

LENDER SURVEY

NAVIGATING THE EVOLVING MARKET

A LOOK BACK AND FUTURE INSIGHTS

WHITE PAPER RELEASE DATE: JUNE 2023

This document presents the findings of a survey conducted by NAN in Q4 2022. The survey was sent to our lender partners in order to better understand their overall perception of the appraisal process and their predictions for 2023.

We are grateful for the participation of our partners in this survey, and will be using this feedback to strengthen our commitment to providing the highest quality appraisal management services possible.

Q4 2022 Lender Survey

In November 2022, NAN sent a survey to over 8,000 of our lender partners across the nation.

Objective

- Gather feedback from lenders about their experiences with appraisal management companies, including communication, turnaround times, and overall quality.
- Gauge overall satisfaction levels.
- Identify areas for improvement.
- Review the current demographics of respondents.
- Gather information on their 2023 predictions and expectations.
- Pinpoint interest and expectation for emerging Appraisal Modernization and Alternative Valuation solutions.

NAN Research Staff

NAN Leadership

Joni Pilgrim - CEO

Steve Sussman - Business Development Officer

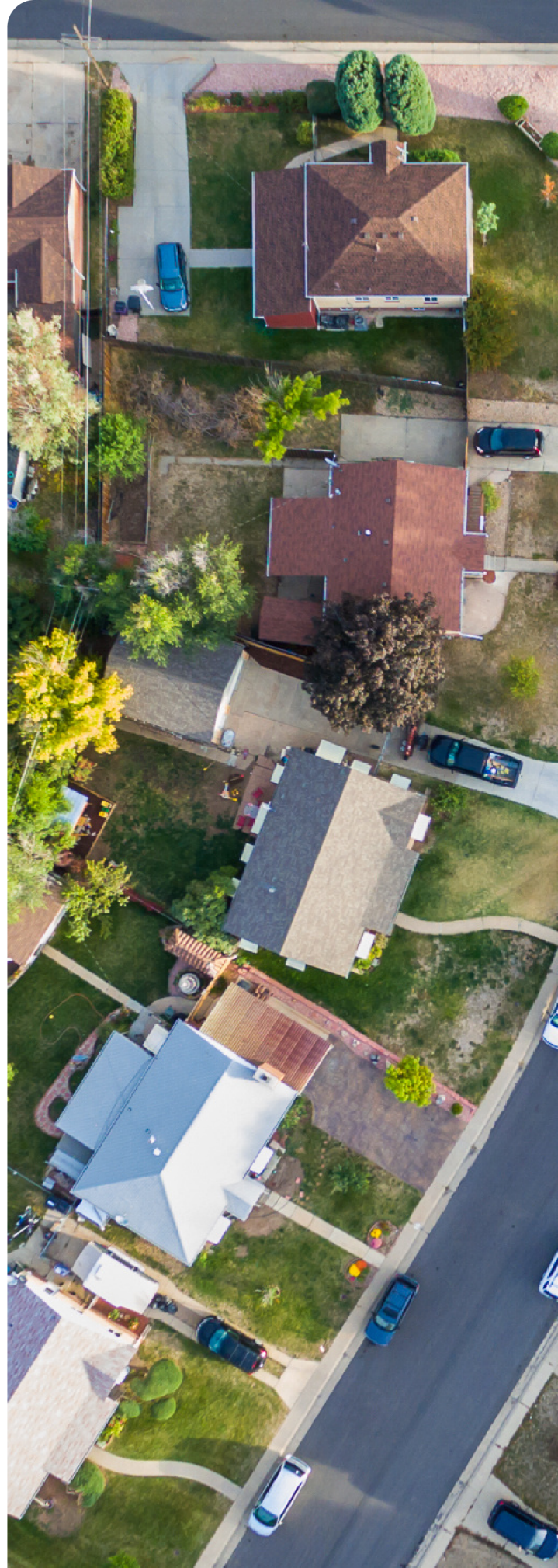
Stacy Caprioli - Chief Appraiser

Ashley Griffin - Director of Marketing

NAN Design & Graphics

Amy Jordan - Marketing Project Manager

Andrea Arcila - Marketing Specialist

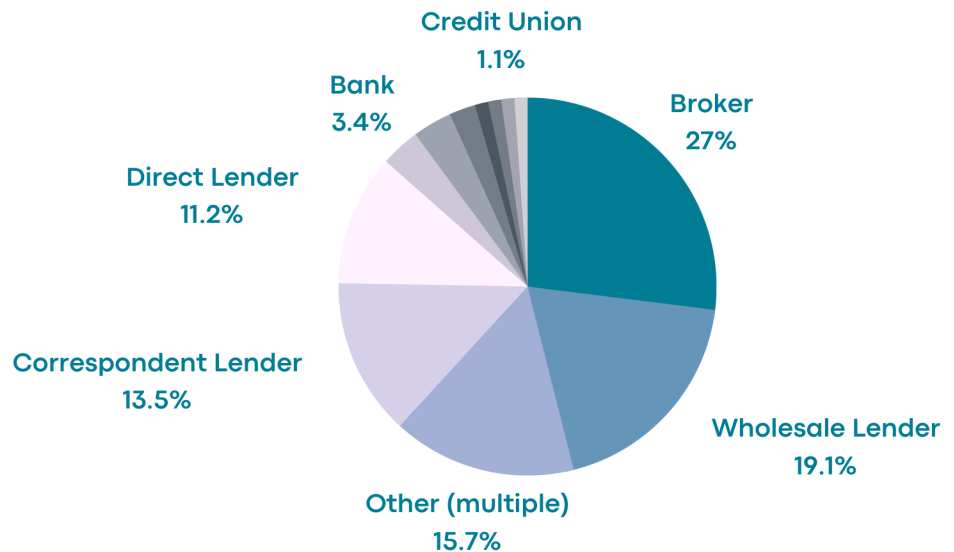


Demographics

The survey was sent via email to all lender and broker partners on November 30th, 2022 with a deadline of December 15th to submit responses.

Account Types

The virtual respondents were composed of the following account types and US regions:



