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State of the Industry

In-depth Report

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EDITOR'S NOTE

Prepare yourself for the changes on the horizon

Dear Readers,

They say the only constant is change. That is certainly true for 2025.

The country elected a new president whose administration is already discussing changes to regulatory oversight and priorities. The industry is watching closely for signals as to where regulators like the Consumer Financial Protection Bureau will shift its scrutiny and rulemaking and how the new administration's housing policy will address industry challenges like housing inventory and affordability.

Economic forecasts are cautiously optimistic that we'll begin to feel the effects of a market recovery this year. That means a better housing market in 2025 than last year, which means adjustments to business strategies and expectations are in order.

Our editors spoke with industry experts to help make sense of all the changes for the 2025 *State of the Industry* in-depth report. They share their insights and experience on what to expect and how to stay compliant and successful amid the shifting landscape.

Whatever changes 2025 brings, you can count on October Research and our publications – *The Title Report*, *The Legal Description*, *Dodd Frank Update*, *RESPA News* and *Valuation Review* – to continue to provide the in-depth and comprehensive coverage of each aspect of the real estate transaction you have come to depend on us for.

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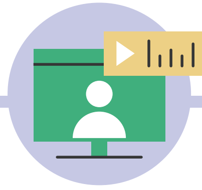

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New market, new administration, new priorities

With the National Association of Realtors' (NAR) settlement finalized, a new administration settling in, and new rules of the game when it comes to regulatory interpretation, 2025 is going to be a year for the books.

RESPA News spoke to Florida Agency Network Chief Operating Officer **Mike LaRosa**, Franzén and Salzano Founding Partner **Loretta Salzano**, Capstone, LLC Director **Makenzy Mohrman**, and Husch Blackwell Partner **Mike G. Silver** about what should be top-of-mind for the settlement services industry as we enter 2025.

NAR settlement's impact on market

After a couple of rough years for home sales, the Federal Reserve's rate cuts and consumer optimism resulted in an improved market toward the end of 2024. Forecasts for this year indicate a continuing positive upward trend. While this is cause to celebrate, this increase in sales volume is happening as the industry continues to adapt to the changes in buyer agent compensation negotiations and client relationships, potentially requiring new strategies for dealing with a business pipeline shift.

Luckily, from LaRosa's viewpoint, most market participants have adjusted quickly to this "new norm."

"It seems like buyer representation is as prevalent as it was prior to the change, but there is more consumer transparency related to specific representation and the responsibility for payment of those services," LaRosa said. "I feel like agents on both sides of real estate transactions are working together to ensure that everyone is represented and that those providing services are being adequately compensated. As far as business strategies go, our sales staff has made a more concerted effort to focus on listing agents but honestly, at this point, we haven't had to pivot very much with our approach."

Mohrman said her company believes the NAR settlement will drive business practice changes the industry will need to reconcile with as home sales volume increases.

"Notably, the requirement to provide homebuyers with buyer agency agreements that explicitly disclose compensation for services rendered will be challenging for some agents to adopt," she said. "Newer agents with less experience in the industry may have a hard time justifying their value during

initial buyer agency agreement negotiations than more seasoned agents."

When the NAR settlement was first announced, there was a lot of speculation as to whether this shift could cause an increase in joint ventures (JVs) and affiliated business arrangements (AfBAs) as buyer-side agents began to adapt. Then later in the year, the D.C. Office of the Attorney General cracked down on JVs in the district, claiming they are a violation of the district's insurance code, and announced settlements with certain companies over their JV structures.

LaRosa reported an increased interest in AfBAs, despite the news coming out of D.C.

"I agree that the situation in D.C. sent a clear message that AfBAs were going to be highly scrutinized, but I think that's only a concern for AfBAs that are set up incorrectly or are otherwise operating inappropriately," he said. "My advice would be that if you intend to create one, or enter into one, make sure it's set up and operated compliantly."

Mohrman said her company has certainly heard from industry stakeholders that strengthening and growing JVs and AfBAs will be a diversification strategy for many brokers, but added that "it is too soon to tell, in our view, whether other jurisdictions could take a similar approach to D.C. in terms of enforcement."

Salzano said from what she has been hearing, other states are taking "a more reasonable approach" than D.C. and are not pursuing actions against JVs/AfBAs that adhere to industry best practices and the U.S. Department of Housing and Urban Development's balancing test for a sham operation.

"While that policy statement does not have the force of law, it would be prudent for any JV/AfBA to consider its factors when establishing and operating a JV/AfBA – especially those factors relative to capitalization and staffing," Salzano said. "Compliance with only three conditions of the AfBA safe harbor will not necessarily thwart an investigation, or worse! Parties must also remember that RESPA is only the tip of the iceberg. State licensing, disclosure, controlled business capture limitations, and other requirements and limitations must be explored before diving in."

The CFPB under a new administration

A second **Donald Trump** administration is also a factor for the real estate and housing finance markets, as potential nominees for his cabinet have discussed regulatory rollbacks, and, if not attempting to get rid of the Consumer Financial Protection Bureau (CFPB), to further limit its authority.

One of the biggest factors in 2024 was during the State of the Union address, when President **Joe Biden** announced his administration would be reviewing closing costs in an attempt to rein in the affordable housing crisis. This revived assertions that some of these costs are "junk fees," despite the fact that many are pass-through, or are regulated by federal and state agencies. In the months following Biden's announcement, the CFPB put out a request for information (RFI) on closing costs, asking the industry to educate it on what went into these numbers, and ways that consumers can potentially save money.

