as dot matrix printers to laser, film cameras to digital, fax to email (if you do not remember these changes, you are very young). Remember when everyone would FedEx the report; then PDF became acceptable, and today we live in a connected world where information is just a click away. All of these changes had an impact on the appraisal profession, but producing an appraisal report is still a legacy business. We all do it the old fashioned way—manually collecting data, pictures, working the sales grid and then writing the report. It's definitely easier and faster than it was 30 years ago, but we still follow the same steps.

## Change is Coming

Well, as you might have guessed, more changes are coming and it's technological for sure, but it's not driven by an invention, such as when the digital camera was invented. Today, it is demographics driving the change. The millennials are forcing businesses to change. It is estimated that at their peak, there will be 75 million of them. They are expected to be a larg-

er force than the baby boomers. The millennials have never seen a fax or dot matrix printer. They only know mobile. They live in a digital world connected by their mobile phones, and they expect everyone they deal with to be digital as well. That includes the mortgage industry.

This group has given rise to the FinTech industry—startups that are out to disrupt the financial industry. Their aim is to make it easy to get a loan, make payments and do anything financial using their smart phone, and they don't understand why an appraisal takes seven days. They certainly don't understand why last year, there were areas of the country where it took four to six weeks to get an appraisal.

This pressure has caused the GSEs to take notice and to begin to take action. As many of you know, the GSEs are on a three-year mission to remake appraisals into a much more efficient process. Last August, Fannie Mae CEO, Timothy Mayopoulos



stated, "Appraisers should be at their desks," not in the field with a measuring tape or making phone calls to track down homeowners. This has led to pilot programs to test the validity of using third party inspectors paired with appraisers at their desks to study if appraisals can be produced quicker, without a loss in quality. Many are saying the pilot programs are working well. Additionally, based on the changes the GSEs made to the 1003 (loan application form), the new 1004 will be pared down considerably, with fewer data points, creating a new slimmed down UAD dataset based on

the new MISMO 3.3. (The current UAD is based on MISMO 2.6.)

If the move toward bifurcation of the appraisal succeeds, this could open up some great opportunities for appraisers and the industry in general. Let me explain. Eight years ago, we introduced a product to the market that used a third party inspector. Our reasoning was that teams can do more than individuals. That product was not widely accepted. Why? It was less than successful because the inspector and the appraiser were not teammates. They were just individuals doing a job without regard to each other's issues or concerns. We missed the need for close collaboration between the two. It did not help that trainees and licensed appraisers were essentially banned from working together on the appraisal for fear that the appraisal would be rejected by a lender.

Fast forward to today. If lenders accept third party inspections, they will also have to accept appraisals completed by teams managed by appraisers. This change will open the door for appraisers to create their own teams consisting of assistants and trainees that produce the appraisal, opening the door for trainees to once again be part of the appraisal process.

The key to high performing teams is tight collaboration. It's the elimination of the distance and time factors between the stakeholders and team members. If the appraisal process is going to become more efficient and accepted by millennials, there needs to be better collaboration between all stakeholders in the valuation (lenders, AMCs, appraisers, inspectors, assistants, reviewers, and anyone else involved with the valuation).

In the past, we collaborated by phone, then email, and today we can collaborate instantly by taking advantage of the digital workspaces that are being developed in the cloud. For example, Google already has 1.4 billion users collaborating using apps on

*(Continued on page 5)*

# The Digital Transformation of the Appraisal Industry (con't)

G-Suite. There is Slack, Microsoft Teams, Dropbox, Box and Apple iWork just to name a few others. There is now even a new term to describe people who work primarily in the cloud—Cloud Worker. They log in, do their work and log out. They work from anywhere, anytime on any device. Companies that want to remain relevant are moving to the cloud. They are becoming digital businesses with an emphasis on allowing their employees to collaborate seamlessly and on delivering their services as quickly as possible with full transparency of the process. (think Amazon)