Footprint

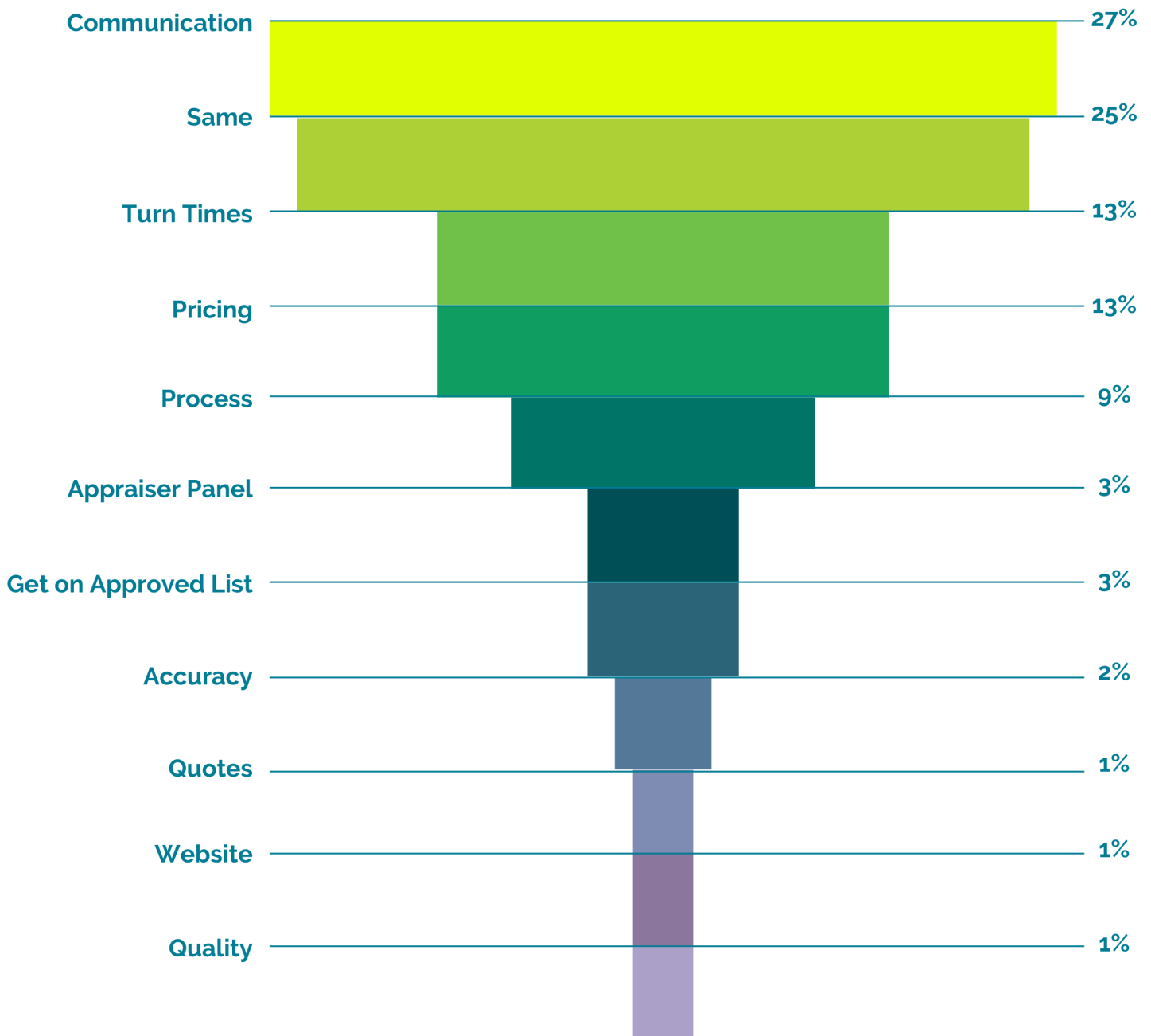


Additional Information

- **Over 63%** of the respondents indicated to have worked in the industry for over 10-20 years and 24% less than 5 years.
- **70% of the respondents** have been ordering appraisals from NAN for 1-5 years.
- 52% of the clients had **last placed an order** within the last 30 days, 30% within 90 days and 11% within the last 6 months.
- The majority of the respondents indicated that they were introduced to NAN through a **referral (68%)**.

As a Full-Service AMC, How Can NAN Best Support You and Your Growth Goals in 2023?

Communication, turn times and pricing emerged very high on the list. We were pleased to see "keep doing the same thing we've been doing" ranked second place for how we can best support our partner's growth.



Top 3 Appraisal or Valuation Challenges Lenders Face

Turn Times

NAN knows turn times matter! We believe in genuine accountability and complete transparency, which is why we offer instant access to county-level turn times on our website updated every week.

