Appraisal Management Service Training for SARs

Final Script

Hello and welcome to training on the Appraisal Management Service. This is a visual presentation for the intended purpose of disseminating information to Lender and Servicer Staff Appraisal Reviewers (SARs) in a transparent and timely manner.

I'm Robert Butler, and I would like to thank you for taking time out of your busy day to join me. I would also like to thank you for serving our Nation's Veterans. I hope you will find this information useful. Let's look at today's agenda.

During this presentation, we will provide a background of the new Appraisal Management Service and provide information on the VeroSCORE Report. Please note that if you have questions during this training session, VA has subject matter experts available to respond. You just need to type your question in the Q&A section, on your screen, and a response will be provided during the training course. At the end of the training you will receive guidance on how to obtain your certificate of attendance.

The contract for the Appraisal Management Service was awarded to a new vendor, Veros. There will be a few changes in WebLGY during this phase of the project. As you will see throughout the training, the VeroSCORE report is different from the LoanSafe Appraisal Manager (LSAM) report. We will take time to point out changes to your review process, as we discuss the VeroSCORE report.

Let's go into the VeroSCORE report.

VeroSCORE is used to quickly assess appraisal risk, determine property eligibility, identify potential over/under-valuations, and determine if appraisal quality issues are present. It is also used in finding inconsistencies by flagging items as potentially problematic and determining whether the appraisal is in compliance with VA appraisal standards, industry-accepted principles, and Uniform Standards of Professional Appraisal Practice, also known as (USPAP). The most exciting feature of the VeroSCORE is that the reviewer only has to focus on one score to determine the type of review to perform, which we will discuss in detail a little later.

VeroSCORE is accessed in the WebLGY system, on the Appraisal Status & History page. On April 22, 2020, all appraisal types began going through the Veros AMS system. CoreLogic AMS requests will no longer be available after that date.

In the VeroSCORE Report, your starting point for assessing the appraisal risk is the Overall Risk Score. Five sections make up the Overall Risk Score. They include: Appraisal Risk Score, Completeness, Compliance, Credibility, and Complexity. Each section is broken down in the report details section with their independent score that make up the Overall Risk Score. At this time in your review process, you will only utilize the Overall Risk Score. The five sections making up the score details, to the right of the Overall Risk Score, will not be used. For VA purposes, only the Overall Risk Score will be the determining factor for what type of review is conducted on the appraisal. This is a major difference from the review with the LSAM. Now your review will be on one score, versus the two scores with LSAM – the Valuation Risk Score and the Integrity Risk Score. For instance, the Overall Risk Score in this example, 611, would result in a comprehensive review. Any Overall Risk Score of 800 and above would require a cursory review, where as any score 799 and below would require a comprehensive review.

The scoring levels provide ranges of issue severity within each section. Again, the Overall Risk Score is the determining factor for VA cursory or comprehensive appraisal reviews, NOT the five sections that

make up the Overall Risk Score. Additionally, the steps to perform a cursory or comprehensive review have not changed.

The Appraisal Details section provides more information into the content of the appraisal. Examples of the information listed here include, occupancy type, lender name, location type, etc. This information is similar to the Subject Property, Property Summary section within the LSAM report.

Next to the Appraisal Details Section, is a summary of the appraised value, contract price (if applicable), predominate value, and the neighborhood low/high value range information from the appraisal.   For comparison purposes, the appraised value can be found at the beginning of the LSAM report, with the property information. Additionally, the predominate value and the neighborhood low/high value range are in the Comparables Analysis section of the LSAM. However, the LSAM report does not provide the contract price.

The next part of this section, highlights whether the appraiser was able to bracket certain property characteristics from within the sales comparison section of the appraisal report.

These include Unadjusted Value Range, Adjusted Value Range, Quality Rating, Condition Rating, Gross Living Area (GLA), and Year Built. A "check" next to the item indicates that the appraiser was able to bracket that characteristic. If the characteristic was not bracketed, it will be denoted with an "x". This comparison with bracketing is not currently provided on the LSAM report.   For example, the GLA of the subject property is not bracketed by the GLA of the comparable properties, which is denoted by an "x." However, all other characteristics are bracketed.

Unlike the LSAM's Appraisal Alert section, the VeroSCORE report provides a specific section titled VA Specific Alerts. In the VA Specific Alerts section, there is an alert description column and an alert response column. The alert description column provides information about possible errors in the appraisal report.   The alert response column provides detailed information on what actions need to be taken by the reviewer, as well as where to locate VA policy guidance (i.e. M26-7 Lenders Handbook, Code of Federal Regulations (CFR), U.S. Code Annotated and VA circulars). Currently, over 150 possible VA Specific rules exist in the system. The VA Specific Alerts are ranked as High/Severe, Medium/Significant, or Low/Moderate. You will notice High/Severe is orange/red, Medium/Significant is brown, and Low/Moderate is gray. As you can see in this example, there is 1 high/severe and 1 low/moderate alert. In keeping with our current review guidelines, the reviewer is still required to review all alerts, but address and document ALL VA Specific Alerts that are high/severe alerts. The documentation must be placed in the WebLGY notes section for the reviewed case. This procedure is in line with your current appraisal review requirement.