## From Legacy to Digital

An example of a company that made the transition from legacy to digital is Domino's Pizza. In 2008, its stock was at \$3 and they were hurting. Today it's at \$277 and they are thriving. They did two things: 1) made improvements to the quality of their product, and 2) realized they were also in the pizza delivery business. They started thinking of themselves as an e-commerce company that happens to sell pizzas. This revelation led to a commitment to innovate the pizza delivery experience. Today, they have a Chief Officer of Delivery Technology who makes sure you can order a Domino's pizza from the web, by email, by texting, or by asking Alexa to order you a pizza. They are a digital business catering to the anytime, anywhere, on-any-device millennial crowd. Domino's is currently experimenting with delivery by drones and self-driving cars. Little Caesars pizza has followed suit with their own Pizza Portal and mobile app for ordering, scheduling and pre-paying for a pizza. The point is that moving from a legacy business to a digital business is not only good for business, it may be the only way to stay relevant in the age of millennials. (think Sears)

As I write this article, JPMorgan Chase just announced that they are building a "FinTech campus" in Silicon Valley where it expects to have 1,000 employees focused on building

its digital banking business. Chase understands what is at stake.

Appraising is a legacy business. If it's to remain relevant and not marginalized by appraisal waivers, it must transform itself into a digital business. The GSEs are going to make some structural changes to the process. They will probably simplify the form, remove some fields and reduce the amount of data that needs to be collected. This change will make it quicker to create a report, but it does not transform appraising. It does not transform a legacy business into a digital business. Appraisers are the ones who need to make this transition.



Appraising is at an inflection point. Just like Domino's, it needs to improve quality (no more silly mistakes, unsupported comps and arbitrary adjustments) and it needs to realize that it's in the appraisal delivery business. The industry needs to start collaborating to improve efficiency, quality, transparency and delivery speed. The one size (1004) fits all approach is no longer an option. This is primarily why you see so many different alternative valuation products springing up. What does it mean to be a digital business? It means that you are doing most, if not all your work in the cloud, in a digital workspace. It means that you are connected to cloud resources (data, imagery) simply by plugging them into your workspace. It means that you are working as a team, collaborating via your digital workspace. All the time and distance factors that would normally slow your appraisal process down no longer exist; because all files automatically sync with every team member. Collaboration is the key and it starts at home. Appraisers should start

thinking about how to incorporate team concepts into their workflows and processes and by thinking of everyone as a teammate—not a partner or an assistant—a teammate! If you have one teammate assisting you, think of using Dropbox as your digital workspace for sharing files. It's good for storage and backup as well. If you want to expand, consider online form processing and the use of a mobile inspection app linked into your digital workspace. At this point, you are starting to empower teammates to work from anywhere, anytime on any device. At Bradford Technologies we've developed a Team Appraising platform to provide that digital workspace for you. It's a little ahead of its time (like many things we do), but when bifurcation of appraising is accepted by the lenders, appraisers will want to control and manage their own teams to defend their business and outperform the competition.

Like Domino's, appraisers need to realize they do more than just produce a product, they are also in the appraisal delivery business. AMCs, likewise must realize they do more than manage an appraisal order; they are also in the appraisal delivery business. For the industry to fully transform to a digital business, appraisers need to extend the concept of a team beyond their office to include AMCs. Both need to work more cooperatively, as teammates to produce and deliver a product for their mutual client, the lender. If both do this in a collaborative fashion, working in a digital workspace with all the time and distance factors removed, the appraisal industry will be transformed and secure its position as a valuable, highly relevant component of the financial community.

*Jeff Bradford is the founder and CEO of Bradford Technologies. Mr. Bradford has been recognized as a Valuation Visionary by the Collateral Risk Network and a Tech All Star by the Mortgage Bankers Association for his continual innovations in the appraisal field and support for residential appraisers.*

# Which is More Accurate: Zillow's Zestimate or Redfin's Estimate?



Kenneth R. Harney

field — Zillow's Zestimate or Redfin's Estimate tools — how good is what you get?

Both are used by millions of home shoppers, owners, realty agents, anyone curious about what a house in their neighborhood might be worth. Both also have been criticized for estimates that are off the mark; some homeowners have actually sued Zillow over their Zestimates, although unsuccessfully. Zillow's own chief executive, Spencer Rascoff, famously sold his Seattle home for 40 percent below its Zestimate.

