



*Today's Information, Using Tomorrow's Technology*

**CREDIT LENDERS  
INTRODUCES A NEW PRODUCT:**

**APPRAISER ASSISTED  
VALUATION MODEL (AAVM)**

Credit Lenders Service Agency, Inc. is proud to announce an addition to our list of products and services, the **Appraiser Assisted Valuation Model (AAVM)**. The **AAVM** is our premiere product providing a value that combines the AVM architecture with the appraiser's expertise. Designed to streamline the lending process for evaluating residential properties throughout the United States, the AAVM can be ordered on-line, and the results are typically delivered within hours.

**Appraiser Assisted Valuation Model (AAVM)**

This Appraiser Assisted desktop evaluation is comprised of:

- ▲ Subject property is researched and analyzed based on information from our multi-database resources.
- ▲ A telephone interview with applicant is conducted if database sources do not provide adequate information. Interviewer will make two attempts within 48 hours to contact applicant.
- ▲ Comparables considered for evaluation are based on subject property characteristics, not on overall neighborhood sales.
- ▲ Appraiser opinion determines value.
- ▲ Results typically are delivered within hours of placing the order. Hard copy delivered within 48 hours through e-mail.

**Automated Value Models (AVM) VS. Appraiser Assisted Valuation Models (AAVM) What's the difference?**

- ▲ AAVMs require the opinion of an appraiser, AVMs are strictly database driven.
- ▲ AAVMs use comparables of like sales, AVMs may use all the sales that are non-specific to subject property.
- ▲ AAVMs take improvements into consideration, most AVMs do not.

If you would like to hear more about this exciting new product, please contact our sales department at (800) 624-3303 ext. 1212 or contact your Credit Lenders' sales representative.

\* A PVR will be done in the state of New Jersey, due to the availability of public data.

◀ **DEPARTMENT SPOTLIGHT** ▶

**PUBLIC RECORD SEARCHERS**



**Pictured left to right**

**Front row:** Keith Murtaugh, Stacey Campo, Arlene Emmel, Patty Hancock, Carol Wassel, Nancy Craig, Rod Erdman, **Back row:** William Wassel, Charles Heller

We are pleased to present Keith Murtaugh, Courthouse Manager of the Public Records Department. Keith oversees our staff searchers and independent national contractors. Searchers are responsible for abstracting courthouse records and providing our internal staff with the information for our public record products and services.

In addition to managing the team of searchers, Keith oversees searcher invoicing, witness closings, NJ tax calls and property assessments. His in-house staff provides searcher support and information to the people out in the field. Keith will celebrate his six year anniversary with Credit Lenders in June.

## NEW EMPLOYEE POSITION



**Steve Henry** has recently been re-assigned to the position of Online Searching Manager. He is dedicated to the creation, implementation and management of this area. Steve's new responsibilities include research and development of on-line public record services. Steve also obtains public record searches directly from the available data provided by various county web-sites

## Re.fer'ral

By Lisa Kelly-Loth  
The New Jersey Mortgage Press  
(Excerpts)

I love my dentist. Her name is Donna. She started her career as an RN, and later went to dental school. I think it's because of her RN Training that she is so extremely caring and gentle. She listens to my fears about dentistry and takes them seriously. Everyone in her office is attentive to my needs. Donna is also an excellent technician. Over the last year, I've come to know Donna very well. That's because I've spent a great deal of time in her chair while she fixed my cavities and crowns, and performed root canals. I've also paid Donna a great deal of money. She is more expensive than most dentists. She's also not on my dental insurance plan, but I continue to go to her when I need a dentist. She's that good.

When a close friend of mine had some serious dental issues, I told her about Donna. She went and spent even more time and money than I. Then her husband went to Donna. Then her child. Then she told a friend of hers about Donna, and her friend went. I overheard a receptionist talking about having trouble finding a good dentist. Guess what? I referred the receptionist to Donna.

According to the 1997 American edition of the Oxford Desk Dictionary & Thesaurus, the word "referral" comes from the root word "refer", which means to send or direct. Referrals are the best source of business for mortgage brokers today. As you can see from the story about my dentist, referrals can be an endless source of business. But these referrals are not automatic - they

must be earned by giving your clients reasons to "send or direct" your name to others. These reasons may include much more than just your rates.

In terms of special advantages you offer your borrowers:

1. Is your office conveniently located?
2. Do you have convenient hours?
3. Will you come to the borrower and take an application?
4. Is your office clean?
5. Is your receptionist friendly and attentive?
6. Do you have a live person answer the phone?
7. Do you rely solely on voicemail?
8. Do you return calls to your borrower?
9. Are you on time for appointments?
10. Do you turn everything over to your processor and hope you never have to talk to the borrower again, or do you remain in communication?
11. Do you take responsibility when something goes wrong?
12. Are you an expert in the field of mortgage lending?
13. Are you a member of the National Association of Mortgage Brokers?

