



Embracing Digitization

Technology Can Be the Key to Advancing the American Dream

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For lower-wealth communities and diverse populations, the obstacles to homeownership are multiplying. With the average interest rate on 30-year fixed-rate mortgages exceeding 5%, and median sale prices for new homes as of this past April is up nearly 20% from a year ago. The dream of wealth-building through homeownership is becoming more elusive, amplifying the impact of other obstacles these buyers already face

Yet, credit unions have a unique opportunity to offer hope by building on their “people helping people” philosophy. By taking advantage of some of the “temporary” (and now permanent) measures that kept homebuying activity strong during the pandemic, these institutions are well positioned to serve a wider range of buyers.

HOW DIGITIZATION HELPS UNDERREPRESENTED HOMEBUYERS

When lockdowns and social distancing began in March 2020, the move toward digital mortgages accelerated. This affected everything from closings/notarizations to appraisals, and changes that began out of necessity have become part of the “new normal”. In March, for example, Freddie Mac and Fannie Mae began accepting desktop appraisals for certain purchase mortgages, and the trend continues.

Credit unions taking the digital lead with these processes are finding themselves able to streamline and speed service, characteristics that are both important to under-represented buyers. These buyers are also being hurt by a dramatic shrinkage in inventory, making it harder to find and compete for homes for sale in the neighborhoods they want. For every five homes that were for sale toward the beginning of the pandemic, there are only two homes on the market today, according to the Realtor.com April 2022 Housing Market Trends Report. Being able to move faster in this more competitive market gives them an edge and offers an advantage to the credit unions that have “worked smart” to make it happen.

Why is digitization important here? In some cases, it's not just condensing processes; it's addressing larger factors at play in the mortgage industry. Take appraisals, which are known to add anxiety to homebuying, particularly in an appreciating market where a valuation can determine whether lower-wealth buyers will receive a large enough loan.

For many credit unions, a shortage of appraisers they can call on is exacerbating members' anxiety, leading to valuation reporting backlogs of as long as two weeks. In 2018, there were about 78,000 active appraisers in the U.S., compared to 87,000 in 2014, according to the *Appraisal Institute*. This has forced many appraisers to handle three times the volume that they did before. Lenders, in turn, have been routinely adding days to the mortgage process as they wait for appraisers to complete their assignments.

Credit unions and lenders whose ap-

praisal partners are capable of delivering desktop/remote appraisals are starting to see a difference in the service levels they can provide. By completing the inspection portion of their work from their desks, appraisers are delivering their reports faster. Driving to/from properties can consume up to 50% of an appraiser's workday. Without that unnecessary effort, appraisal professionals are not only submitting reports more quickly, they are handling more assignments in the same amount of time.

How do these technologies work? With fully remote (versus hybrid) appraisals, for example, appraisers look through a property contact's smartphone camera to capture and upload time-stamped and geographically verified photos, videos and closeups. They also can create detailed floor plans with walls, along with the functional layout of a home. They then insert this data and content into their final reports.

BEYOND SPEED: OTHER BENEFITS TO HELP ENSURE EQUAL ACCESS

This digitization promotes more than convenience; it advances efforts to remove bias from the appraisal process. One reason is that appraisers are looking at properties remotely and have limited to no face-to-face interaction with the homeowner or realtor on the premises. This does not mean a compromise on appraisal quality, but does decrease the chance of a negative in-person experience as the appraiser largely assesses the property and the neighborhood rather than the homeowner.

Moreover, many neighborhoods that attract lower-wealth buyers have a paucity of nearby appraisers. That forces lenders to pay more to get a local professional to drive there, and many then pass on the cost to already financially strapped borrowers. With

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digitization, matching appraisers to neighborhoods is quicker and less costly, and lower-wealth members ultimately win by not having to pay additional trip fees, or experience extended wait times for an appraisal which can adversely affect their chances of winning a bid on a home purchase.

IMPROVING SERVICE AND EFFICIENCY, WHILE MOVING BUYERS FORWARD

When the pandemic transformed mortgage lending, many processes beyond appraisals saw transformation, too. Remote online notarization, for example, enabled socially distanced closings/signings to take place. These innovations spawned others

as people began gathering again, such as in-person electronic notarization (IPEN), which also streamlines processes and gets members crossing the thresholds to their new homes faster.

Credit unions have traditionally been in the vanguard of borrower services. By embracing digitization, with an eye toward its value for underrepresented buyers, they can help bring the American Dream of homeownership close to reality for everyone.

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