



Appraisal Fraud Conference

7 hours continuing education in KY, OH & TN

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April 18, 2008
Lexington, Kentucky

Declining markets? When does the misrepresentation of economic conditions cross the line into fraud? What role has appraisal fraud played in the sub prime meltdown? What can appraisers do to be a part of the solution to sound valuation practices? Listen to the industry thought leaders on a topic that unfortunately we will be talking about for years to come.

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Declining Markets Appraisal Conference
 7 Hours Continuing Education
[April 28th in Cincinnati, OH & June 20th in Orlando, Florida](#)

It is the biggest “hot button” not only among appraisal professionals but the single hottest topic on the national news. We have developed this seminar to address the need for lenders and appraisers to clearly and ethically communicate micro market metrics. What is the inventory, days on market, median sales price trends, absorption rates, REO activity? Learn what are leading indicators and lagging indicators? Learn pragmatic techniques to analyze property specific market trends and create charts and graphs to display your data and analytics. Be confident. Be your local market expert. [Register Now](#) - we expect to be sold out. There will be no on site registrations.

GMAC Deal

Our interview today is with Thomas Inserra, CEO of ZAIO.

BUZZ: Tom, I understand Zaio is announcing a major deal with a large national lender? What can you tell us?

ZAIO: That’s right, today Zaio is announcing it has a signed agreement with GMAC, a top 10 national lending institution with a \$453 billion loan servicing portfolio and \$122.4 billion in 2007 new mortgage loan originations. Because of the housing slump, lenders are required to reassess the value of real estate collateral, especially in declining markets across the country. GMAC is requiring consumers in declining markets to obtain a new appraisal from only two approved companies.

Also, GMAC began the process of notifying thousands of mortgage brokers across the USA that they are now required to place appraisal orders with Zaio. Zaio has already started to process orders under this new program.

Zaio is one of only two firms currently approved by GMAC to process and review appraisals under its new “Property Wise Seal of Approval” program. Mortgage brokers and others, on behalf of homeowners, will be able to place appraisal orders through Zaio’s technology platform, but will not be able to select the appraiser in order to protect appraiser independence. When the appraisal is returned, Zaio will

review the appraisal and reconcile the value against various risk indicators approved by the bank. Once completed, the appraisal will be delivered along with a Propertywise Seal of Approval, which indicates that the appraisal was independently ordered, reviewed and met tough new quality standards.

BUZZ: We know that Zaio has been growing and, in addition to new technology, has dramatically increased its revenue through delivery of appraisal services. What does working with GMAC bring to Zaio?

ZAIO: That's right. Zaio recently reported that its revenues grew dramatically last year driven primarily by appraisal related revenues. Last quarter, the revenues we sent to Zone appraisers were up 107% and we are about to announce additional increases sent to appraisers over the past few months. Because GMAC is a major national lender, this relationship further validates our technology and gives Zaio an opportunity to further accelerate our growth and demonstrate our solution to other major lenders. Since GMAC has a large wholesale lending channel and they are now requiring all the mortgage brokers in the nation to use only two firms, we believe Zaio is poised for further growth as a result of this agreement, increasing the amount of work we have available to distribute to Zone appraisers.

BUZZ: Why do you think GMAC is doing this and do you think other lenders will follow their lead?

ZAIO: Yes, we believe others will follow and we are working to establish new relationships with other lenders due to incredible interest in our proprietary solutions. Our nation is facing a serious mortgage crisis. The liquidity problems in the mortgage market are the result of investors losing confidence in the underlying collateral value of secured assets. My experience as National Chief Appraiser at the FDIC and RTC during the last crisis was that lenders need to restore confidence with increased transparency and prove the current value of their collateralized loan assets, rather than the value that may have existed years ago when the loan was originated.

This can only be accomplished with an effort to obtain, new updated, objective market value appraisals from an independent provider. Zaio is uniquely positioned in the market as the largest publicly traded appraisal organization that is not aligned with a title insurance company or lender, and thus we offer total objectivity. We believe that GMAC and other lenders recognize the importance of obtaining an objective and independent appraisal from a credible provider. Zaio and its elite group of local appraiser experts offer lenders advanced patent-pending technology solutions and a way to comply with new HVCC policies today, rather than waiting for the January 2009 implementation date.

BUZZ: Will this affect the Zaio Zone owners, and if so, to what extent?

ZAIO: Our agreement with GMAC and other lenders will drive business to Zone owners. In fact, I have already heard from appraisers who want to buy zones specifically because of this deal since the mortgage brokers who previously sent them work are no longer allowed to do so. We believe that now is the time to get in and benefit from all Zaio has to offer. Zaio currently has approximately 500 lenders across the country and with this deal we now have GMAC and thousands of mortgage brokers who will be driving increased levels of business to our Zone appraisers. We remain committed to completing the sale and delivery of Zones throughout the country and Zone sales are continuing at a rapid pace.

BUZZ: Beyond the GMAC deal, do you see additional opportunities for Zaio and Zone owners?

ZAIO: In addition to the recalibration necessary due to the current market conditions, the other major event is the announcement by Attorney General Andrew Cuomo. Beginning January 1, 2009, lenders will have to follow stricter rules for appraiser independence and severely limit the use of “in-house” appraisers and mortgage broker delivered appraisals.

Organizations are now approaching Zaio to enter into agreements that will allow them to continue business under these new rules and Zaio can help these lenders meet their requirements for independent appraisals. We are the only company that deploys a patented process and moves the appraisal process closer to a real time, independent solution. By storing the appraisals in advance of the transaction in a secure database, Zaio can monitor any attempts to alter, change or inflate the appraisal and can help significantly in the fight against mortgage fraud.

Zaio is emerging as an effective solution for lenders as they focus on solving the mortgage crisis and change their processes to comply with new appraisal policies.

BUZZ: Will Zaio comment on the new HVCC policy?

ZAIO: Zaio has been a strong advocate for increased appraiser independence for at least two years, well before the new HVCC policy was drafted. Zaio believes there are inherent conflicts of interest that need to be addressed in order to help restore market and investor confidence and the new HVCC policy is a step in the right direction.

I did send a letter to Attorney General Cuomo applauding his efforts to restore independence to the appraiser – an effort that is closely aligned with our core values at Zaio. We will also be preparing a formal response during the comment period.

BUZZ: Are you and Zaio receiving recognition due to the timeliness of your product?

ZAIO: Absolutely. For example, Zaio was recently asked to contribute an article to a book recently published on the mortgage crisis. The title of the book is: “The Subprime Crisis – Perspectives and Legal Insights on the Subprime Lending Crisis” being published by Thomson West. The primary audience is attorneys, regulators, policy makers and financial service CEOs and executives. Zaio was the only appraisal provider in the nation asked to submit an article. The article I wrote is entitled “Restoring Confidence: Learning From the S&L Crisis to Address the Subprime Mortgage Problem.”

Essentially, I talk about the root causes of the last mortgage crisis and how they are similar to the causes of this current crisis. I draw the conclusion that due to the similarities, this crisis is likely to be resolved much in the same way. That is, market confidence can only be restored after lenders increase transparency by retaining independent third party companies like Zaio to independently revalue assets to current market values. Investors want to be reassured that lenders have adequate collateral, and that can only be achieved with an updated valuation performed by an independent appraiser.

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