Do You Use a Hammer or a Nail Gun?

If you're not using *automated analytics* for adjustment support in your appraisal reports, you're bringing a hammer to a job that needs a nail gun.

Appraisal reports are put together with opinions and conclusions. These require facts and support. A fact is something that can be proved, and support is a collection of facts which enable a conclusion. Notice the difference: only one is provable. The other, conclusions (AKA opinions), are neither right nor wrong. However, their credibility depends on the facts that support them.

The most popular ways appraisers *say* they provide support for their adjustments are paired-sale analysis; market reaction; and, my favorite, the appraiser's experience with the market.

For the first two, I seldom see evidence in appraisers' workfiles of any analysis of paired sales or the market. No collection. No verification. No analysis. When confronted with this by investigators, they resort to "appraiser experience."

Let me say, once and for all, that an appraiser's experience is only good for noticing something *may be* a factor in a report. The appraiser must then conduct analysis that *supports* this. It is not okay simply to pull an adjustment out of your…hat. Just as we expect a doctor to run some tests before diagnosing a patient, the appraiser is expected to analyze relevant, objectively verifiable data to support the conclusion. We may not have lives at stake in our work, but we have an impact on tens of millions of dollars of the local economy every year.

Paired-sale analysis is very either/or. It's hit-or-miss. You might compare two sales which indicate a *widget* adjustment should be $20,000 and

another which points you to $7,000. In addition, it can take up time trying to find the right pair.

Enter *automatic analytics*. These are applications available to appraisers that use dozens, if not hundreds, of sales from your MLS to determine, through regression analysis and other means, what an appropriate adjustment would be for all the relevant characteristics in the Sales Comparison Approach. Some of these apps will even auto-fill your report form! They will provide graphs and lists to show how they arrived at figures. I know of one that runs the cost approach for you!

You will still be the captain of the ship, meaning you still need to know what went into the report and why…you may have the occasional assumption or extraordinary assumption to make, but still: *THAT* is support of opinions and conclusions!

I hope you will consider purchasing a "nail gun" for future assignments. Our relevance in mortgage finance is diminishing due to the greater accuracy of methods that do not use appraisers coupled with the _unsupported_ work of appraisers.

Adjustment support apps will save you time, make you money, and keep you more USPAP compliant.