Attending
- Dave Biggers, Chairman, a la mode, inc.
- Jennifer Sides, in-house Chief Counsel, a la mode, inc.

What we are
- Software and technology provider
- Over 50% of market uses our software
- Known as strong appraiser advocates
- We're an FNC partner with a plugin that submits AI Ready documents to FNC's AppraisalPort

What we are not
- We don't "have a dog in this hunt"
- Important to make sure that our opinions aren't construed as a vested interest, because we only have an interest in appraisers' concerns being addressed
  - Here at the request of numerous appraisers
- We don't make any extra money if AI Ready is abandoned, nor do we make more if FNC has fewer clients
  - We make money on the FNC plugin whenever FNC lands a client
  - We don't agree with FNC's positions nor their attitude toward appraisers, but we are business partners who agree to disagree and cooperate technically when needed
- We're not trying to pile on just because FNC is in legal trouble

Why we're here
- We want to clear up misconceptions and misstatements and help Virginia design rational policy that protects appraisers from rampant document alteration
  - Virginia has the opportunity to set precedent
- Our software warning dialog regarding AppraisalPort triggered the debate
  - Required by our lawyers to avoid contributing to what we believe to be a misleading conversion process, even if technically it covers FNCs legal bases from a consent standpoint
  - It's been there for years
  - FNC hasn't addressed the issues at their end which could have allowed us to remove it
  - Better notice to the appraiser that the original PDF is abandoned, and that significant portions of the report may be missing, would go a long way
  - Additional data mapping would simplify inclusion of more addenda and forms, and is done easily

Provide perspective on the broader issues
- Clear up technical misperceptions
- Draw attention to legal standards which already exist and which criminalize fraudulently altering appraisal reports by applying an appraiser's signature to a document changed in any way
  - Can't be done legally to a paper appraisal report using scissors and white-out, and can't be done legally to a digital appraisal report using cracking tools or those provided by a technology provider in the chain of custody
- We believe appraisers should pursue those venues, but VA REAB has a role as well
  - Can require appraisers to have on file a standard form submitted and signed by those who operate as active participants in the chain of custody of the appraisal document

FNC's role
- AppraisalPort is the focus of the debate publicly, but it is not limited to FNC

- Every software vendor and every transmitter of appraisals should be held accountable to a "chain of custody" standard
- AppraisalPort and AI Ready XML do unfortunately contribute to poor chain of custody standards due to their design
- AI Ready/AppraisalPort role
  - AI Ready XML is just an XML file
    - Fancy structured text file
    - Easily manipulated
    - Not designed for representation of printed output
      - Uses a style sheet to display on screen
      - Style sheets are designed to be modified, so the underlying XML data can be viewed in many ways, including with the appraiser's signature, in formats the appraiser never saw
    - Designed for databasing and data harvesting, not printing
      - Came about originally as part of AIRD database project
      - Harvesting, while violating appraisers' intellectual property rights, is not at the core of the file alteration issue and shouldn't be used as a diversionary argument
  - AI XML has to be enclosed in an envelope, called the "ENV" file
    - Bundles up all the different parts of the file that aren't in the text file
      - Signature
      - Photos
      - Other binary objects
    - Could support the original PDF as another binary object if FNC simply allowed it – identical to handling any other attachment
  - ENV is required to deliver to lender clients using AppraisalPort
  - FNC has not licensed to us the right to create ENV files and has told us for years that it will not do so for any vendor
  - In essence, that lack of licensing locks up the standard
    - Even Danny Wiley's letter to the REAB concedes that AI is now proprietary, but claims that PDF is too, implying that it's OK
    - Misses the point of what PDF's are designed to do versus what AI XML is designed to do, and how the ENV file makes it not just proprietary, but forced to transmit through one portal
  - That ENV also sets the stage for the real problem – AMCs cracking appraiser PDFs and converting into an AI XML file without the appraiser's knowledge, because they have to send orders back through FNC to the lender client
    - If FNC licensed the ENV tools and allowed the desktop PDF as an attachment, every player in the chain of custody could add to, modify, and forward the AI XML report to the client, including the appraiser, with a full audit trail
- Two completely different AppraisalPort workflows exist, and one is a real problem
  - FNC sends orders directly to appraisers
    - The warning dialog in our software pops up before the AI XML file is handed off to FNC's OADI viewer, which creates the ENV file
    - At that point, we have no more control
    - The appraiser views the report in FNC's OADI viewer and then clicks to send the report to FNC
    - FNC claims that the OADI viewer provides sufficient notice and explanation to the appraiser as to the consequences of continuing
      - We disagree, hence our warning dialog before handing off
      - We believe the gravity of the changes from what the appraiser just saw on the desktop and the underlying risks to the integrity of their

text-based appraisal report from that point forward warrant much stronger disclosures to not be misleading and confusing to the typical appraiser

This is the process that's been discussed the most, but is not the process which results in the most risk to the appraiser

FNC also sends orders to AMCs who then order from appraisers

The appraiser gets a standard order from an AMC

Typically includes no notice that the report is to be converted into AI Ready XML for ultimate transmission through AppraisalPort and on to the client

The appraiser works up a standard appraisal report in his or her software of choice and transmits to the AMC as a standard PDF

The AMC is forced to open the PDF, and use other software to convert it into an AI XML file and then send to FNC

Reports posted on the Internet in public forums indicate that ACI's Lighthouse product has been used to assemble parts of the PDF into a new report

ACI would have to comment on whether it is aware of that process and whether it has aided AMCs or others in altering PDFs sent by appraisers in this process

FNC would have to comment on its role in this process too

The AMC in the process drops pages, photos, and more from the appraiser's original appraisal PDF report, yet retains the appraiser's signature, without the appraiser

We believe that process violates legal standards regarding fraudulent manipulation of signed legal documents

FNC could easily prevent AMCs from being forced to do so

Allow original PDFs to included as the printable, official copy of the appraisal report referenced in the AI XML data structure

Embed that PDF in the ENV file

License the ENV creation tools to all vendors and to appraisers themselves, allowing the AMC and anyone else to send ENV files back to appraisers for final approval of the content

Allow true digital signatures (not pictures of signatures) and PKI security and authentication to be included in ENV file structures, so that integrity of the report can be determined

Actions the board can take

Can't operate outside the scope of the department's mandate to regulate appraisers

However, can require that appraisers have on file signed documents from vendors in the direct chain of custody which ensure that reports are not modified after delivery and that best practices are used to ensure that security is maintained

Can provide "Chain of Custody Due Diligence" disclosure forms to appraisers