As previously stated, there are five sections (Appraisal Risk Score, Completeness, Compliance, Credibility, and Complexity) in the VeroSCORE that make up the Overall Risk Score. The Appraisal Risk Score does not have an independent section within the VeroSCORE report; however, we will discuss the Complexity Score later in the training. Now let's go into a little more detail on Completeness, Compliance, and Credibility (the three C's).

Any rule failures will be listed in the Completeness Score section. When looking in this section, please pay close attention to the rules description in the far-right column because it may have required actions

for the reviewer. In this case, the rules description column indicates that a field was not completed in the appraisal report and the reviewer must have the appraiser correct the error and resubmit the report.

The Compliance Score has three areas for the reviewer to consider: Compliance Rules, Uniform Collateral Data Portal, more commonly known as UCDP, and Uniform Appraisal Dataset, more commonly known as UAD.

If you notice where the arrow is located, these are the compliance rules, which include rule descriptions. The rule descriptions provide detailed information on what actions need to be taken by the reviewer.

The UCDP and UAD are reviewed in parallel. At this time, the reviewer is not required to perform any actions toward the UCDP Validation Errors. However, UAD Action Messages may require the reviewer to perform actions. Be aware that with non-UAD appraisals, some messages may display when the appraiser uses UAD abbreviations in completing non-UAD reports, such as the 1004C Manufactured Home, and 1025 Small Residential Income Property. In instances when the appraiser uses UAD abbreviations on a non-UAD appraisal form, the reviewer will verify that the appraisal is non-UAD and indicate in WebLGY notes that the message(s) do not apply because the report form is non-UAD.

The Credibility Score contains four sub-sections: Appraisal Methodology Score, Data Integrity, Valuation Risk, and Comparable Risk. Under the Appraisal Methodology Score, the rules description column provides detailed information on what actions need to be taken by the reviewer. In some instances, they will provide VA specific policy and/or manual references to assist in the review process. The reviewer may use the references to better understand why the rule fired.

In the Data Integrity section, the discrepancies are assigned a severity level based on the magnitude of the data field connections. The severity levels include Minimal, Moderate, High, Critical, and Severe. Reviewers should pay special attention to those items that are listed as High, Critical, and Severe, to be sure they do not impact the overall validity of the appraisal report. Be sure to document your findings for only the High, Critical, and Severe alerts in the WebLGY notes section for the reviewed case. This procedure is in line with your current appraisal review requirement.

The Valuation Risk Score shows an estimated percentage of risk of over/under valuation by the appraiser. The Comparable Risk Score compares the subject property's characteristics with the appraiser's comparable properties in the appraisal report. All discrepancies, i.e. subject property characteristics that fall outside of normal ranges are indicated in this section. Normal ranges are determined based on the subject property's specific market information and property type. The information in these two sections is for general awareness and should NOT be used as a deciding factor in the review process. Please remember that the determination of a cursory versus a comprehensive review is dependent on the Overall Risk Score on page one of the report.

In addition to the four Credibility sub-sections, the last portion of the Credibility section is the Area Sales Summary Information with a map and list of Area Sales. The map shows the subject property, appraiser's comparables (if within the VeroSCORE system defined area) and other Area Sales. This is similar to the LSAM's Valuation and Street maps. However, the VeroSCORE Credibility section map is not interactive and does not have a key or legend. As a result, on this map the subject property is marked with an S icon, while the letter C with a number icon represents the overlap of comparables that the appraiser provided. All other numbered icons without a letter are additional nearby relevant sales.

At this time, I would like to remind that if you have questions throughout the training, please type them into the Q&A box. One of our team members will provide an answer. In the event we are unable to answer all the questions prior to the end of this training session, we will take all Q&As and provide the information out through a circular update.

The list of the area sales is ranked by their relevance to the subject property. There can be up to 20 area comparable sales listed depending on the amount of data available for the area. Unlike LSAM, VeroSCORE does not provide comparable pictures for any properties in the list. The report will highlight in yellow any comparable properties the VeroSCORE engine locates that the appraiser has indicated in their report. For example, C1 represents a property that the appraiser and the analytics engine selected as a comparable.

This section includes the appraiser's comparable properties that were not selected. If all the appraiser's comparable properties are selected, this area will be blank. In the event the section is blank, review the Area Sales list to ensure that all the appraiser's comparable properties are listed.