- "Commitment to turn times on communication...calls/emails answered within timely manner"
- "Hold appraisers accountable to turn times"

Pricing

NAN understands that pricing needs to be transparent and competitive for our lender partners. There are many factors that go into appraisal pricing and we consistently review our pricing in every market for all products.

- "Keep pricing affordable for the borrowers"
- "Better pricing for more volume"

Communication

Communication is key. We pride ourselves on open and consistent communication. We provide a 24/7 phone number (in case of emergencies), as well as live chat feature on our website.

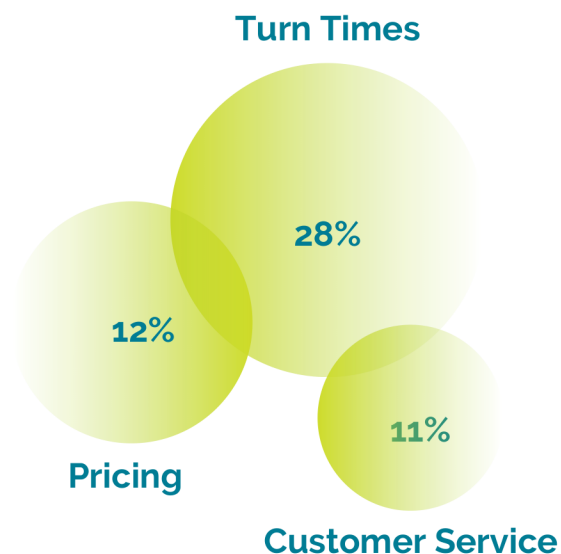
- "Continue to stay in good communication on orders. Take initiative when things go sideways and provide solutions"
- "More communication"

Growing Purchase Business in 2023

We asked our lenders how we can help grow their purchase business in 2023 and the results revealed that faster turn times, excellence in customer service, and competitive pricing are top ways we can help.