Accuracy matters a lot in this arena because many buyers and sellers use the online estimates to price their homes or make purchase offers, literally handing sellers or buyers the estimates as part of their bargaining strategy. This is despite both companies' warnings that these are not appraisals, only algorithm-based computer estimates. They are starting points, not holy writ.

So which company's estimate is the more accurate? For two years, Redfin has claimed that it produces estimates that are superior, based on the results of an independent study. When it values homes that are on the market, Redfin says its median national error rate is just 1.77 percent. That is, the selling price, compared with the estimate, is within that margin of error half the time. On houses that are not for sale, Redfin's median error rate is 6.66 percent. Redfin has a total of 74.4 million properties in its valuation database — 1.3 million on the market and listed for sale, 73.1 million off the market.

When you type in a home's street address to obtain an online valuation from the two biggest players in the

field — Zillow's Zestimate or Redfin's Estimate tools — how good is what you get? But it looks like bragging rights for accuracy could be shifting to Zillow. Following an international contest involving teams of data scientists, Zillow announced that its median error rate on valuations of the 110 million U.S. homes in its database will soon drop to 4 percent or even below, from the current 4.5 percent. Zillow does not provide a breakout that distinguishes between its error rates for homes already listed on the market and off-market homes, so there is no direct comparison to Redfin's claimed 1.77 percent figure for listed houses.

But the overwhelming majority of homes in Zillow's 110 million property database are off-market, which are more challenging to value because there's usually less detailed information available on them. Note the difference in Redfin's 1.77 percent error rate for listed homes vs. its 6.66 percent rate for off-market homes. Given this, Zillow's claim that it will have a 4 percent composite error rate on 110 million homes — the vast majority of them off-market — looks better.

An error rate of 4 percent or less would put Zillow close to a standard that many appraisers consider passable for their own work. Ryan

Lundquist, an appraiser in the Sacramento area, told me that for many colleagues, a 4 percent median error rate "would be a fairly acceptable range."

Pat Turner, an appraiser in the Richmond market and a longtime skeptic about automated valuations, says the only way Zillow could ever get to a median error rate of 4 percent would be in "cookie cutter" subdivisions, where houses are similar and comparable properties are plentiful. In neighborhoods with greater diversity of home types, ages, interior improve-

ments and land sizes — or in nonurban areas where comparable homes and data are hard to find — he seriously doubts the claim.

Does it really matter what these companies say about improvements in their error rates? Absolutely — if you make use of Zillow Zestimates or Redfin Estimates. If they don't produce value estimates you can rely on within their published error rates, why would you waste your time looking at them?

But remember: "median national error rate" can be a tricky concept. "National" does not mean your local market. Your neighborhood may have a much better — or far worse — error rate than the national medians.

Before using either tool, it's a good idea to go to their Web pages and check how far off their estimates tend to be where you live. You can find them at [Zillow.com/#acc](http://Zillow.com/#acc) and [Redfin.com/redfin-estimate](http://Redfin.com/redfin-estimate).

And focus on the key term "median." In Chicago, the median Zestimate error rate is an impressive looking 3.8 percent; but 41.4 percent of Zestimates are not within 5 percent of the actual sale price. That's sobering. In the District, the median error rate is 3.1 percent. But fully a third of Zestimates aren't within 5 percent of being accurate.

*Kenneth Harney is a nationally-syndicated columnist on real estate for the WASHINGTON POST WRITERS GROUP. His column, the "Nation's Housing," appears in cities across the country and has received numerous professional awards. He received his undergraduate degree cum laude from Princeton University, and was a graduate fellow at the University of Pennsylvania. Ken lives in Chevy Chase, Maryland with his wife, Andrea Leon Harney. The Harneys have four grown children who live in Shanghai, San Francisco, New York and Silver Spring, MD*



# ATA is Seeking Board Members

Are you looking for a unique leadership opportunity? Have you been yearning to put your talent in strategic thinking, financial forecasting, organization behavior, project management or policy advocacy in the service of a great cause? Well, look no further! If you are committed to the appraisal profession, we are looking for you.