With a new administration intending to address over-regulation, it called into question how the CFPB will be using the information gathered under that RFI.

"I think it is too early to know what will become of the information the CFPB requested, but I am cautiously optimistic it'll disappear into the ether *for now*," Salzano told *RESPA News* in an email. "That doesn't mean it might not resurface in the future and perhaps **Elizabeth Warren**'s new role will force the CFPB to do something with the data."

Sen. Warren (D-Mass.) is the new ranking member of the Senate Committee on Banking, Housing, and Urban Affairs after the Democrats lost Senate majority and **Sherrod Brown**, a former senator from Ohio, lost re-election. Warren was instrumental in the creation of the CFPB.

Mohrman predicted the incoming administration

will be much less focused on closing costs – particularly when it comes to credit reporting and title insurance costs to borrowers – and will more likely work toward unlocking new supply.

"The Trump campaign has also been critical of the CFPB's agenda more broadly," she noted. "We would expect the CFPB to reduce its focus on closing costs and take a narrower approach to regulation under incoming leadership."

LaRosa added that he will be watching the changes in the new administration "very closely." Based on how the last Trump administration performed, he said it would be reasonable to expect some changes at the CFPB and other regulatory agencies.

"Regarding the information collected related to mortgage closing costs, I think that efforts aimed at saving consumers money throughout the homebuying process will continue to be a focus of the administration; however, I would not expect that to come in the form of greater industry regulation," LaRosa said. "I realize there are political components to this topic, but there are many in our industry that feel title insurance was lumped into a broad argument against consumer costs without a thorough and clear understanding of the actual homebuying process.

"I hope that efforts will be made by the CFPB, or other assigned governmental agency, to rectify that and better understand the entire process."

Silver, formerly of the CFPB's Office of Regulations, said the bureau seemed to be "clearing the decks" as 2024 came to a close. Since the election, the bureau issued its final overdraft rule, the final larger participant rule on digital payment apps, the proposed FCRA data broker rule, and a number of enforcement actions and other deliverables. There is still more to come, including the anticipated NSF fee final rule and Nonbank Terms and Conditions Registry rule.

"Unlike the other rules mentioned, the mortgage closing costs rulemaking is just at the pre-proposal phase," he said. "The bureau issued an RFI this summer and there has been no convening of a SBREFA [Small Business Regulatory Enforcement Fairness Act] panel, which would likely be required for this rulemaking.

"Therefore, any action taken to propose a rule would be taken by new CFPB leadership after Director [**Rohit**] **Chopra** resigns or is fired at the start of the new presidential administration."

Silver noted that many commenters to the RFI found the premise for the rulemaking uncertain, "if not dubious." Having worked deeply on both mortgage and unfair, deceptive, and abusive acts and practices (UDAAP) issues at the CFPB, addressing credit report fees, lender's title insurance fees, and mortgage discount points – "the three buckets of closing costs about which the CFPB has expressed the most concern" – Silver said he felt addressing these issues will require different policy approaches and use of legal authorities rather than a one-size-fits-all UDAAP approach.

"And any agency action would have to grapple with the CFPB's own TRID [TILA-RESPA Integrated Disclosure] rule and its policy efforts to improve shopping through an elaborate and well-tested disclosure regime," he said.

"There is thoughtful action to be taken to address these policy issues, and one that might generate at least some industry support," he added. "While the industry should continue to engage with the bureau on issues related to closing costs, and anything is possible in terms of the fate of this rulemaking, it seems very likely that new leadership would pump the brakes and, to the extent they have concern about closing costs, go in a different direction that would involve more protracted engagement with industry."

LaRosa also called out the ongoing discussion around title alternative products, which have been considered by regulators and the government sponsored enterprises (GSEs) as a way to decrease closing costs. He said there is a possibility their popularity will continue to grow for certain transactions, such as refinances and builder sales, where there is little significant new title history and low risk to the insureds and the companies providing those assurances.

"The GSEs specifically have shown a willingness to explore some of these options, and under the new administration I will be interested to see if that trend continues," LaRosa said. "I think alternative products will exist in some form for those specific low-risk situations but my hope again is that someone is tasked with thoroughly and clearly understanding the actual homebuying process and the various insurable situations to ensure against consumers potentially under-protecting their greatest asset, their home."

RESPA News also asked experts about pocket listings, something that has popped up in conversations about the future of multiple listing services (MLS). Terms under the NAR settlement, as well as other settlements entered into by national real estate brokers to resolve multiple antitrust lawsuits over the last year, state buyer agent compensation can no longer be offered or negotiated on the MLSs, which was a main component of their use.

"Personally, I haven't noticed an increase in pocket listings, nor have I heard a lot of conversation around them," LaRosa said. "If real estate agents don't adjust to post-NAR strategies on representation and compensation then this could obviously become a more meaningful issue, but at this point it hasn't affected us at all. Our company hasn't done anything specifically related to strategy or marketing around pocket listings, as they simply are not prevalent in our market."

Mohrman had a different perspective, noting that on her side of the business, pocket listings have been a topic of interest for years. However, the conversation around them now is on the potential anticompetitive nature of the clear cooperation policy (CCP) enforced by the NAR.

"There are some businesses that have found office exclusives (pocket listings) an extremely successful strategy," she said. "If the CCP were to go away, those businesses would likely have an advantage as there would be no more listings posted to the MLSs – internal inventory would become vital."

