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Is there a shortage of real estate appraisers?

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A recent study of the Commonwealth of Massachusetts appraisal licensure database shows an alarming drop - over 80% - in the number of appraisers training for the profession.

The number of appraisal trainees licensed by the state dropped from 1,635 on March 14, 2007 to 303 as of November 11, 2011. A gradual decline is noted over the past four years due to the mortgage lenders' general discomfort with appraisal reports being completed solely by trainees.

The outlook for commercial lenders is good: the number of general certified appraisers is statistically unchanged over the same period. However, residential lenders may start to see the problem bloom soon, as the number of licensed and certified residential appraisers have declined by 11% in the last 22 months.

A shortage of residential appraisers may lead to an increase in appraisal fees, longer turnaround time and a decrease in appraisal quality due to appraiser fatigue.

Two major reasons for this decline are an aging appraiser population (demographic winter) and a small but significant change in appraisal requirements from some large mortgage lenders.

According to a study done by October Research in 2010, the average age of an appraiser is 50 years old; productivity generally declines after age 60. In addition, increasing lender demands have caused many older appraisers to exit the industry.

The usual market response to a declining supply of appraisal professionals would be a surge of trainees entering the industry. Problem is the trainees aren't being hired. Why? Because of the change in appraisal requirements that severely limits and even prohibits trainee involvement.

This significant change was made in response to the financial meltdown of 2008, requiring a supervisory appraiser to inspect every property with a trainee throughout their two years' training period. The unintended consequence of this requirement is an effective strangling of the entrance of trainees to the profession with most licensed appraisers finding it economically unrealistic to inspect a trainees' work while managing their own workload for a prolonged period of time.

The irony is that this new requirement, while attempting to ensure appraisal quality, actually assures the opposite: overworked appraisers attempting to meet an oversupply of appraisal work will lead to decreased quality.

Concern about the involvement of a trainee should be assuaged by the fact that a state certified supervisory appraiser signs the trainee's report and takes full responsibility for its content. This assumption of liability encourages proper training and oversight and provides the client with the same recourse as if there was no trainee assistance in the assignment. It's important to note that Fannie Mae and Freddie Mac allow trainees to inspect a property without a supervisor present.

When the real estate sales market returns, appraisal demand may outstrip the supply of existing appraisers, impeding the housing market and overall economic recovery. It takes a minimum of two

years to train an appraiser. We need to start now, do away with the new restrictive trainee inspection requirements!

Jonathan Asker is the 2012 president of MBREA and is CEO at North Atlantic Appraisal Company, West Bridgewater, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540