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Averting the banking crisis number three

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Banking crisis number 1. In the late 1980s and early 90s crisis cascaded through the banking profession complete with hundreds of failed institutions and mountains of bad loans.

Banking crisis number 2. Starting in 2007 crisis swept the country's banks resulting in failures, government bailouts, forced mergers and mountains of bad loans.

Banking crisis number 3. In 2018 banks will be hustling trying to find appraisers to value the collateral for their loans. The slowdown in processing will be eclipsed by the increase in appraisal fees.

Fact: appraising is a rapidly graying profession. Surveys conducted by several of the prominent appraisal organizations tell a story of practitioners advancing in years and a dearth of young people entering the profession.

The appraisal profession has failed to align itself with the needs and wants of Generations X, Y and Z. Decisions about professional qualifications are made by men and women who may be too disengaged from students graduating from college. We are trying to fit people who have always had the Internet, iPods and cell phones and believe Boomers expect a "dedication to work that interferes with a healthy work-life balance" into appraiser molds created by those very Boomers.

There is a second component missing that needs to be addressed to attract the next generation of appraisers. The very structure of the appraisal profession, dominated by sole practitioners, plays poorly against the opportunities Gen Yers have in other fields. It's not only the work environment and lack of benefits, but also, it is the systemic financial issues facing the profession that steers people away.

A third factor is the availability of assignments that can be performed by trainees to meet the experience requirements. Lenders routinely prohibit anyone other than a certified appraiser from being involved in an appraisal, even though the certified appraiser is assuming full responsibility for the report when signing as a supervisor.

So we have three issues to confront: qualifications, work environment and finances and experience. There is a balance to be struck that aligns the professional standards of appraising with the expectations of young adults; balance that also provides work opportunities and financial reward. Where the balance is and how we strike it remains a mystery.

If we continue down the road we are on financial institutions will find a third crisis on their hands. There will be a limited number of appraisers available for assignments and fees will skyrocket. While this may prove to be a boon for appraisers it also places them at risk of becoming irrelevant and out of work when clients begin to employ alternative valuation methods to complete deals and control expenses. To avoid this calamity, we need to find the balance that will allow the profession to grow with a new generation of appraisal professionals.

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