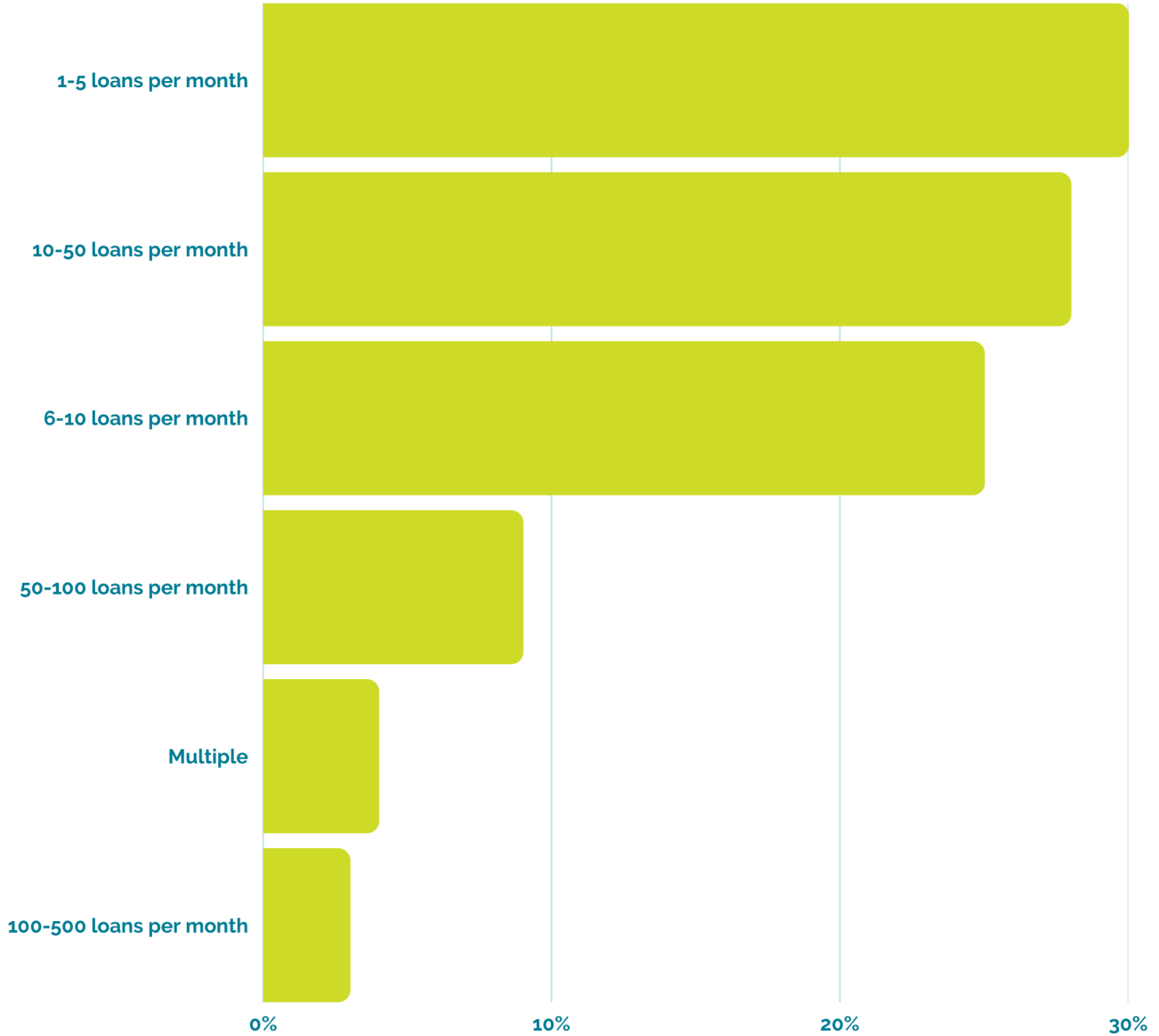
Other Responses

- "Having **assigned customer service managers**"
- "**Get approved** on most banks appraisal list"
- "**Responsive with all the queries** about the appraisal"
- "I think the faster we can get **completed appraisal without conditions** will always make us shine so we **meet closing dates** or offer to close early."
- "Just stay on top of making due dates"
- "Have **quality appraisers** on your panel. Continue to provide good communication on all orders"
- "**Competitive pricing** on orders"
- "Have appraisers available in all areas"
- "**Referrals**"



2023 Perception of Business

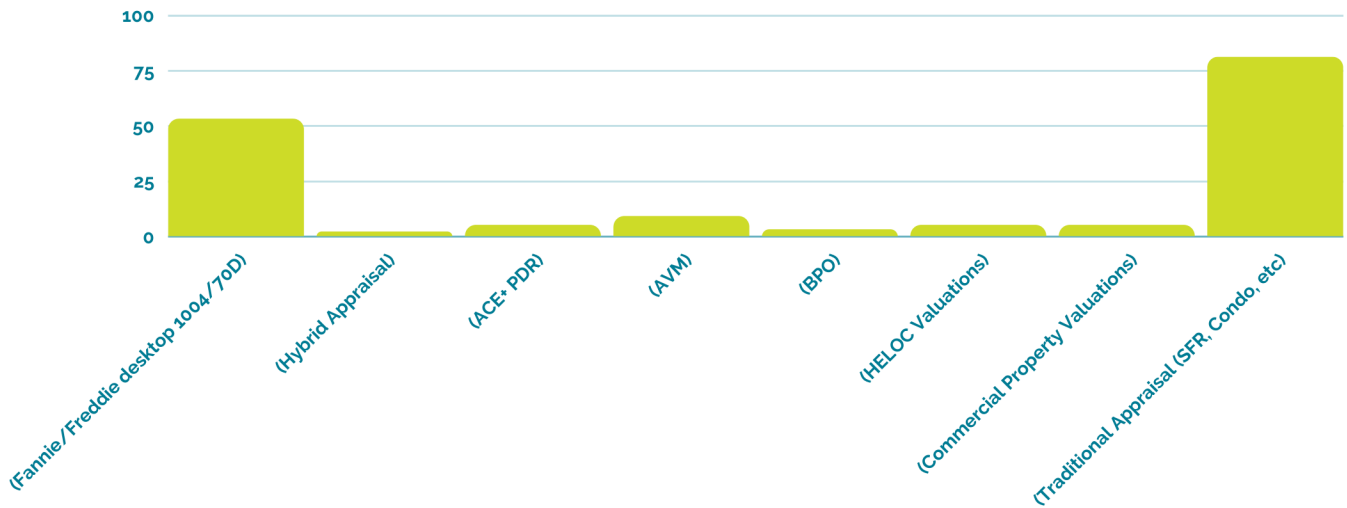
We asked our lender partners how many loans per month they expect to close in 2023 and compiled the results below. Industry challenges affecting this feedback include expected lack of inventory, and rising prices/declining affordability.



Products & Solutions

Appraisal Modernization and Alternative Valuations represent an effort to move the current appraisal process into the future while continuing to ensure the integrity of the appraisal process. Leveraging technology, data and analytics, as well as automations will enhance the management of collateral risk, making the process more efficient for everyone.

We asked our lender partners about their valuation needs for 2023. Traditional appraisals are still the leader, but we saw growth in other valuations, particularly with the desktop appraisal.

