

Appraisal Changes and the new UAD 3.6 for Brokers

Welcome to the Colorado Broker Podcast. What happens when the subjective art of pricing a home is, you know, entirely replaced by a machine reading algorithm? It sounds kind of intimidating, but, well, that is the exact reality we are facing right now. Right, because for decades, capturing a property's details was, I mean, it was a lot like taking a vintage Polaroid picture.

Oh, yeah. You snap the photo, the flash went off, and whatever printed out on that little square, you just had to make it work. Even if the lighting was terrible or, you know, half the house was out of frame.

Exactly. You just squinted and accepted it as this static snapshot. But today, you take a photo with a smartphone, and algorithms are instantly analyzing depth, adjusting the exposure, and giving it this, like, highly detailed rendering.

Yeah. The sheer volume of granular data in a modern digital photo makes that old Polaroid look like a cave tainting. It really does.

And in our discussion today, we are looking at the residential appraisal industry making that exact same massive disruptive leap. We really are witnessing the biggest structural overhaul in the residential appraisal profession in, well, at least 15 years. Which is huge.

It is huge. This is the rollout of the Uniform Appraisal Dataset, which is commonly called UAD 3.6, right alongside a completely redesigned Uniform Residential Appraisal Report, or the UR. It just completely abandons the old way of doing things.

And to really understand the mechanics of this shift, we have pulled apart a stack of industry sources. Right. We are looking at technical breakdowns straight from Fannie Mae and Freddie Mac webinars, deep insights from the Appraisal Institute, and expert guides written specifically for real estate licensees.

Like the operational breakdown from Bart Stockton at Paragon. Yeah, exactly. And every single one of those sources points to a fundamental reality.

The underlying mechanism of how property value is documented and supported and eventually reviewed by banks is changing. It's moving from a narrative story into a structured data science. It is a massive behavioral shift for everyone involved.

So our mission for the topic today is to help you, the real estate broker, look under the hood of these UR changes. We want to give you the tools to understand the mechanics, explain them clearly to your buyers and sellers, and successfully navigate the resulting timeline impacts through 2026. Because the timeline is the critical context for everything happening in the market right now, we are currently living right inside the transition window.

Yes. And I want to speak directly to you, the listener, and offer a very clear point of reassurance here. The new form is in place right now.

But it's not strictly mandatory yet. Right. It is not mandatory until the absolute deadline on November 2, 2026.

Because of that, some appraisers are actively using the new UAD 3.6 system today, while others are still using the old format. You are definitely going to see mixed formats. You are.

You are going to experience some strange lending questions and, you know, potential appraisal delays. But take a breath because it's all going to be okay. Absolutely.

It's going to be fine. We are going to walk you through the hidden gears of why this friction is happening and how you can actually take control of your transactions. So to understand the friction, we first have to look at the architecture of the old system.

For decades, the entire real estate industry has relied on the legacy 1004 form. Right. Yeah.

Fannie Mae and Freddie Mac established this physical document way back in the 1980s. Think about the real estate market in the 1980s. A standardized form from that era was built almost exclusively for a traditional single-family detached home in a standard subdivision.

Exactly. And as the housing market evolved to include massive condo complexes or intricate multifamily properties, the government-sponsored enterprises Fannie and Freddie, they had to create a patchwork of entirely separate forms just to keep up. Right.

So lenders started using the 1073 for condos, the 1025 for multifamily form. The 1004C for manufactured homes. It was a lot.

Appraisers were forced to take highly complex modern property characteristics and just like jam them into rigid static boxes that were never designed to hold that information. Under that old system, filling out an appraisal was essentially like handing someone a giant generic paper Mad Libs. That's a great way to put it.

It really was a one-size-fits-none document. Yeah. An appraiser inspecting a downtown condo would have to wade through sections asking about lot size or detached garages.

They'd physically skip the parts that didn't apply and try to cram unique condo details into whatever blank narrative spaces were left at the bottom of the page. Well, the new UAD 3.6 system completely eliminates that static framework. It operates much more like modern tax software.

Like TurboTax? Exactly like TurboTax. When you use a program like that, the interface doesn't show you a farm depreciation schedule unless you first check a box indicating that you actually own a working farm. Right.

It uses conditional logic. Yes. The new UR is a dynamic, digital-first report built on structured data, drop-down menus, and conditional comment boxes.

