The COVID-19 pandemic has devastated many businesses and caused others to pivot quickly, including the mortgage lending industry. One of the significant obstacles faced within the mortgage industry was the change in approach to completing an inspection of the borrower’s home by a third party.

In most scenarios, the appraiser is considered to be the third party, however, when the traditional real-estate transaction is completed there may be additional third parties who become involved. Depending on the scenario, this can include a third-party inspection by a home inspector, FHA inspector, city building inspector, etc.

In the face of the COVID-19 pandemic, many appraisers (myself included) have come across borrowers hesitant to allow an inspection of their home. In some cases, borrowers simply will not allow a third party into their home, even with all precautions against the spread of the virus being taken, including using a mask and gloves.

As the pandemic spread throughout the United States, many major cities put in place “stay at home” orders and deemed certain professions non-essential. This created confusion and significant delays in the completion of an appraisal report.

In response, the GSEs were quick to
offer some temporary guidance on how an appraisal can be completed without the interior of the property being inspected. This was dependent on the loan type, LTV ratio and type of transaction (Lender Letter 2020-04). These guidelines allowed certain loans to qualify for a desktop only or drive-by appraisal to avoid any persons entering the borrower’s home.

CHALLENGES OF BORROWER PHOTOS

Speaking with many lenders, credit unions and servicers, some industry groups have tried to create a way to allow the borrower to send interior property data to their valuations team to allow the information to be transmitted to the appraiser to complete a more credible report.

We have seen lenders create their own Dropbox or Google Drive enabling the homeowner to send photos to these platforms. This works in limited capacity but ultimately, proves too complicated.

Another proposed workaround, is having the borrower submit photos via email. However, with most email in-boxes at a 10 MB limit, this only allows for 2-5 photos to be sent. Additionally, sending multiple emails from thousands of borrowers to a lender becomes disorganized and messy very quickly.

On top of these obvious issues, lenders are also faced with questions regarding the authenticity of the photos, including questions of when they were taken, where they were taken, etc.

Without a method of verifying this information it is a big risk for the lender and the appraiser to take.

It became apparent that a more secure method of transferring interior subject data is a “must have” for the industry, and we have seen many different technologies being developed to help with this.

Some companies have developed smart-phone applications or web applications to allow the borrower to submit interior data of their home. These applications range from simply taking photos to answering property-specific questions. While this solves the problem of easy data submission for the borrower, the problem of verifying authenticity remains.

There has to be a solution that will record the longitude/latitude position of where the photos were taken, and a time stamp to verify when it was taken. A geo-fencing security option is most important, along with a method to only allow for real-time photos to be accepted within the application. This forces the user to take the photos through the application and prohibits any uploads from a photo gallery, where the photos can be edited or taken at a previous time.

An inspection solution must include these fraud prevention tactics to be successful.

CONSIDER THE USER EXPERIENCE

Additionally, the user experience should also be taken into consideration. It is important to have an easy and user-friendly application for the typical homeowner to navigate and complete the order request.

As they say, one size does not fit all, and the same solution will not apply to each credit union and lending institution. Certain customization may be required within the application, such as different photo requirements, the ability to add a questionnaire to each request, or as simple as a white labeling option.

Not every application will offer this level of customization, so the lending institution or credit union will have to consider these options in order to select the application which can best fulfill their requirements.

As the needs of customers change along with the ever-evolving landscape of technology, these are some great starting points to consider when preparing to make these inspection decisions.

Luke Tomaszewski is the CEO of eValuation ZONE, a national Appraisal Management Company, and the CEO and founder of new tech company ProxyPics. Tomaszewski has more than 15 years of experience in the appraisal industry. His first hybrid appraisal form was developed more than four years ago, and his company was the first to beta-test ACI Sky with a custom BPO form. Tomaszewski created ProxyPics to change the way homes are photographed for mortgage needs in the digital age, and he earned his second U.S. patent with the app.

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