Mohrman said a consideration she would bring to the floor is how much impact the NAR settlement will have on commissions. Her company expects a change of about 100 basis points, which seemed to be the median expectation of most in the industry.

"Agent attrition is another consideration for brokers," she added. "A large portion of NAR-member agents sell homes only part time and do not rely on commissions as a primary source of income. Many of these agents are newer to the market – within the last five years. This is likely the segment of the market to see the most attrition, given these agents may not be as well equipped to have difficult discussions with homebuyer clients that will result from the settlement. We estimate this could represent 20-40 percent of agents in the market today."

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Should the financial marketplace expect a regulatory shakeup?

By Robert Rozboril — Editor, *Dodd Frank Update*

As a second Trump presidential regime prepares to shake up the U.S. political landscape with Republican majorities in both chambers of Congress, change is once again the greatest certainty for the year ahead. That change could involve less enforcement actions and several regulations being modified in one way or another.

These may include the federal banking agencies' controversial Basel III Endgame capital standards proposal and/or final rules issued by the Consumer Financial Protection Bureau (CFPB) implementing Dodd-Frank Act Sec. 1033 on data privacy and Sec. 1071 on small business lending. The bureau's final rule on Ability-to-Repay and Qualified Mortgage

(ATR/QM) lending and the Securities and Exchange Commission's (SEC) proposed rule on climate change disclosures also may have uncertain futures under the new administration.

Dodd Frank Update sought out an insider perspective about some of the regulations that could be most vulnerable to major overhauls from three industry experts – CRE Finance Council's Head of Regulatory Affairs and Sustainability **Sairah Burki**, CRE Finance Council's Head of Legislative Affairs **David McCarthy**, and Garris Horn Senior Partner **John Levonick**.

Basel III Endgame

The financial industry has argued the proposed capital regime under Basel III lacks adequate justification and could run afoul of congressional intent if not revised. Critics believe the Endgame's higher capital requirements could make funding more difficult for banks and reduce access to credit markets for borrowers, which could weaken the private credit market and hinder economic growth.

Countless disagreements over the Basel III Endgame proposal already have made it a tough sell to the banking sector and legislators. During a November hearing which brought leaders of the prudential banking regulators before the House Financial Services Committee, Federal Reserve Vice Chair of Supervision **Michael Barr** assured critical Republicans on the agencies' intent to wait until after Trump's inauguration before moving ahead with a long-awaited reproposal of the global capital and liquidity standards framework.

Leadership changes at the Fed, the Federal Deposit Insurance Corp. (FDIC) and the Office of the Comptroller of the Currency (OCC) could be the most significant factor in determining how certain rulemaking activities will play out.

As for the Basel III rulemaking, Burki and McCarthy believe a streamlining could be in the cards in a way that could be reminiscent of the rules implementing the Economic Growth, Regulatory Relief, and Consumer Protection Act (S. 2155) in 2018.

"They are kind of going in that direction already from a regulatory perspective with the Basel Endgame reproposal, trying in particular to ease some of the burden on the non-GSIBs," Burki said.

With S. 2155, industry insiders supported many of the rollbacks called for in the measure but also feared the possibility of creating a "whipsaw effect" for the industry by changing course too dramatically, which would cause financial institutions to restructure many of their processes to adapt to a dramatically less stringent regulatory environment.

"If Basel is reproposed, it could come out maybe at the end of 2025 or mid-2025, and then the final approval and passage of the Basel Endgame might not be until 2026," Burki said. "Things can move quite slowly and uncertainty can cause difficulties in setting out your business plans. But from what we've been hearing, a lot of folks on the business side are just looking forward to a less cumbersome regulatory landscape."

McCarthy sees opportunities for regulators to tailor the framework to ease compliance burdens, particularly on smaller and regional banks, as was done with S. 2155.

"You could see something where there is a meeting of the minds on a bipartisan basis to provide relief and business opportunities for those smaller banks," McCarthy said. "Legislative proposals from Rep. **Andy Barr** (R-Ky.) and Rep. **French Hill** (R-Ark.) focus on providing more opportunities for smaller financial institutions and small banks, which have a lot of political goodwill in Congress. And obviously Basel didn't capture those banks, but I think policymakers are attuned to the effects of increasing the regulation on the largest banks and even some of the regional banks there are downstream effects on the smaller banks too."

The best way to move forward is by working to understand and balance regulatory relief and business priorities with safety and soundness concerns, which were brought front and center by the regional bank failures of 2023, he suggested. This may not be easy given the contentious debates over proposed supervisory and regulatory

approaches with respect to deposit insurance.

"I think that there is both bipartisan skepticism and anger in terms of how some of that kind of transpired in terms of the extending unlimited deposit insurance to those banks that failed, and what that portends for the future," McCarthy said. "Is it going to happen for all banks? Why did it happen for these ones? There were some fits and starts to tackle that from a legislative standpoint, but it didn't happen. I don't know if that's going to happen in this next Congress. It's a bigger conversation whether there is going to be kind of like legislation on it to kind of answer or figure out, kind of what's the right role for government in terms of deposit insurance and the level."

Data privacy rule

The CFPB's data privacy rule was finalized just prior to the presidential election, falling within the 60-legislative-day window for repeal via the Congressional Review Act (CRA), which the Trump administration used to nullify multiple rules during the president-elect's first term.

However, with bipartisan agreement on the need for federal data privacy measures and some tech-focused officials expected to be brought in under the Trump administration, the CFPB's rule implementing Sec. 1033 may not be as vulnerable to repeal as one might think, according to Levonick. On the contrary, Levonick believes the 1033 rule "might be more viable now than it might have been before."

