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MA/RI Chapter of Appraisal Institute president's March message

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Last month I indicated I would be writing this article about the Appraisal Institute's leadership development advisory council and the feedback and experiences provided by the three representatives the MA and RI Chapter will be sending to Washington, D.C to be our representatives. However, upon reading an article in the February 9 issue of this publication, I changed my mind, as I was compelled to figure out why anyone would call an appraiser an "intellectual idiot."

"While the topic of professional standards and the regulatory governance of appraisals are sometimes not so clear, sometimes not so concise, sometimes ambiguous, and not always written in plain and readily understood language"; the irony of this observation coming from a lawyer was too much too ignore. As a result, I spent some time researching and making phone calls to understand Massachusetts Senate Bill 2246. In a nutshell, the intention of this bill is to ensure that anyone providing real estate appraisal services in the state of Massachusetts must be licensed or certified to render an opinion of value, for any purpose. Reciprocity licensing with other states would remain intact.

Currently, Massachusetts is one of 38, out of 55 jurisdictions, where an appraiser must be certified and licensed to perform appraisal services for any federally related transaction, and real estate related transactions when federal law requires the services of such an appraiser. The key distinction in this law is that while Mass. is already a mandatory state, it is only mandatory for "federally related transactions." Currently, the Massachusetts Board of Real Estate Appraisers (MBREA) supports Massachusetts Senate Bill 2246 to include all appraisals, not just federally regulated transaction. The MA & RI Chapter of the Appraisal Institute has yet to formally take a position.

Currently, to become a licensed appraiser in the state of Mass., one must complete 200 to 300 hours of classroom appraisal education with exams, 2,000 to 3,000 hours of supervised appraisal experience, and pass a 4 to 6 hour examination. With enactment of this legislation, consumers will be assured they are engaging individuals that are educated and experienced in the field of real estate appraisal and subject to regulatory oversight.

Without the passage of Massachusetts Senate Bill 2246, the law will continue to allow lawyers, accountants, real estate agents and brokers, basically anyone, to perform real estate appraisals for any transaction other than a federally related transaction. While it is unlikely non-real estate related professionals are interested in performing appraisal services, without approval of Massachusetts Senate Bill 2246, consumers continue to be at risk of having appraisals performed by unqualified persons without the necessary education and experience to perform the appraisal competently. And it is for this reason, this pending legislation appears to be good for the consumer.

Conversely, some argue that this legislation is nothing more than protectionism for licensed appraisers and prevents unlicensed professionally designated appraisers, unlicensed non-designated appraisers, lawyers, accountants, real estate agents, and real estate brokers, to name a few, from performing competent appraisal services. This is true, there are many qualified unlicensed professionally designated and non-designated appraisers, lawyers, accountants, etc. that have many years' experience and education relating to performing competent appraisals. However, this is a very small percentage of real estate professionals, and does not negate the fact that there are also those that claim to be educated and experienced in real estate appraisal, and they simply are not.

Of note, Senate Bill 2246 retains an existing provision relative to real estate brokers, real estate agents, CPAs, and business brokers who, in the ordinary course of business, can give an opinion of the price of real estate for the purpose of a prospective listing, purchase, sale, or business valuation, provided however, that such an opinion of price shall not be referred to as an appraisal. This provision is meant to allow a select group of educated and experienced professionals to continue to provide their clients with price opinions, as long as those price opinions are not represented as a real estate appraisal.

In summation, is more regulation (MA Senate Bill 2246) necessary to protect the consumer from potentially being victim to an incompetent appraisal from an unqualified professional; or should the market be self-regulating and should it be incumbent upon the consumer to take the necessary steps to ensure they are doing business with an educated, competent appraiser, whether the appraiser has a state license or not?

Of note, the Connecticut Chapter of the Appraisal Institute has advocated and defended the state's mandatory status for all types of appraisals several times. For many years, CT Realtors, supported by the banks, have unsuccessfully made several attempts to overturn the mandatory appraiser licensing law so that their members, brokers, and salespeople, may estimate the value of real estate for a fee and for any purpose, through the use of a Broker Price Opinion (BPO) or Comparative/Competitive Market Analysis (CMA).

The MA & RI Chapter of the Appraisal Institute represents both licensed appraisers and non-licensed professional affiliates. Therefore, it is important that before the MA & RI Chapter of the Appraisal Institute take a position on this issue, we educate ourselves and openly debate the issue. To that end, I would ask any appraiser that is a member of the MA & RI Chapter of the Appraisal

Institute to contact me and ask questions and be heard. It is my hope that the MA & RI Chapter will consider taking a position regarding this important topic in April.

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