As the appraiser inputs information on their tablet, the report automatically shapes itself in real-time. So, if the appraiser selects condominium at the top of the form, the software immediately hides all the questions about lot acreage. Yep.

It instantly generates a new set of highly specific fields regarding shared amenities, HOA structures, and common wall conditions. That's fascinating. It expands or contracts based entirely on the reality of the property.

Which ultimately produces a single, tailored report that completely replaces all of those old legacy form numbers. Okay, so it creates an incredibly customized document. Okay.

But the tradeoff there is the sheer volume of data required to make that logic work. Yeah. That is the catch.

The industry is effectively ending the era of the long, free-form narrative. Appraisers can no longer type a paragraph describing a beautifully updated kitchen. Wow, really? So, no more flowery descriptions? Nope.

The new system demands granular data inputs. They must select the specific materials used for the countertops, detail the exact extent of the updates, categorize energy efficiency features. They even have to verify broadband availability, right? Yes, and classify specific zoning issues using standardized drop-downs.

It is very rigid in terms of data entry. But why are the GSEs forcing this massive behavioral change? I mean, even if the old UM-1004 form was clunky, it facilitated millions of real estate transactions. It did.

So, what is the underlying mechanism driving the need for all these drop-down menus? Standardized risk assessment at scale. Fannie Mae, Freddie Mac, and eventually the FHA and VA, they purchase and back millions of mortgages. Right.

To manage that colossal risk, they need machine-readable consistency. When property features are locked into standardized data fields rather than subjective paragraphs, those files can be instantly translated into the native language of banking computers. Meaning, an automated system can read the data without needing a human to, like, interpret an appraiser's adjectives? Exactly how it works.

Fannie Mae uses an automated algorithm called Collateral Underwriter. Okay. When an appraisal is submitted in this new, highly structured format, Collateral Underwriter can instantly cross-reference it against a massive database of uniform property metrics nationwide.

Oh, wow. So, it can look at the specific square footage of a bathroom remodel on a property in Denver and automatically compare it to 50 similar remodels in the same zip code within seconds. Yes.

It flags discrepancies, verifies data consistency, and ensures compliance without human bias, fatigue, or error clouding the judgment. So, the subjective art of an appraiser describing a home is literally being replaced by the objective science of an algorithm verifying data points. That is the core of the transition, yeah.

Okay, so we have established the mechanics of this new, dynamic, digital-first machine. The question we need to explore now is how this transition is actively playing out in the market, because it seems to be causing a significant amount of chaos right now. It definitely is.

And the timeline of the rollout explains the current friction. The GSEs executed a limited, restricted release to a small group of vetted lenders and vendors back in September 2025. Right.

And we are currently operating inside the broad use phase, which began in January 2026 and runs all the way to November 1st, 2026. So, during this 10-month window, the old UAD 2.6 and the new UAD 3.6 systems are both acceptable and coexisting in the market. Exactly.

But on November 2, 2026, the old system will be permanently retired and any appraisals submitted on the legacy forms will simply be rejected. This mixed-use period is causing a massive operational headache in how these reports are actually read and reviewed by underwriters. Oh, a huge headache.

There's a fascinating anecdote from the Freddie Mac webinar we reviewed that perfectly illustrates the problem. Sean Murphy, the credit policy risk analytics manager over there, described reviewing the old legacy reports. The Easter egg hunt story.

Yes. He has five kids who love a good Easter egg hunt. He said that trying to find property defects or structural deficiencies in the old 1004 form was literally like an Easter egg hunt.

Because the crucial issues are almost always buried deep in a general text addendum at the very back of the report. Exactly. An underwriter would review the main pages, see a collection of checkboxes that indicated no major issues, and then have to manually scour 20 pages of free-form text at the end of the document just to figure out if there was a crack in the foundation or an unpermitted addition.

It was a terribly inefficient system that caused endless callbacks, delayed closings, and constant revisions. But under the new URAR, that Easter egg hunt is completely eliminated. Because defects, damages, and deficiencies are required to be plainly listed in their specific relevant sections now.

Right. If there is peeling paint on the siding, it shows up immediately in the exterior section, accompanied by a mandatory standardized recommendation like completion, inspection, repair, or none. Okay, but if this new software is so intelligent, and it completely eliminates the confusing Easter egg hunt for underwriters, shouldn't it be drastically speeding up the appraisal process right now? You would think so.