"I think 1033 is going to withstand any negative implications of whatever happens at the bureau at the end of the day because one thing I'm seeing with the incoming administration is that they're not at a loss for technical forward-thinking," he said.

He noted Trump administration's goals appear to include transitioning the federal government's infrastructure from analog systems to more efficient, centralized and secure cloud-based systems. Trump has signaled he intends to appoint tech leaders like CloudKitchens CEO **Travis Kalanick** and **Mark Andreessen**, cofounder and general partner at the venture capital firm Andreessen Horowitz, to work at the Department of Government Efficiency (DOGE), expected to be headed up by Tesla CEO **Elon Musk**.

"I suspect that they're ultimately looking to bring the federal government on to more of a technology driven operating rail and sunsetting all the physical servers that exist throughout the beltway and the federal buildings. So I think 1033, when viewed as an open banking initiative, is aligned with the new administration's strategy."

"I think 1033 is going to withstand any negative implications of whatever happens at the bureau at the end of the day because one thing I'm seeing with the incoming administration is that they're not at a loss for technical forward-thinking."

— John Levonick,
Garris Horn Senior Partner

Small business lending rule

Critics of the CFPB's rule on small business lenders imposed excessive compliance costs and reporting burdens on financial institutions, particularly smaller lenders, which could discourage lending to small businesses. Congressional Republicans have strongly opposed the rule, claiming it oversteps regulatory boundaries and could harm small businesses.

The rule survived a Republican-led CRA repeal effort via a veto by the Biden administration at the end of 2023, but that has not put an end to political and legal challenges that could lead to delays in implementation or future revisions to weaken its impact.

McCarthy acknowledged there has been "a lot of criticism of this rule" and said he will expect to see "both regulatory action with the new CFPB director, whoever that may be, as well as continued pressure from Capitol Hill." Many organizations, especially those representing smaller financial institutions,

have advocated for exemptions to the rule. CREFC has done so as well.

"Our focus is on commercial mortgages which we feel should not be included in small business lending calculations," McCarthy said. "We tried to make that clear to the CFPB in our initial comments and follow up comments with other real estate organizations too. It's one thing if Congress has mandated that lenders have to collect certain information. To some extent, the regulators' hands are tied there. I think there are things that can make it better or worse. But from our standpoint, this is kind of a low-hanging fruit in terms of exempting commercial mortgages and that type of financing."

CRE's biggest issue with the rule mirrors complaints by other corners of the financial sector, all of which contend the rule requires institutions to collect certain data they argue is not relevant to the statutory purpose described under Sec. 1071.

"It needlessly adds costs. It's one thing if you're adding costs, and there's arguably a public policy benefit," McCarthy said. "But we don't have that."

QM/ATR changes ahead?

Levonick said potential changes could be in store for the CFPB's QM/ATR regulations in terms of reducing the vagueness of the regulations and providing clearer guidelines for the industry.

"I think the incoming administration is going to reduce or kill this interpretation through enforcement approach and potentially give more clarifying regulations," he said.

Levonick suggested that one potential solution could be tying QM to the sufficiency of underwriting and documentation requirements within the guidelines published by the government-sponsored enterprises (GSEs), effectively defining QM loans based on a clear set of criteria.

"If it meets the GSE standards, then it's a QM loan," he explained. This approach could also involve increasing the QM fee caps from 3 percent to 4 percent, allowing lenders more flexibility while maintaining regulatory constraints.

The goal would be to create a more objective and centralized framework for QM and ATR, reducing the subjective nature of the ability-to-repay assessment.

"Having the underwriting and documentation guidelines centralized like through the GSEs, everyone that delivers to the GSEs manufacturers to the same specification," he said. "Why can't those specifications work for conforming and non-conforming products?"

Climate disclosure rule

The SEC has been at the center of controversy over its climate disclosure rule. Burki views the agency's decision to finalize the rule in March as an effort to insulate it from a potential CRA effort under a second Trump administration. However, an onslaught of legal challenges has put it in a vulnerable position.

"I think they were trying to get it out ahead of the CRA window," Burki said. "But at least 12 or 13 lawsuits were filed. The SEC even put a stay on the rule as it's working its way through court. But most people think it's pretty much dead. In some way, shape or form, it will either be dismantled via litigation, or the SEC will have to go through a formal unwinding of it via a notice of proposed rulemaking, or some other step back."

Once the process of unwinding the rule is complete, she expects the rule to be effectively "toothless" in terms of its potential effectiveness in holding U.S. companies accountable for the climate-related impacts of their operations. If that is the case, California will likely continue to be the gold-standard for climate-related law.

