

# The Wiley Group

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July 27, 2008

Diane Quigley, Chair  
Real Estate Appraisers Board  
Virginia Department of Professional and Occupational Regulation  
9960 Maryland Way, Suite 400  
Richmond, VA 23233

RE: Electronic Portal Committee

Dear Ms. Quigley,

I am writing to express views regarding the use of electronic portals for the delivery of appraisal reports, and to refute erroneous statements and claims that have been made to the Electronic Portal Committee. Mr. Turner invited me to attend the committee meeting on July 23, but I could not due to scheduling conflicts.

I am an individual appraiser. I have no financial interest in any electronic portal or in any software company. I am not involved in litigation involving any such party. The statements herein are my personal views based on years of experience using electronic portals and years of experience promulgating USPAP as a member and chair of the Appraisal Standards Board.

Many of the arguments presented in this matter center on report format. Some have argued that use of AIReady and Lighthouse formats inherently violates USPAP. The contradictions and errors in the arguments made for requiring PDF and prohibiting AIReady are glaring.

**The claim has been made that AIReady is an unacceptable format because the appraiser has no way to know what the client receives.** This is false.

When an appraisal report is converted into AIReady format the software allows the appraiser to preview the report, just as the client will see it, on the appraiser's computer. This is no different than an appraiser previewing a report converted into PDF format before transmitting it to the client.

It is true that some appraisers have apparently been skipping this step and submitting reports without previewing them. One must learn the proper way to use any software employed to create reports. This obligation has been expressed in USPAP since the adoption of SMT 2 in the early 1990s. It was reiterated in the July 2008 Q&A. If an appraiser uses software without understanding how it works, or ignores how it works, the USPAP problem is with the appraiser, not the software.

**The claim has been made that the report the client sees is not what the appraiser created.** This claim ignores basic facts.

Conversion into AIReady occurs on the appraiser's computer, not "during transit" as some claim. The appraiser creates the report and has the opportunity to review the report prior to transmission to the client.

**The claim has been made that appraisers cannot access true copies of AIReady reports.**

Anyone using software that will convert a report into AIReady format knows this claim is false. Several weeks ago I posted on the Internet a copy of a report that I prepared two years ago in AIReady format. How could I do such a thing if I could not access a true copy of my report?

**The claim has been made that the manner in which AIReady handles signatures violates USPAP.** This is based in part on the additional false claim that the signature is removed and sent as a separate file.

A client receiving a report in AIReady format receives one file. The signature is not sent as a separate file. The signature is digitally encoded into the ENV file. The viewer decodes and shows the signature image. PDF files work the same way. The image of the signature is imbedded as part of the PDF file and is made visible by a PDF reader. If AIReady's handling of electronic signatures is unacceptable then using PDF files also unacceptable because it works the same way.

**The claim is made that AIReady should not be used because it is "proprietary software."**

The person making that claim defined proprietary software as, *"Any computer software with restrictions on use or private modification, or with restrictions judged to be excessive on copying or publishing or modification."*

By that definition, Adobe's Acrobat software is also proprietary software. Virtually all software used by appraisers is proprietary. If one prohibits the use of proprietary software, only a computer programmer could provide electronic appraisal reports.

**There has also been a claim that converting a report into AIReady format inherently produces misleading reports and assignment results that are not credible.**

Those making this generic claim have been doing so for weeks on Internet chat rooms. However, they have been unable to support it by illustrating anything about an AIReady formatted report that is misleading. They have also been unable to explain how the report format affects the credibility of the assignment results.

I have attached copies of two sample reports. One was created directly from my forms software. The other is the same report in AIReady format. They are both provided in PDF format for your convenience. I would be happy to provide the ENV file for you to view as well.

There is nothing about the conversion into AIReady format that affects the assignment results or renders the report misleading in any way. A claim that something is misleading is an empty claim if one cannot show how the report misleads.

**Some argue against AIReady because it limits the report content.**

All software limits report content in some way. This is true whether one prepares the report using traditional forms software, Microsoft Word, etc. For example, my forms software does not allow me to include an unlimited number of comparable sales nor does it offer the option to automatically generate a table of contents.

The key issue is not whether or not software limits the report content, because all software does that to some degree. The key issue is whether or not the software prevents the appraiser from providing a meaningful report that is not misleading. I have used AIReady since it was first developed, and I have never encountered a situation where I was precluded from including something in a report that was necessary for me to meet my professional obligations. It is true that some things have to be handled differently than they are handled in

my forms software. Again, knowing how to operate the software is a responsibility of the appraiser.

**One of the strongest arguments against use of AIReady is the claim that it makes it easier for the client to alter the report.**

No format is easier to alter than PDF. Enter the phrase "PDF Cracker" into any Internet search engine and one can have instant access to hundreds of programs that allow one to edit "locked" PDF files.

Over the past ten years a great majority of electronic appraisal reports have been sent in PDF format. During that same time there has been an unprecedented growth in file manipulation by clients. This is not a coincidence. If one wants to blame a file format for the problem of altered appraisal reports, then it is PDF that should receive that blame.

Please consider that the appraisal world is far greater than just residential appraisers reporting on forms. I often send reports in DOC files, WAV files, DAT files, etc. The technology we have today lets appraisers expand reports far beyond what is possible using only paper and/or PDF. The idea that the paper copy must be considered the original or the "true copy" is unduly restrictive. The world has changed, and thinking only in terms of what can be reduced to a paper format fails to recognize change.

Fraudulently changing reports is a problem, and appraisers do have some power to address this problem. The answer is not to restrict report formats or delivery mechanisms. **The answer is for appraisers to use real digital signatures.**

Very few (I estimate less than 1%) of appraisers use "digital signatures" as defined in federal law. They use electronic signatures that meet the definition in USPAP, but these electronic signatures do not offer the security provided by a digital signature. A true digital signature involves encryption and authentication of both the author and the report contents. A reader can instantly know who wrote the report and if the report has been changed.

Some appraisers do not like the AIReady format because using it properly requires them to buy and learn how to use new software. Some do not like it because the layout of the comments and photographs is not what they prefer. These are issues of business practice and personal preference, not appraisal standards. Not liking something does not mean that using it harms the public trust or violates USPAP.

Some of the false claims made by AIReady detractors address things so fundamental that anyone making them either has not taken the time to see how the software works, or is intentionally being misleading. I appreciate your Board attempting to objectively analyze the facts rather than relying on emotional claims and ad hominem arguments.

Thank you for consideration of my comments.

Very Respectfully,

Danny Wiley, SRA, IFA