ATA is currently seeking board members to serve as volunteer members. To be eligible, you must be a voting member of the association. Candidates should have a desire to serve a



three-year term and provide input, ideas and counsel on issues regarding the appraisal industry including continuing education and professional development.

Please submit your name (or nominee's name) to [info@txappraisers.org](mailto:info@txappraisers.org) before May 30.

## 1st Time Appraisal Test Takers Increased 23% in 2018

Appraiser shortages, and a lack of new entrants into the profession, have dominated the headlines over the past several years – causing concerns throughout the mortgage industry. However, it appears the profession is beginning to gain traction again, which is a welcome sight for the housing market.

According to a recent press release from The Appraisal Foundation, the number of individuals sitting for the first time for one of the three National Uniform Licensing and Certification Exams increased significantly in 2018, with the number of Millennials seeing the sharpest increase among all age groups.

The data, which was prepared for the Foundation by PSI Services, LLC, found that 1,459 people took one of the three appraisal exams (Certified General, Certified Residential, and Licensed Residential) for the first time in 2018 – a 23% increase from the year prior. It also found that Millennial participation spiked significantly, which saw a 200% year-over-year increase from 2017.

The Appraisal Foundation did note that the results are only for those who have taken one of the three exams and do not indicate whether or

not these participants have become professional appraisers. It also reasoned that while individuals can take these tests more than once, first-time takers are generally considered a better guide to newer entrants into the profession.

Check out The Appraisal Foundation's press release [here](#).



**THE APPRAISAL FOUNDATION**  
*Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications*

## Upcoming ATA Meetings

Mark your calendars for ATA upcoming meetings in Corpus Christi and Georgetown.

The Corpus Christi meeting will be held on June 17 at Del Mar College. We will offer *Residential Sales Analysis – The Adjustment Process* (an 8 hour course) on Friday. This course explores the fundamental skills of developing a residential Sales Comparison Approach focusing on the evidence of support for adjustments. The instructor for this course will be Pam Teel, ATA-G.

Our 14th Annual Meeting and Education Conference will be held on August 9-10 at the Sheraton Georgetown Texas Hotel and Conference Center, 1101 Woodlawn Avenue, Georgetown, TX

We will have TREC Legal II on Friday morning and a 3 hour course on Fri-

day afternoon which will include a presentation from TALCB staff and AQB USPAP instructors discussing 2020-21 USPAP changes that will go into effect on January 1.

There will also be 8 hours of continuing education on Saturday. The course details are still being planned by the program committee.

Registration for this meeting will open in May.

Don't forget to mark your calendars for both of these events.



# Lunch and Learn with Anow: Building Non-Lending Business

Join Anow on Tuesday, April 2nd for a free **webinar** hosted by Anow, the leading software for real estate appraisal offices, designed to show you how to grow your non-lending business through simple, but effective tools and tech.

If your new year's commitment was to increase revenue - this is a must see event!

## Learning Objectives:

- What are the facts? What's the outlook for the core 1004 market in 2019 and beyond?
- As you dive into non-lending business, how does your service model change?
- What do you need in your "Sales Kit" to go hunting?
- Success stories from the field - let's share some stories of customer acquisition practices.



[Click here](#) to reserve your seat today!

---

## Thank You to Our Mid-Year Meeting Sponsor and Exhibitors

### Gold Sponsor:



### Exhibitors:



---

The opinions and statements expressed herein are those of the individual authors and do not necessarily reflect the viewpoints of the Association of Texas Appraisers or of its individual members.

## ATA 2018-2019 Board of Directors

Ian Martinez, ATA-R, President

Ken Pruett, ATA-R, President

Cathy Harper, Secretary

Steve Kahane, ATA-R, Treasurer

Dennis Crawford, ATA-R, Director

Laurie Fontana, ATA-R, Director

Curt Myrick, ATA-R, Director and Past President

Pam Teel, ATA-G, Director

Kathy Tredway, ATA-R, Director

Roy Thompson, Alternate Director

Bobby Crisp, ATA-R, Chairman of the Board

Teresa Walker, Executive Director