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## **Southern Maine's current appraisal environment & challenges (or, drinking through the fire hose) - by Russell Barrows**

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The current residential appraisal environment in Southern Maine continues to be challenging, but mostly in a managing the near overwhelming workload. This appears to be directly related to a combination of extremely favorable interest rates as well as what is normally higher demand during a typical, yearly appraiser "cycle." Depending on loan term / duration, equity position, property type, credit score and other qualifying criteria, interest rates presently range from the low 3% to upper 3% / low 4%. This, in-turn has increased effective purchase power for market purchase participants as well as increase the financial reward for refinances and/or obtaining home equity or 2nd mortgage loans. This increased activity has taken place during what is traditionally the busier time of our appraisal "year." Most appraisers have more lender-oriented work from (roughly) mid-March until late October/early November. This is related to typical seasonal purchase activity as well as new construction and building renovation activity. Simply stated, most people want to move during the summer months and it's generally preferred and easier to build & renovate when it's not winter.

This increased demand and limited, near fixed capacity (due to the finite number of appraisers) has, predictably, resulted in a combination of extending or otherwise increasing delivery dates (commonly known as "turn-time"); sometimes increased appraisal fees and an increase in out-right assignment declines. While I can fully appreciate the challenges that lenders and their AMC partners experience in managing their workload, this seasonal "crunch" has occurred nearly every year, and yet lenders and AMC's still seem surprised as turn-times gradually increase throughout the summer. Predictably, this has resulted in an increase in appraisal waivers and other, lessened appraiser involvement efforts. Appraisal waivers are typically employed when there is recent valuation analysis activity, conforming market areas (not too common in Maine) combined w/ strong borrower qualifications. These comprise a small percentage of activity and, to be honest, frequently don't need a "full" appraisal process. While some areas perceive waivers as a threat, we don't think that they'll amount to more than 5+-% of overall activity due to the lack of conformity in most Southern Maine markets.

Other Items / Topics

**Appraiser Trainee Requirements:** The State of Maine, along with much of the rest of the country, has adopted the May 1, 2018 AQB changes that reduce the number of hours from 2,000 to 1,000. In Maine, this takes effect later this September with the 50 co-inspection property requirement remaining. It is hoped that this change will result in increasing CR & CG willingness to take on trainees as well as bring some more appraisers on-line in a more-timely manner. Unfortunately, it'll take some time to measure the impact, if any, from this change. From a personal and Dirigo Valuation perspective, we appreciate the flexibility that these AQB changes provide. Still, it is incumbent on we more senior and experienced appraisers to provide the next appraiser generation with the tools, guidance and experiences beneficial to their respective, individual development. I continue to urge qualified, experienced certified appraisers to "pay it forward" and train the next generation. Demographics is a double-edged sword.

**Bifurcated Appraisals:** This process is when a non-appraiser conducts the property inspection (obtains photos, measures the building & develops a building sketch) and provides an inspection report to an appraiser who completes a "desk-top" appraisal. There is a perception that this process will decrease the appraisal development time while not significantly increasing collateral risk. Many appraisers are resistant to participating in this process. Reasons may range from matters of principle; perceived liability/risk and general resistance to change. It's interesting that some lenders & AMC's are willing to have a non-appraiser complete the property inspection, but do NOT permit a licensed appraiser trainee supervised by a certified residential or certified general appraiser to directly participate in the appraisal process. If lenders & AMC's as well as potential bifurcated appraisal product proponents were to reconsider trainee participation, it would likely increase the options for trainee appraisers, make hiring, training & development of trainees more financially feasible and thereby reduce turn-times while not having an adverse impact on collateral risk. I honestly doubt the cost-benefit "savings" for most potential bifurcated assignments.

**Communication:** We, like most appraisers, attempt to communicate responses, statuses and other communications in as proactive a manner as possible. At times, we are challenged with an overwhelming number of (mostly) automated email inquiries. At the present time, many appraisal assignments are "accepted with conditions." Usually, these conditions are more related to estimated delivery/turn-time and, to lesser extents the appraisal fee or the assigned appraiser. Turn-time challenges are most pressing for purchase related activities. Problems arise when there's limited time from when a property is placed under contract to when the appraisal order is actually placed (we have observed multiple assignment & declines on many lender & AMC sites) to when we can actually inspect, then complete an appraisal assignment. Pair this with some 30 and even 45-day closings, and there's often a time crunch. It would be helpful if lenders/AMC's would be proactive in communicating closing date expectations.

There are many times when we're inspecting a property just a few days prior to the initially desired / targeted closing date, and it's up to we appraisers to communicate to the agent that the closing may actually have to be changed to another, later date.

We have sometimes been the recipients of "accepted" assignments with delivery dates past said desired closing dates, yet none of this is communicated to the borrower / purchaser or involved

agents. While some cracks are anticipated due to volume, the frequency of these events can be a bit frustrating.

Concerns: The recent decline in interest rates is likely resulting in a “forward” push for lending activity. Simply stated, it’s going to result in more work now and less later this winter & early spring. It is important for appraisers to be proactive in managing workload and client relations during these heavy demand periods for what may be potentially leaner times. It’s likely that the US National, as well as the New England / Maine economy is trending toward nominal economic growth, if not an out-right recession. While the regional economy is well diversified, we’re not immune to larger influences. Being proactive in planning the next 3-6 months and beyond is highly suggested.

Summary: The immediate and short-term outlook for appraisal service demand is anticipated to continue to be quite strong, likely through late winter / early spring. Challenges, both of a micro and macro-economic nature will be more present as 2019 transitions to 2020.

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