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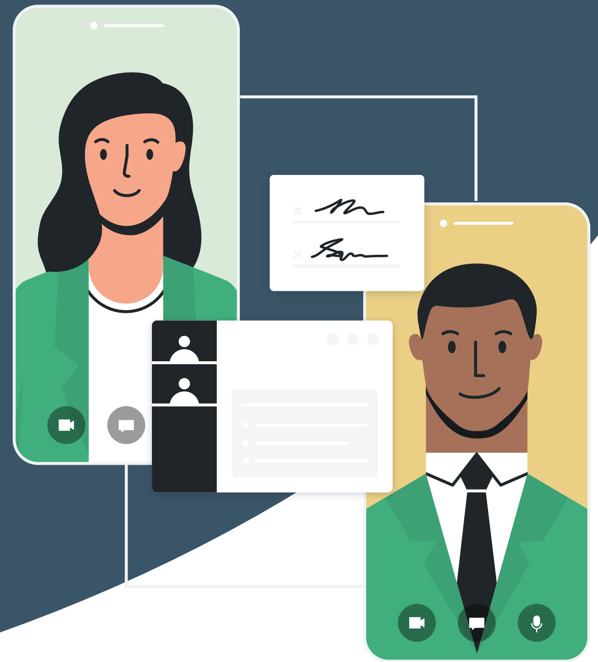

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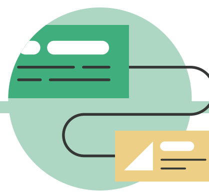

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Experts push 'cautious optimism' for market recovery in 2025

By Jonathan Delozier — Editor, *The Title Report*

Heading into 2025, the title insurance industry is bracing for a year that could bring slight improvements, but challenges remain on the horizon.

Multiple experts, including Florida Agency Network CEO **Aaron Davis**, Williston Financial Group Chairman **Pat Stone**, First American Deputy Chief Economist **Odeta Kushi**, and ServiceLink Executive Vice President of Origination **Dave Howard,** expect recovery in the coming year to be modest as the industry grapples with economic conditions, housing market dynamics and ongoing uncertainty.

"I think we're in for a similar or maybe slightly better year in 2025," Davis said. "We'll probably see marginal improvements with regard to the interest rate, but it won't be fast and it will probably be incremental. There are still some headwinds such as housing inventory, affordability and the like that will make it a choppy recovery, and we have some of the same uncertainty we have any time we see a change of federal administration after an election."

When comparing the current market downturn to similar periods in the past, Kushi highlighted key differences.

"This is not the mid-2000s housing market," she said. "The pandemic housing market was an exceptional period, but it was not driven by loose lending standards and sub-prime mortgages, nor does it feature large numbers of homeowners who are highly leveraged. Millennials aging into their prime homebuying years when mortgage rates were historically low fueled demand during a time of historically low supply."

While affordability has weakened due to higher mortgage rates, Kushi emphasized that limited inventory will continue to provide support for prices.

"It's natural to expect house price growth to adjust downward and homeowners to hold back inventory as a result of the rate lock-in effect," she said. "However, limited housing inventory has kept and will continue to keep a floor on how low national house prices can go."

Howard emphasized that one key indicator to monitor next year will be the 10-year bond rate.

"No matter what happens, it will be important to watch the 10-year bond rate throughout the year, as it seems to have a closer tie to the market than the federal fund rate," he said.

"One factor that will help make 2025 a good year for lenders is focusing on unlocking the equity that borrowers have accrued from price appreciation and the relative lack of inventory, which has and continues to drive housing prices higher."

Stone anticipates modest improvements in transaction volume during the first half of 2025, but he warned the second half remains unpredictable.

"Complicating predictions for the second half of 2025 is a lack of clarity about how significant the threatened tariffs will be and on whom they will be levied," Stone explained. "Other considerations include whether or not we'll see significant progress in mitigating deficit spending at the federal level and whether or not massive deportations will impact the construction and agricultural industries."

Stone pointed out that tariffs, if enacted, could drive inflation higher and raise interest rates.

"It is generally assumed that tariffs contribute to inflation, as they raise prices on the items being imported and also cause non-related price increases through 'greedflation,'" he said."Some analysis suggests that for every 10 percent of tariffs levied,

there is a 0.8 percent increase in overall prices."

Boosting transaction volume

"I don't know that there truly is a 'magic number' when it comes to the impact of interest rates right now (on transaction volume)," Davis said. "So much depends on larger factors like the state of the market – affordability, availability – or where the economy is. Technology advancements, regulatory scrutiny, and other major, historic developments like the NAR/Burnett settlement will continue to have a long-term impact on the entire market in ways we may not expect."

"That being said, if we need to draw a line, the number I keep hearing out there for a significant refi surge is 6 percent or under. Now, how we define 'significant' as to volume is another question altogether, but that seems to be the benchmark many feel will spur some kind of refi spike."

Howard emphasized the need for a multifaceted approach, including more support for first-time homebuyers, increased inventory through new construction, and adjustments to zoning policies.

Many lenders are shifting their focus to equity-based products as a way to drive activity amid market challenges. However, he cautioned that policy decisions could have significant impacts.

"Once again, we're going to have to wait and see how the policy environment shapes up, which could impact traditional solutions that we would normally seek," Howard said. "With the current market environment, the outlook remains varied for 2025. At this point, there are no predictions for a refinance boom next year, and we're in a wait-and-see pattern in a lot of ways until we learn what the new administration plans in terms of housing policy."

Kushi pointed to long-term supply-side strategies.

"The housing market has been underbuilt relative to demand for more than a decade," she said. "Meanwhile, millennials continue to age into their prime homebuying years. Rising demand in the face of limited supply is a recipe for house price growth."

Addressing supply shortages, Kushi argued, is the most sustainable solution.

"While there is no silver bullet solution to the challenges facing today's housing market, the most sustainable path forward lies in addressing the supply side. This involves reducing barriers and costs for builders to break ground on more homes," she added.

"The one area in which we are already seeing adjustments is in new construction," he said. "More homebuilders are looking at or beginning to construct smaller, less expensive homes. This will enable more buyers to qualify and purchase homes."

– Pat Stone,
WFG Chairman

Stone agreed with his peers on the need for increased construction, zoning changes, and support for first-time homebuyers.