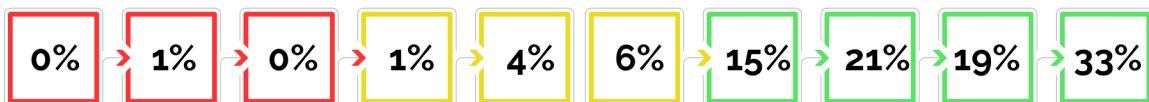
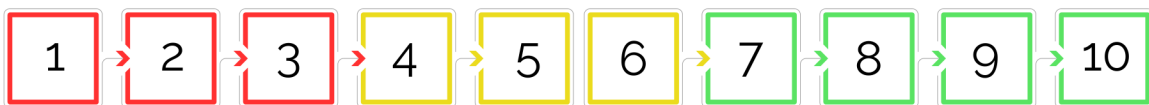


Appraisal Process

We asked our lender partners to rate their overall confidence in the appraisal process. We were pleased to see that an overwhelming majority (**88%**) reported **confident to very confident** in the appraisal process.

NOT CONFIDENT AT ALL!

VERY CONFIDENT

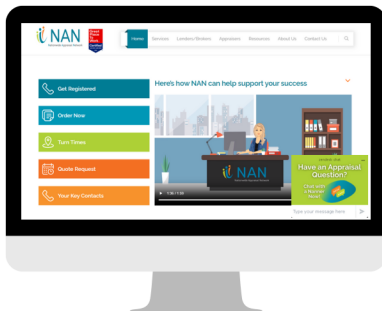
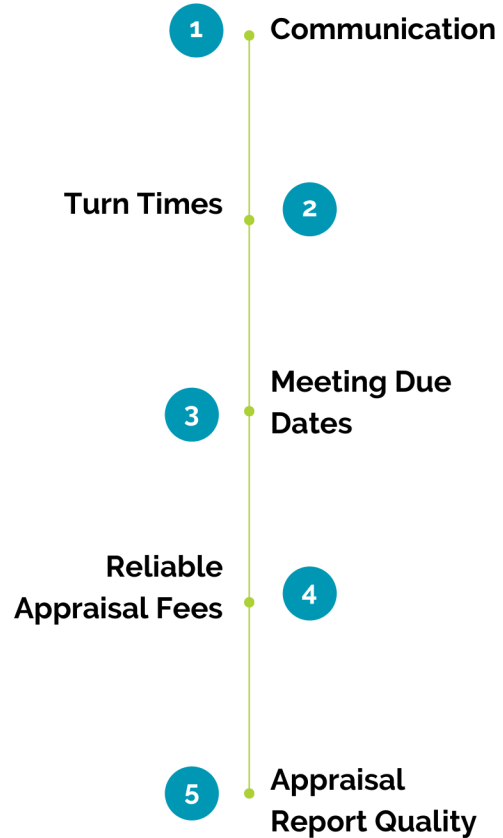


AMC Service

We asked our partners to rank what matters most when it comes to customer service with their AMC.



RANKINGS



NAN'S Website Features

- 1 Access to County Level Turn Times
- 2 Online Quote Request
- 3 Live Chat with a NAN Member
- 4 Key Contacts Access
- 5 Reconsideration of Value Form Submission

We also asked lender partners to rank the features they find most helpful when visiting NAN's website. **Turn times** and **Online Quote Request** continue to be key features with **Live Chat** coming in at a close third.

