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Choosing an appraiser who is qualified for the job

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Licensure was established in Massachusetts for appraisers in order to set minimum standards for real estate appraisals. Unfortunately, many appraisers, as well as users of appraisal services, do not understand the limitations of the different levels of licensing. The result of this is that many lenders, who are financing properties, have appraisals performed by licensed appraisers, but the license was not sufficient for the appraiser to have performed the appraisal. The appraisers do not seem to even know that they do not have the license that is required to appraise many of these properties. Also, appraiser trainees are performing appraisals when the supervisory appraiser is not licensed or qualified, so both the trainee and supervisor are in violation of licensing regulations.

State licensed appraisers are only allowed to appraise non-complex properties where the highest and best use is 1-4 units and the transaction value is less than \$1 million and complex 1-4 unit residential properties having a transaction value of less than \$250,000. They can only appraise vacant or unimproved land where the highest and best use is for one to four family purposes.

State certified residential real estate appraisers can appraise complex and non complex properties where the highest and best use is one to four units without regards to transaction value. Again, vacant land can only be appraised if the highest and best use is for 1-4 family use only. Because I perform many appraisal reviews for various clients, usually financial institutions, it is apparent that there is not a clear understanding of these regulations by residentially licensed appraisers. For example if a single or 2 family house happens to sit on an oversized lot which has potential for subdivision, whether it is a few acres or a 100 acre farm, it is most likely that the highest and best use is to subdivide the property, either now or when the market improves.

Title V regulation changes several years ago made subdivision of land even more possible. An appraiser would have to have the qualifications to analyze the land with regards to zoning, subdivision bylaws, development costs, topography, soil type, availability of utilities, perc tests, etc to make a determination of the highest and best use. Therefore, the appraiser would have to have a certified general license which allows the appraiser to appraise anything, including over and above what the 2 residential licenses allow.

A lender needs to realize this when ordering an appraisal. An appraiser that was not properly licensed should not accept the assignment once it is known that the assignment involves a property that may not be what he or she is licensed to appraise. Another example would be a residential 1-4 unit property that sits on land that is not zoned residential. The appraiser would need to be qualified to determine what the highest and best use of the property is, in order to perform the appraisal competently. What is the land value as if vacant? If you don't appraise commercial or industrial land,

are you guessing? Should the improvements be demolished? Should the 4 units be expanded to 8 units? Should the house be converted to office. These are just some of the issues the appraiser may be faced with when completing the assignment. Designations are becoming more important as lenders try to get more qualified appraisers. This is a good time for appraisers to further their education and advance their careers.

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