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The role of the real estate appraiser in the purchase of a property

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As a longtime appraiser, I am well aware that most people don't appreciate the role that the appraiser plays in the purchase of their property. There are some people who perceive the role of the appraiser is simply to justify the price.

A competent appraiser considers the price negotiated between the buyer and seller, but then does their job in estimating the market value of the property, which may or may not support the price being paid. The appraiser is the only independent party to the transaction and is the only protection the consumer has in what is usually the biggest investment they are about to make.

With the market being so volatile and prices falling in most areas, it is important that buyers not overpay in a declining market. It can be disastrous. Or, as I have told some people, at least they should be aware they are overpaying and do so with open eyes.

Many people are finding it difficult to sell their home so they may decide to add an addition or even a second floor. This can be a bad decision if the cost to build it is way above the value that it adds. You can buy more house for your money with an existing house than new. But there are some great deals on new construction if you have your heart set on it.

The role of appraisers and how they conduct their business continues to draw scrutiny from federal legislators. There is too much pressure from mortgage brokers and some lenders to justify the sale price or the number needed to refinance, instead of doing an honest appraisal. There is also pressure not to mention property defects in the report. Some of that behavior will decrease when appraisers start to lose their license and face criminal and financial penalties for fraudulent work. Many of the loans made in the better market are being reviewed now, especially if they go into default. Banks may have to buy back those loans.

Credentials and reputation mean everything in the appraisal business, especially if an appraiser wants to be successful for the long haul and not just during a refinancing boom. Now that it has slowed down, many mortgage brokers and appraisers will not remain in business. This has proven true through the many cycles over the past 20 years or more.

Licensing of appraisers has only set a bare minimum of qualifications. Most of the better appraisers have learned to associate themselves with a professional appraisal organization such as the Massachusetts Board of Real Estate Appraisers or the Appraisal Institute and to constantly update their education and network to stay abreast of changes in nearby markets that may affect their own.

Appraisal organizations promote professional, honest behavior and positive perception of the industry. Clients, especially attorneys, look to these type of appraisers to get the job done.

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