"All the above would help, but the one area in which we are already seeing adjustments is in new construction," he said. "More homebuilders are looking at or beginning to construct smaller, less expensive homes. This will enable more buyers to qualify and purchase homes."

How current market recovery is unique

Howard noted similarities to past market cycles but pointed to unique dynamics in this recovery period.

"The recovery from the current market downturn isn't greatly different from similar periods in the past," he said. "One difference that is notable is that we had a mini recovery in September and October that in the end was not sustained. There

have been pockets of higher mortgage opportunities that have come and gone. In past market downturns, recoveries like this were sustained a bit longer."

Davis stressed the importance of scalability in navigating the current environment. Drawing on lessons from past downturns, he explained how advances in technology have the potential to smooth the inevitable market rebounds.

"The buzzword of 2024 will probably be the same in 2025: 'scalability,'" Davis said. "We've all seen what happens across the entire industry when the market pivots downward. We also know from past experience that, when the market bounces back, we ramp up staff and see uneven service levels across the industry. It's only natural to see widespread levels of operational lag while hiring, training, and deploying new resources."

Kushi noted similarities between today's market and the 1980s housing environment, when inflation and interest rates were also high.

"As the saying goes, 'history doesn't repeat itself, but it often rhymes,'" she said.

"When we compare the current housing cycle to those of the past, we see similarities in demographics, inflation, and interest rates that echo the housing market of the 1980s. The housing market did rebound from the 1980s, but it took some time. Inflation and mortgage rate stabilization were key."

Stone highlighted key differences compared to prior periods, such as recent historic increases in the prices of homes and ensuing affordability challenges.

"In prior downturns due to recessions, inflation and/or the Fed raising interest rates, the affordability issue was less of a concern, as we hadn't just experienced one of the most significant increases in home values in history," he said. "We now have historically high property values and mortgage rates well over 6 percent. Given the potential increases in rates due to tariffs and other issues, it is hard to imagine affordability not being a meaningful hurdle to a significant improvement in the residential real estate market."

"The market will get used to mortgage rates at or over 6 percent, but the underlying value levels will preclude a significant percentage of the population from being able to afford a home."

Looking ahead

While the path to recovery may be slow, Davis' outlook remains cautiously optimistic. He said incremental improvements in interest rates, combined with technological advancements, could help the title industry weather the current downturn and lay the foundation for growth.

"Overall, I expect we'll look back on 2025 and agree it was a better year than '24, but not by all that much," he said. "In the past, a 'normal' real estate market cycle has tended to be roughly seven years of uptick followed by a downturn of maybe 18 to 24 months.

"Then again, there's not a lot of 'normal' to go by these days, and the pandemic interrupted that uptick, bringing a prolonged stretch of abnormally low interest rates. If you look at it, we've really just come through what amounts to a 14-year upcycle, which would suggest to me we're in the middle of maybe a three- or even four-year trough."

Kushi's outlook for 2025 is one of cautious optimism. A more stable interest rate environment, coupled with supply-side solutions, could provide the foundation for gradual recovery.

"The market may not return to the extremes of the pandemic boom, but conditions are aligning for a housing market that is closer to 'just right' in 2025," she said.

Stone shared the same sentiment.

"We're entering a year that will likely be marginally better than 2024," he said. "Affordability remains a key hurdle, but the market is adjusting to higher rates, and with new construction offering smaller, more

affordable homes, there is reason for cautious hope."

"The outlook for 2025 is very much a mixed bag," Howard said. "While the Federal Reserve made multiple rate cuts in recent months, that hasn't translated into better mortgage rates."

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Appraisers hoping higher demand for quality services increases in 2025

By Mike Holzheimer — Editor, *Valuation Review*

New and innovative technological tools available to the appraiser should bring about an even stronger commitment to achieving efficiency and accuracy.

Appraisers expect quality, as do their clients, as the profession works hard strengthening the bonds of public trust.

The arrival of the new Uniform Appraisal Dataset and Forms Redesign is something the industry is eagerly anticipating with the hope that appraisers can provide a clearer narrative of their findings within reports.

Education and training remain hot topics of conversation in the valuation arena as the profession continues to break down barriers, allowing new appraisers to enter the field with confidence and the necessary skills to thrive within their businesses.

We spoke with trusted and valued appraisal professionals about where they see the industry now, what worked well in 2024 and what can be expected in 2025.

Veteran appraiser **Dustin Harris** ("The Appraiser Coach") believes 2024 was a "solid year" for appraisers.

"We continued to see a strong demand for reliable, high-quality valuation services," Harris said. "Flexibility in work modes, like remote and desktop appraisals, gave appraisers more options for balancing client needs with personal schedules, making it easier than ever to work smarter, not harder. It is exciting to see how 2024 played out and I'm looking forward to 2025."

Hansel Dobbs, chief appraiser and head of valuations for Aloft Appraisal, saw ROVs as a positive during the last 12 months.

"One of the significant developments in 2024 was the introduction of updated ROV regulations," Dobbs said. "These regulations provide clearer guidelines for handling disputes over appraisal values, which benefits both appraisers and clients by defining what constitutes appropriate evidence for review. This has helped standardize the process and reduced some of the ambiguity that previously caused delays or conflicts. The changes have supported appraisers by clarifying expectations and allowing for a more efficient workflow."

Dobbs also shared what he considers important opportunities for appraisers this year.