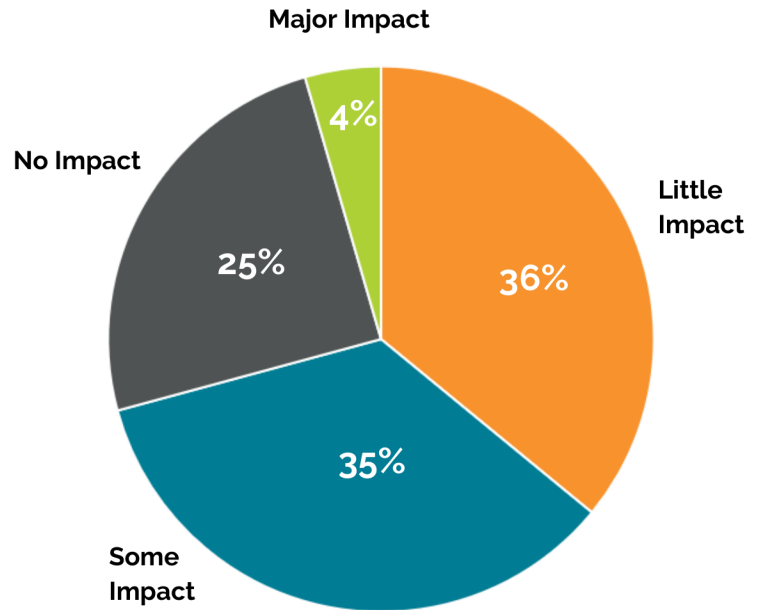
Appraisal Bias

We asked, "How much did appraisal bias affect your business this year?". While the majority of respondents said they saw little to no impact, NAN is committed to being an industry resource for bias, inclusion, equity and diversity (BIED).

Learn more at:

www.nan-amc.com/diversity

BIAS.
INCLUSION.
EQUITY.
DIVERSITY.



Spanish Speaking Borrowers

NAN has a dedicated Spanish Speaking team to serve all of our lender partners.

Why is this so important?



Hispanic home ownership rate rose to **48.6%** in 2022.

Housing Wire, March 2023



Latinos added a net total of **349,000** homeowner households in 2022, which is one of the largest single year gains over the last decade.

NAHREP, March 2023



"How valuable is it to have a Spanish Speaking Appraisal Partner?"
61% think it is valuable



Forward-Looking Statement

While the mortgage industry has proven to be anything but predictable over the past 36 months, we believe that indicators are beginning to emerge that give clues as to what the future will hold in the short/medium term:

- With inflation slowly cooling, and following substantive increases to interest rates, we do not anticipate any meaningful rise in mortgage rates for the remainder of 2023.
- Given that inflation is still at levels greater than acceptable by Fed standards and continued weak demand for mortgage bonds, we also do not anticipate mortgage rate declines (if any) to exceed 50-75 bps for the remainder of 2023.
- As we settle in at the temporary 'new normal,' we believe that market stability will lead to increased investor activity. This, coupled with generally low inventory, should keep housing prices from experiencing any sharp decline for the remainder of the year.
- As inflation continues to improve, and with an ever-increasing possibility of a recession looming, we believe that the odds of declining interest rates (and subsequently declining mortgage rates) improve for 2024.
- We do not foresee any meaningful increase in inventory levels until interest rates drop below 5.5%, as the delta between rates locked in for existing homeowners and rates currently available for home purchasers is too wide to allow for anything other than a significant step down in 'house for the money' for most U.S. homeowners. Instead, we expect to see a continued increase in HELOC activity with homeowners leveraging equity to update and improve their current homes rather than selling and seeking a new home.
- Approximately 85% of all homeowners currently have mortgages with rates <5%. As such, while we may experience a modest uptick in refi activity as mortgage rates approach 5%, we will likely not see a true refi boom cycle until either (a) rates approach the low 4% range; or (b) enough time elapses with homeowners locking in current rates in the high 6% and low 7% range that even modest improvement spurs refinance activity.

In summary, we believe that the most challenging period for mortgage origination activity has passed, and that the recovery has **slowly** begun. That being said, we anticipate the remainder of 2023 to be a K-shaped recovery in which purchase activity begins to ramp back up while refinance activity continues to stagnate. Moving into 2024, we expect to see more of a U-shaped recovery, in which both purchase and refinance markets slowly recover and improve back to a pre-Covid baseline. By 2025/2026, we expect to see a more sharp uptick in overall lending activity spurred by additional inventory and improved interest rates. All of these projections, however, could be upended by macroeconomic factors such as a deeper than anticipated recessionary environment, international unrest, and an uncertain U.S. political landscape. As such, we offer all of the above guidance with the caveat that these are only our best guesses based on experience and current data, but much like everyone else, we lack a genuine crystal ball to make any definitive statements of what the future holds.



NAN

www.nan-amc.com | 888.760.8899