On the VeroSCORE report, the Appraisal Risk Score does not have an independent section within the VeroSCORE report and cannot be considered in the review analysis. The Complexity Score does have an independent section, but the information is not routinely used in our appraisal review. However, there may be instances where the Complexity Score is considered for properties that do not conform to the subject market area. In the event you have questions, you may contact the Regional Loan Center (RLC) of jurisdiction to discuss the specific case.

The Complexity Score helps to assess the degree of difficulty in completing the appraisal report. This is done by assigning a Complexity Rating and Subject Conformity Score, which rollup into the overall Complexity Score. Again, this information is for general awareness and not to be used for a review type determination. The determination of a cursory versus a comprehensive review is dependent on the Overall Risk Score on page one of the report. Although there are other scores indicated within the VeroSCORE report, they are not to be used.

Although the LSAM provides a list of the closest properties at the end of the report, there is not a map. Unlike LSAM, the VeroSCORE report provides a Nearby Properties map that includes the subject property, appraiser's comparables, and other nearby area properties. The Nearby Properties map is not interactive and does not have a key or legend. Therefore, the subject property is marked with an S icon, while the letter C and a number icon represents the appraiser's comparables. All other numbered icons without a letter are nearby properties.

The list of nearby properties is ranked solely based on proximity to the subject property. There can be up to 20 nearby properties listed. The report will highlight in yellow any comparable properties the VeroSCORE analytics engine locates that the appraiser has indicated in their report. As shown here, C2 represents a property that the appraiser and the analytics engine selected. All of the appraiser's comparable properties that were not listed in the Nearby Properties list will appear under the appraiser's comparable properties heading. If all the appraiser's comparable properties are selected, this area will be blank. In the event the section is blank, review the Nearby Properties list to ensure that all the appraiser's comparable properties are listed.

The next section is the Market Risk Summary, which provides local data regarding the subject property's surrounding market. This section has some similarities to the Market Conditions section of the LSAM such as, foreclosure activity and price trends. The LSAM provides this information in a visual graph and VeroSCORE provides it in a written format and visual graph.

The Market Risk Summary includes items such as Foreclosures Activity over the past 1, 3, and 5 years, Occupancy Rate percentages, Transfer Activity, zip code price changes, and more. The information and data points can increase or reduce the valuation risk.

The Market Analysis table provides information on the market's Low, Median, and High data points so that reviewers can compare them to the subject property's pricing and property characteristics. This provides a transparent view of how the subject property compares to its overall market. This information is not required in your review and not to be used for a review type determination. However, this information may be used to support your opinion with a recommendation for a reconsideration of value.

The Market Price Analysis section includes two graphs - the Neighborhood Price Range and the Area Price Trends. Both graphs are for general awareness and are not required in your review and not to be used for a review type determination. The Neighborhood Price Range gives the position of the value estimate in context with the neighborhood price percentiles. The graph indicates the low and high price with the 25th, 50th and 75th percentiles for the subject neighborhood. The paragraph below the graph explains the neighborhood price range percentile data.

In the Area Price Trends graph, we see the change in value over a predefined period of time determined by the VeroSCORE analytics engine, for the neighborhood and entire zip code. Neighborhood is defined as an area of complementary land uses and the area surrounding the subject property.   Please note that the key below the graph provides guidance that will enable you to properly read the graph. For example, the green line with the dots represents the neighborhood's positive change in property value over the last 2.75 years.

The Overall Risk Score would be the determining factor for review type. Any Overall Risk Score of 800 and above would require a cursory review, whereas any score of 799 or below would require a comprehensive review.

You've seen each individual section, but here's what a complete VeroSCORE report will look like. Please find a sample of a complete VeroSCORE report that has been attached for you to review. As you're reviewing it, you always want to be sure that the VA LIN number and that the property address matches what is in WebLGY and the appraisal report.

On April 22, 2020, all appraisal types began going through the Veros AMS system. CoreLogic AMS requests will no longer be available after that date.

All SARs have through September 30, 2020, to obtain training and become proficient in the use of the VeroSCORE with their appraisal reviews. During this time period, any feedback will be considered training.

Additional training opportunities will be available during the transition and will be announced at a later date.

To receive your certificate of attendance for today's session, please highlight the certificate in the files pod and download. Note, this item will not be available after the session closes, so please save your certificates.

Thank you for your participation today. Following the viewing of this presentation, if you have questions please contact the Construction & Valuation Policy Staff at SARSUPPORT.VBACO@va.gov . Please be sure to add Veros Training Question in the subject line of the email.

For any Veros AMS/AVM related questions, please contact the Veros Helpdesk at: 1-833-315-0443 or VeroSupportVA@veros.com , Monday – Friday from 8:00AM EST to 8:00PM EST, excluding the following holidays: New Year's Day, Martin Luther King's Birthday, President's Day, Memorial Day, Independence Day, Labor Day, Veterans Days, Thanksgiving Day, Day after Thanksgiving Day, and Christmas Day.

This concludes our training, again, thank you for your attendance.