"In 2025, the appraisal profession will encounter significant changes with the implementation of the new Uniform Appraisal Dataset (UAD) format," he added. "This will mark the first year that reports will be completed using this updated standard, requiring appraisers to adapt their workflows and

tools accordingly."

He also shared the ACTS Conference in April is expected to provide a platform for industry discussions and demonstrations of how form-filling applications are adapting to the new UAD format. It will offer appraisers insights into these updates and opportunities to learn about advancements in appraisal software and other tools, he added, and the ongoing development of adjustment and market analysis technologies will continue to support efficiency and accuracy in reporting.

Harris touched on the progress in training, aging of the profession, technology, and bias/diversity.

"We've seen promising steps toward better training programs, embracing tech like AI (artificial intelligence), and tackling perceived bias, which helps bring in fresh talent and diversify the field," he said. "Progress in these areas is ensuring that appraisers are not only more effective but also prepared to serve a broader and more inclusive market."

Dobbs suggested that the appraisal profession is at a "crossroads," where technology is advancing rapidly, the workforce is aging, and the complexity of real estate transactions is increasing.

"While tools such as mobile inspection apps, laser measurement devices, and AI-driven platforms for report writing and data analysis are making appraisers more efficient, their adoption is inconsistent across the industry," Dobbs said. "Many appraisers remain hesitant to embrace these innovations, either due to lack of familiarity or resistance to change. However, those who leverage these tools are setting themselves apart, producing more accurate and consistent reports, particularly for challenging assignments.

"A critical factor that remains underdeveloped is the quality of training available to appraisers," he added. "The current education model often focuses on high level appraisal theory with multiple choice tests rather than pushing for a deeper understanding of complex scenarios. For a profession rooted in analyzing unique and varied residential properties, the standard educational approach often fails to prepare appraisers for the most demanding assignments."

Dobbs said there is a strong case for moving toward a more rigorous, case-study-based training model, akin to the Socratic method used in law schools. This approach, he said, would challenge appraisers to think critically, engage in peer discussions, and develop solutions to real-world appraisal scenarios.

"Many appraisers remain hesitant to embrace these innovations, either due to lack of familiarity or resistance to change. However, those who leverage these tools are setting themselves apart, producing more accurate and consistent reports, particularly for challenging assignments."

– Hansel Dobbs,
Aloft Appraisal head of valuations

"Case studies that simulate complex property valuations—such as multi-use residential properties, unique architectural styles, or properties requiring detailed highest and best use analysis—would better prepare appraisers for the demands of the field," Dobbs said.

But why do advanced-cased base training studies matter?

"Residential real estate encompasses a vast spectrum of property types, from tract housing to unique high-value residences, each with its own set of challenges," Dobbs said. "A typical training model may not address these variations, leaving appraisers reluctant to take on complex assignments. This hesitancy often results in such work being left to a small subset of appraisers or, worse, poorly conducted analyses.

"Complex properties are precisely the scenarios where a Certified Residential appraiser's expertise

is most critical. These assignments demand a thorough understanding of advanced appraisal techniques, the ability to adapt to unique circumstances, and the confidence to tackle assignments that may involve legal scrutiny or litigation," he added. "Case-based training encourages appraisers to step outside their comfort zones by exposing them to scenarios that simulate the challenges of real-world practice. By working through these cases in a structured environment, appraisers can build the confidence needed to handle complex assignments effectively."

Dobbs also brought up the Socratic method, which emphasizes dialogue, debate, and the exploration of multiple perspectives. Applied to appraisal training, this approach would foster a deeper understanding of valuation principles, encouraging appraisers to analyze data, challenge assumptions, and develop well-supported conclusions.

"Advanced training would not only enhance the skill set of individual appraisers but also raise the overall standards of the profession," Dobbs said. "As the real estate market continues to evolve, appraisers must be equipped to meet the expectations of clients who demand precision and reliability, particularly in non-lending and litigation-related assignments."

Harris brought up the many technology shifts in 2024 and his projections for 2025.

"Technology has been game-changing for appraisers, with tools like AI-aided analysis and virtual property inspections cutting down time and boosting accuracy," he said. "Looking ahead, automation and data integration are only set to deepen, meaning appraisers who leverage these tools will maintain a competitive edge."

Dobbs spoke of the use of AI tools such as ChatGPT and similar platforms becoming more prominent in the appraisal profession.

"These technologies have shown potential for improving efficiency in tasks like market research, analysis, and report writing, though their adoption is still in the early stages. Appraisers who experimented with these tools have reported time savings and operational benefits," he said. "Looking to 2025, further technological advancements are expected, particularly in response to the new UAD format. Form-filling software is undergoing updates to comply with these standards, and continued improvements in AI are likely to provide appraisers with additional tools for data analysis and report generation. These developments are expected to streamline processes and improve the accuracy and consistency of appraisal work."

Legislation proposals always catch the eye of appraisers as they look for specific laws that can make their jobs easier, as well as giving more clarity and definition to the services they can provide.

"Legislation in 2024 has hinted at tighter regulations on appraiser qualifications and a push for transparency in valuations. Any future policies will likely continue this trend, so appraisers who stay compliant and transparent will benefit most," Harris said.

Dobbs noted that while no major legislation directly affecting appraisers was passed in 2024, changes in zoning laws across the country are expected to have a growing impact.

"Upzoning initiatives, aimed at addressing housing shortages by reducing minimum lot sizes and increasing density, are becoming more common in major metropolitan areas," he said. "For appraisers, these changes mean that highest and best use analyses will play a larger role in their work, as properties are increasingly evaluated for their potential under new zoning regulations. A thorough understanding of local zoning laws and market trends will be essential for accurate and relevant appraisals moving forward."