In terms of your actual services:

1. Do you provide an arrays of products?
2. Do you specialize in a particular type of loan (e.g. government loans)?
3. Do you offer products for purchases now that the refinance market has contracted?
4. Do you clearly explain the mortgage process, so that the borrowers understand the documents?
5. Do you have the latest technology?
6. Do you show interest in your borrowers?
7. Do you give your borrowers the best possible product for them, not for you?
8. Do you communicate with the real estate agent?

Finally, once you have completed your service:

1. Do you attend closings?
2. Do you follow up with the real estate agents?
3. Do you follow up with the borrowers and have them rate the mortgage experience with you?

Only after you can answer "yes" to all of these questions, should you consider yourself completely deserving of a referral. If you haven't covered these basics, you probably don't deserve a referral, and you probably won't get one.

As for Donna...well, she just had a baby boy, so I'm off to buy her a present!

# Keeping the Workplace Safe with Background Checks

By Nick Fishman

(Excerpts)

*The New York Mortgage Press*

The practice of conducting effective pre-employment screening for prospective employees has exploded in the workforce over the last 10 years. The need to hire the most qualified candidates has never been greater, nor has the inherent risk in hiring the wrong applicant. Employers owe it to themselves and their customers to know everything they can about their employees, and the most effective method to accomplish this is a background check.

Workplace crime and unethical business practices are on the rise. The cost of internal employee theft is bleeding both large and small business, and has become a multi-billion dollar drain to our economy. Negative publicity, especially as the result of a less-than-thorough background check, can devastate the very foundation of a trusted company.

And it is no different within the mortgage lending industry. Like every industry, there are opportunities for criminal, fraudulent and unethical behavior within the labor pool. We have all heard stories about workplace violence and theft, and there are more reports of predatory lending practices and fraudulent lending schemes than ever before. An effective background check can limit the opportunity for these instances. By addressing an applicant's past, an employer can determine if they are predisposed to engage in these activities.

In Illinois, for example, not only is it good business to conduct a background check, but it will soon become mandatory with the implementation of the High Risk Home Loan Act. This law mandates that all loan originators must submit to a background check in order to be certified as the employee of an approved lender. Laws such as this are springing up across the country and are designed to protect both business owners and consumers.

Contrary to popular belief, you do not need an applicant to supply you with all of this information. Once an applicant has agreed to submit to a check and provides their social security number, a search can be done to determine all past and present names and addresses. While the criminal check seems to be the sexy

component of a background check, there are other equally important elements. In the case of a loan originator, an employer might want to conduct a credit check as well, in order to verify education, employment and/or professional licenses.

Remember: a resume tells an employer what an applicant wants them to know. It is a sales tool designed to show all of the applicant's benefits and none of their shortcomings. Background checks can verify this information and, more importantly, reveal significant withheld information, such as employment dates, salary and diplomas received.

Once all of the information is obtained, it is up to the discretion of the hiring party to decide if the applicant is qualified for employment. A negative incident does not necessarily disqualify a potential employee, but the employer will be armed with all of the information necessary to make an informed decision.

Professionals in the pre-employment screening industry realize that mandated checks are likely to be met with skepticism and anger, but you should view them as a blessing for your business. Remember, your liability and personal injury insurance can cover any damages. What it cannot recover is your reputation. The last thing that any company needs is negative publicity from the media or through word of mouth. Conducting a background check does not guarantee that such incidents will not occur. However, it can limit the risks inherent in owning a business.

Did you know that as an employer, you are responsible for the safety and well being of your employees, as well as the safety of customers and any member of the public with whom your employees come into contact while performing duties on behalf of your company? Your Company's future relies heavily upon your workforce. Clearly, you have a great deal at stake when you are hiring a new employee.

Credit Lenders EMPFacts products can help by providing you with the necessary data to make an informed decision. Use our products and services to screen your final candidates before they become your employee and possibly your worst nightmare.

# APPRAISERS & AVMS: DOING THE BUMP?

## "Bump Logic" and Why It's in Your Future

By Marianne Angarola

(Excerpts)

Working RE, September 2003

This is why you may be doing the "bump" in the near future, even if you don't dance.

"Bump Logic," as explained at the recent Predictive Methods Conference (hosted by Veros Software), is the process of selecting the appropriate valuation method for a particular property: assessed value, automated valuation model (AVM-no appraiser), desktop appraisal (short form, no property visit), drive-by or walk-in appraisal. Inserted somewhere in the mix is the AAVM (appraiser-assisted AVM), where a flesh and blood appraiser reviews the AVM/machine result to decide whether it is sufficient as is or requires a more complete report.

As the AVM story unfolds, it is apparent that many lenders remain a bit uncomfortable making lending decisions based solely on AVM results on all but the most typical properties, where data is rich and collateral issues are minimal. Instead, what they really want is the best of both worlds: a fast and cheap AVM with appraiser involvement. Why? Because appraisers bring two precious commodities to the table: professional expertise and knowledge of local conditions.

### Show Me the Data

Overall, if the questions from the audience are any indication, there is still some skepticism about AVMs among lenders. Here is some of what the players are saying about AVMs.

