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## Data doesn't create meaning, people do.

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### Big Data, Big Risk?

By David Brauner, Publisher of Working RE

In the interview we did with Fannie Mae last issue, [Fannie Mae & Your Future](#), Fannie says that they have determined that big data, when combined with new and powerful algorithms, are "good enough" for certain types of transactions—and are cheaper and faster to boot, which is seemingly what everyone demands these days.

In a story we ran on the recent changes to the bachelor's degree and experience requirements the AQB wrote: "The importance of qualified appraisers performing solid valuations on residential and non-residential real property cannot be understated." We hear this a lot from appraisal regulators and appraisers but I'm beginning to wonder if anyone else believes it. Fannie says that "only" about five percent of purchases (and up to 25 percent of limited cash-out refis) qualify for "property inspection waivers" (PIWs), which insulate lenders against loss if they skip the appraisal. This effectively gives lenders a "free pass" to take a risk (on the taxpayer dime). Fannie is quick to point out that only a small percentage of transactions will qualify, but it's hard to believe that the program will not expand or that doing so is not one of Fannie's top priorities.

There are two TED Talks/TED Radio Hour (Google it) on "Big Data" that you may find interesting. One, by Melissa Wang, is titled "The Human Insights Missing from Big Data." Wang is a technology ethnographer who helps corporations grow by discovering the unknown about their customers. She uses data to make her point and to make her living. The teaser says: "Why do so many companies make bad decisions, even with access to unprecedented amounts of data? Wang demystifies big data and identifies its pitfalls, suggesting that we focus instead on 'thick data'—precious, unquantifiable insights from actual people, to make the right business decisions and thrive in the unknown." Wall Street analysts have known about this for years. The other talk, by Susan Etlinger, is entitled: "How Do We Approach Big Data with a Critical Eye?" Etlinger is an industry analyst whose expertise is data and analytics. She cites examples of how things that are factually correct often don't tell the whole story; how one metric can be overvalued, while another undervalued and how the missing ingredient is human nuance. Ring a bell?

She concludes: data doesn't create meaning, people do. Indeed. In the march toward automation and the rush to save time and money, maybe the value of the human touch—of critical thinking—is being dismissed. Etlinger says that we all need to ask: does the data really show us what we think it does or does it just make us feel smarter or more comfortable? Interesting question.

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