On Nov. 5, the United States elected **Donald Trump** as president. Trump, who will reside in the White House's Oval Office for a second term as commander-in-chief, is expected to establish policies most impactful for appraisers.

"Appraisers are split on if the election in 2024 is a good or bad thing for the industry, but due to

the outcome, we will likely see shifts in housing policies that indirectly affect appraisal demand and standards," Harris said. "Staying adaptable will be key as political shifts often bring changes in property and tax regulations."

"The results of the Nov. 5 presidential election and subsequent legislative actions will likely influence housing policies that affect appraisers," Dobbs said. "Areas of focus may include housing affordability, infrastructure development, and changes in lending regulations. While the specifics remain uncertain, any shifts in these areas could alter the regulatory and market environment for appraisers.

"Appraisers should remain informed about these developments and consider how potential changes in housing initiatives or appraisal oversight might affect their work," he added. "Participation in industry associations and monitoring policy updates will be important strategies for staying prepared."

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Deed fraud continues to challenge industry

During The Property Records Industry Association's Annual Conference in Cleveland, a panel of speakers from across the recording industry spoke about how they are working to combat deed theft.

Paul Clifford, founder, HopDox, addressed some of the schemes and red flags that are out there. He noted that ownership of Graceland was disputed last year because a fraudster recorded a deed of trust on the property and then sought to foreclose on the deed.

"We're also seeing a rise of people getting tricked with recording assignments," he said. "How do you know when an interest goes from one lender to another? How do you verify it? How do you validate it?"

Clifford said another scheme that is increasing is a fraudster going to the secretary of state, filing a statement of information to change the officers of a corporation, get a certificate of good standing, then assume and try to sell the property.

John Dyer, president, Nova Title Agency, talks to Realtor groups about seller impersonation fraud, informing them of red flags, such as if someone wants to control the notarization of their transaction, or only use text or email to communicate with the Realtor.

He gave an example where a woman said she inherited property as the sole heir. When they googled the deceased, they learned the deceased had a daughter and a son. The son was in jail and the woman was lying on the form.

In another example, Dyer said an investor was taking title from an individual and the situation seemed odd. When they looked up the person transferring the title to the investor, that person was deceased. When they looked up the notary on the secretary of state website, the notary didn't exist.

"That's a real weed out because a lot of these fraudulent items, it's just a fake notary, somebody with a rubber stamp," he said. "I've notarized thousands and thousands of documents, as most title agents have. The vigilance just has to be across the board and it's a collaboration and we in the title industry appreciate the difficult job [the recorders] have."

As general counsel of Erie Title, **Monica Russel** remembers a claim she litigated where an

abandoned car dealership was titled to an LLC and somebody went to the Ohio Secretary of State, reinstated the LLC, made up corporate documents and sold the property to an adjacent owner, who was the insured. A couple weeks later, the buyers received a letter from the prior owner's family informing them the property was not theirs.

Russel noted her company has added tools to combat fraud as the years have gone on. Now when they open a file, they verify the identification of their parties using Closinglock, though there are other providers. Closinglock verifies the ID provided by the parties is legitimate and uses information like their date of birth and Social Security number to further confirm their identity.

"We do that at the outset of the transaction to make sure we're dealing with the correct people," she said. "Then, of course, at closing, we use our own notaries. We make sure we maintain control over the notary process and our notaries are physically checking those identifications at closing when they're signing their documents. We have multiple steps we take to make sure we have the proper parties."

During the presentation, **Jerry Lewallen**, chief strategy officer, eRecording Partners Network, reflected how things have changed since the days of the pandemic, when eRecording vendors were getting calls asking to open up access to their eRecording platforms. Now, they are being asked to be more selective.

Jana Miyasaki, operations manager CSC, agreed.

"Gone are the days where sales would send a contract over and we'd all say, 'Yay, sign them up, set up an account, let them start eRecording," she said. "I think each one of the eRecording vendors now has a pretty standard and strict vetting process."

Miyasaki said if a customer doesn't pass that initial verification checklist, they do another check. If they don't pass that, CSC doesn't allow them to eRecord. If they pass initial vetting, "Then they have to demonstrate they have a need to eRecord," she stated.

Bryan Young, director of product management, ICE Mortgage Technology, said Simplifile starts out with automated checks, asking a verification company to return an identity confidence score. Scores below a certain threshold trigger another level of verification.

"Also from an eRecording vendor standpoint, each submitter has a contractual relationship with the vendor that they are using, meaning they had to sign a contract," Lewallen said. "Part of the review of that contract is the vetting process. We also have an electronic record of who submitted that document and when and where from and we have that information stored. That information doesn't exist for someone who walked into your counter or for someone who submitted a package via FedEx or UPS."

Clifford reflected that when Hopdox started 25 years ago, they knew everybody that submitted because they were in their office.

"You vetted them because you are on the spot in their office, seeing what they do and nobody really slipped through for the first 10 or 15 years," he said. "Then eRecording started to really catch on and it became nationwide. Lots and lots of people began calling, going to the website, trying to sign up remotely. Then all of a sudden, you get COVID hitting and this onslaught happens. So, I can understand where there'd be some gaps in security, but there's always been that vetting process. I think it's gotten better, way better, to the point where if we can't verify you, you are not going to record. It doesn't mean it's going to be perfect, but you can see how this has evolved over time."

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