Instead, the industry is seeing widespread delays. Why is that? Well, the technology works perfectly, but the human implementation is severely out of sync. The Appraisal Institute's data highlights a critical issue, an uneven training rollout across the industry.

Uneven in what way? Well, appraisers have been deeply immersed in robust training for months. They have completed specialized seven-hour continuing education courses developed in direct partnership with the GSEs to learn the mechanics of the new software.

But the lenders, the underwriters, and the appraisal reviewers at the banks, they are significantly lagging behind.

Wait, the GSEs announced this transition years ago. How is it possible that massive national banks are lagging this far behind the individual appraisers? Think about the infrastructure difference. An independent appraiser can take a seven-hour course, download an update to their tablet, and start using the new dynamic form the next morning.

That makes sense. But a national lending institution has to overhaul their entire loan origination system. They have to rewrite compliance protocols, integrate new software APIs across massive banking networks, and retrain thousands of individual underwriters.

Institutional inertia moves very slowly. So the people actively grading the test simply don't understand the new rubric yet. Exactly.

Reviewers are opening these new files and seeing unfamiliar, modular layouts. They are looking for the long, comforting narrative paragraphs they relied on for decades, and instead they are finding stark, standardized data points. And they get confused.

They get very confused. They incorrectly flag perfectly acceptable reports as incomplete. They frequently demand outdated revisions or ask for narrative explanations that the new UAD 3.6 software literally does not allow the appraiser to input.

Oh, that sounds incredibly frustrating for the appraiser. It is. The appraiser then has to spend days arguing with the underwriter to explain that the software physically prevents them from adding the requested narrative.

This mixed system confusion is the primary driver behind the stretched timelines. Which means the broker is the one caught in the middle, trying to keep a transaction from falling apart. Always.

Since lending delays and underwriting confusion are the reality of the current market, how does a real estate licensee actually take control of this situation? What is the practical blueprint for guiding buyers and sellers safely through the rest of 2026? The foundational shift for brokers is a complete change in identity. Licensees must stop approaching an appraisal solely as salespeople pitching a home and start operating as verified clinical data sources. Because the new UR system possesses an insatiable appetite for granular standardized data.

Right. And the appraiser has to populate those fields from somewhere. And the primary source on the ground is the listing agent.

So the days of writing, charming updated bungalow with tons of potential in the MLS and assuming the appraiser will figure out the rest, are entirely over. Vague, poetic descriptions are completely useless to a drop-down menu. The expert guides we reviewed make it explicitly clear.

Brokers must arrive at the property prepared with hard specifics. Like what kind of specifics? The appraiser will need the exact dates of major renovations. They need physical or digital copies of permits.

They need a comprehensive list detailing the specific materials used in a remodel. And what if it's a condo? If there is a homeowners association, the condo documents and reserve studies must be ready to hand over immediately. If the property features an accessory dwelling unit or ADU, the broker must provide incredibly precise, verifiable details regarding the zoning, the separate metering, and the permitted square footage.

What happens if a broker just doesn't have that information? Like, what if they show up to the appraisal, shrug, and tell the appraiser they aren't sure when the roof was replaced or if the ADU is actually permitted? The system literally locks the appraiser out. Wait, really? Yeah. Because the software uses conditional logic, missing data creates a hard stop.

If the appraiser checks the box indicating the presence of an ADU, the software dynamically generates a new set of required fields. Oh, I see. If the appraiser cannot fill those fields because the broker didn't provide the data, they physically cannot complete the report.

They cannot submit it to the lender. The entire transaction grinds to a halt until that data is sourced. That significantly changes how a broker needs to prepare a property for the market.

It also changes the physical reality of the appraisal appointment itself. It does. The operational changes at the property are going to be very noticeable to sellers.

Appraisers are no longer walking through a home for 15 minutes with a paper clipboard making quick checkmarks. Right. They are carrying tablets.

Carrying tablets, inputting data in real time, and responding to the conditional prompts the software throws at them while they walk the halls. They are required to take significantly more photos of every room, every update, and every angle of the exterior to empirically justify the ratings they select. So they're going to spend a lot more time on site.

A lot more time. Meaning, managing client expectations is going to be the most valuable service a broker provides this year. You need to sit down with your sellers before the house even goes on the market and explain the new reality.