- ▲ Confidence in appraisal quality is declining.
- ▲ Two virtues of AVMs are that they are consistent and show no bias (unlike you-know-who).
- ▲ AVMs are cheaper and faster than appraisers, with speed being of much greater concern to lenders currently. One said: "On low-risk transactions, collateral valuation adds minimal value while long turn times negatively impact the lender's relationship with the client."
- ▲ AVMs assume the subject property is "typical".
- ▲ Currently, there is no standard for measuring the confidence level of the various AVMs. And lenders want one.

- ▲ Costs of appraisals are rising (even though your fees are declining), due to all the various components: appraisal, review, quality control, audit, portfolio work.
- ▲ AVMs are useful only for certain properties in locations where there is a sufficient amount of quality data and where collateral concerns of the borrower are minimal.
- ▲ AVMs work today because they have been supplied by years of appraiser's data. If fresh data from appraisers dries up (as AVM's replace appraisals), one concern is how long before the data in the system becomes stale and unreliable.
- ▲ Overall, lenders would much prefer the input of appraisers because of their expertise and local market knowledge.
- ▲ With AAVMs, appraisers review the results and decide whether further work is needed. One speaker said that an appraiser's call for a more in-depth report will probably be honored by most lenders (at least at first).
- ▲ Drive-bys pose no risk to lenders. Therefore, AVM "insurance" is a waste of money. Besides, as one speaker points out, "appraisers carry their own E&O."
- ▲ Because of the heated market, few appraisers choose to accept reduced-fee drive-bys (\$40-\$125). Appraiser thinking is: "Why should I put my license on the line for no money." But when things slow down, the speaker continued, "Appraisers will have to accept drive-bys if they want to eat."

### AAVMs: Man Meets Machine

Merging of man/woman and machine empowers appraisers to determine whether the un-inspected appraisal process is appropriate for the subject property. When deemed inappropriate, the appraiser recommends that the order be upgraded to a limited walk-thru, drive-by, 1004 or review appraisal.

What percentage of the time do appraisers order an upgrade? Upgrades occur about 50 percent of the time on orders that come in with a qualifying value from the lender. That figure drops to 30 percent without a qualifying value.



The numbers vary by market and are primarily driven by the quality of the data and housing stock diversity. Qualifying values tend to exceed the median neighborhood value.

Appraisers recognize that the distinguishing features attributed to higher value are only apparent during an inspection. Most lenders acknowledge that the added value features are found inside the home and require that the assignment be upgraded to a limited walk-thru (as opposed to the less expensive drive-by appraisal). When a property includes upgrades, updating, additions, etc. that place it above the norm for the neighborhood, reconciling these features requires the expertise of an experienced, local, professional appraiser because the number of properties falling into this category is frequently limited.

As appraisers review the available data sources, a qualifying value can be the first clue that a property exceeds the norm. To make a well-founded decision, it is imperative to allocate the appropriate time to meet the requirements of the assignment.

Average is easy. It doesn't require the same time allocation for research and reconciliation. But take condition, quality, GLA, etc., and the work becomes more complicated. Appraisers want to be compensated in accordance with the difficulty of the individual assignment. True professionals can distinguish whether a property requires a higher level of scrutiny.

Additional instances where upgrades are almost always mandatory are neighborhoods of declining values and those undergoing gentrification.

"Average" is a moving target in these areas and prudence dictates that an inspection be done. Lenders understand this and that the appraiser is exercising expertise and geographic competency when recommending an upgrade in these instances.

#### Moving the Industry Forward

Appraisers need to do a better job drawing a clearer distinction for their lender/clients between the objective and subjective elements of their reports. The objective elements are sales price and other verifiable market data. Subjective elements are things such as inherent value, location, view, intrinsic value and ultimately, the final number.

Both elements are present in every report. While appraisers clearly know the difference between the two, many of the readers of their reports do not. This causes a great deal of the confusion and frustration that commonly occurs between appraisers and lenders and is one of the reasons lenders are turning to alternative methods.

Currently the objective and subjective pieces of a report are all mixed up. Both are present but they are not clearly defined. Lenders want to be able to distinguish which is which easily. We need to define it more clearly. We understand which is which, but do our clients?

With advances in credit scoring, Allen explains, lenders reviewing loan applications today have a clearly defined "number" on which to base a decision. They are looking for the same kind of certainty on the collateral side. Making the appraisal product more understandable to clients will help the industry evolve and advance the profession, he says.

#### Appraiser Evolution

According to Allen, many appraisers are still learning to crawl.

"Despite tremendous advances in technology and the new array of tools that are available to us today, appraising has changed very little over the years. If we are going to meet the demands of our clients in the future, we will have to use these tools to analyze data differently."

As an analogy, he compares fighter pilots in World War II with today's top guns. It took relatively little training in World War II for a recruit to learn to fly the airplanes of that era. By comparison, the sophisticated technology of today's fighters require months, even years, of expensive and specialized training, with only a few ever making it into the cockpit. Allen says the successful appraisers of the future will acquire the specialized training and incorporate the cutting-edge technology required to become the top guns of their profession and ensure many years of safe landings.



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March 21-25 at The Trump  
Taj Mahal Casino and  
Resort, Atlantic City, N.J.

Pictured, left to right  
Marianne Corsaro,  
Steve Wise  
& Erin Caviness