Tell them the appraiser is going to be there longer, they're going to take far more pictures, and the process might feel significantly more invasive and clinical than any appraisal they have experienced in the past. And on the buyer's side, you need to actively build more time into your contract deadlines to account for these underwriter learning curve delays. Proactive communication, combined with a willingness to do the heavy data gathering up front, will save deals.

But you know, this new reliance on the listing agent to supply granular data does bring up a highly sensitive professional boundary. I am very glad we are tackling this because there is a crucial ethical question lurking here. As a broker, my fiduciary duty is to my client.

I want to provide all this granular data, hand over the permits, and give the appraiser everything they need to satisfy their dynamic software. But how do I do that aggressively without crossing the line into violating appraiser independence? I don't want to be accused

of attempting to illegally influence the final value of the home. The dividing line is the difference between an objective, verifiable fact and a subjective narrative.

The new UR framework is entirely built to reward verifiable facts. Okay, so handing an appraiser a municipal permit that proves a roof was replaced in October 2024 is an objective piece of data. Exactly.

Providing the architectural blueprints showing the exact square footage of a permitted ADU is an objective fact. Supplying a list of the specific grade of quartz used in the kitchen remodel is objective. And the subjective side? Subjective influence sounds like a sales pitch.

Following the appraiser around and telling them this house is easily worth \$100,000 more than the comps down the street because the vibe of the kitchen remodel just feels more luxurious is an attempt to influence value based on an unquantifiable opinion. Because the software doesn't have a drop-down menu for luxurious vibe. No, it has a drop-down for quartz countertops installed 2023.

So supplying the receipts is not an ethical violation. It is a mechanical necessity for the new system to function. Actually, the sources from the Appraisal Institute point out the reverse ethical trap.

What do you mean? There are listing agents who uncooperatively withhold data from appraisers out of a misguided, overly cautious fear of violating independence rules. Oh wow. By refusing to answer questions or provide basic documentation, those agents are actually violating their ethical duties to their own sellers.

If you withhold the data, the appraisal cannot be completed, the loan cannot be underwritten, and the deal dies. So you can no longer just sell the sizzle. You have to be ready to supply the exact chemical breakdown of the stake.

That is the perfect summary of the transition. The UR and UAID 3.6 updates are much more than just a fresh coat of paint on a stack of paperwork. It is not simply swapping out the old 1004 PDF for a new digital version.

No, it represents a fundamental, permanent structural shift in how property value is documented, verified, and consumed by the global secondary mortgage market. Let's bring this back to the reassurance we offered at the beginning of our discussion. Yes, there are going to be growing pains.

You will inevitably experience longer turn times this year as the massive banking institutions attempt to update their outdated tech stacks. You are going to be operating in a frustrating mixed system environment for a bit. One transaction sails through on the old UAB 2.6 forms, and the very next deal stalls out because an underwriter doesn't understand the layout of the new 3.6 format.

But the brokers who adapt early, who transform their workflows to become highly organized data providers, and who over-communicate these realities to their buyers and sellers will absolutely survive this transition intact. It requires learning a slightly different language. The entire valuation ecosystem is digitizing.

The real estate professionals who embrace the new technology, who understand the underlying mechanisms of why the banks need this data, will position themselves as the most stable, invaluable assets to their clients during a chaotic year. Which leaves me with a final, lingering thought, and it is something I want you, the listener, to really mull over as you prepare for your next listing appointment. We have spent this entire discussion breaking down how the appraisal process is forcing the valuation industry to abandon descriptive, flowery narratives.

The subjective story of a home is being entirely replaced by standardized, machine-readable data points. Right. Everything is being reduced to a conditional field, a specific Boolean output, a drop-down menu designed solely for an algorithm to digest.

The entire system is optimizing for machines reading data rather than humans reading paragraphs. So if this hyper-standardized data becomes the ultimate, undeniable source of truth for property value in the eyes of the global financial market, how long will it take for that reality to change how brokers write their property listings altogether? That is a great question. If the lenders, the appraisers, and the automated valuation models simply do not care about your beautifully written paragraphs describing a sun-drenched patio, how long until the MLS itself evolves to mandate this exact same clinical structure? Could the art of real estate marketing the emotional storytelling of a home soon be entirely replaced by the cold, precise science of algorithms? It really makes you wonder.

It makes you wonder if, a few years from now, we won't even use a camera to take a picture of a house. We'll just be scanning a barcode. It is a fascinating question about the future of how we sell real estate.

Thanks for joining us. We will catch you on the next one.

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