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## **Retro appraisal professionals - Times are changing**

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I admit it. I missed the big transition ten years ago, and it cost me. For 25 years, I have been appraising real estate in Massachusetts, and have witnessed the introduction of the secondary market, S & L banking crises, licensing of appraisers and the rise and fall of the mortgage brokers...all in one brief span of time. The big transition I missed was how quickly mortgage brokers would transform the appraisal profession.

2004: I noticed a sharp decline in the amount of orders flowing through my primary clients, banking institutions. I attributed this to the natural ebb and flow of work based on current interest rates. Although I did obtain mortgage broker clients, the business relationships were different than those with the banks, and tended to break down eventually (except for a few outstanding exceptions).

Before mortgage brokers, there were traditional lenders - local banks and credit unions, who mainly approved appraisal companies to evaluate their collateral. The appraisal companies offered many appraisers covering a large geographic area, a system of review, and a point of contact readily available for lender questions. This made the approval of one appraisal company with multiple appraisers preferable to the approval of many one-appraiser enterprises.

Let's estimate that in 2004 there were 700 banks in Massachusetts. This meant appraisers had 700 choices for mortgage appraisal assignments. Enter the mortgage brokers, eventually swelling to approximately 1,700 additional sources of appraisal assignments. Suddenly there were 2,400 total sources for appraisal work. The volume of mortgage broker business provided new clients that hired single appraisers, and many appraisers left the large appraisal companies to go out on their own.

This was a great financial boon for these appraisers: no more splitting the fee with an appraisal company, and the volume of work could increase as the mortgage broker business grew. An appraiser's income could double.

But between 2008 and 2010 the government set to regulate the mortgage broker business. Reforms such as licensing, net worth requirements, report regulations, loan officer compensation restrictions, and strict appraisal independence guidelines, coupled with the recent recession, decreased mortgage brokers by 80%. Appraiser clients evaporated almost overnight.

The clock has been turned back on the appraisal profession. Appraisal Independence regulations, tighter underwriting guidelines, and the decrease in clients have numbered the days of the independent residential appraiser working for multiple lenders. The country's three largest banks

write 50% of the mortgage business and they use appraisal management companies (companies with a large panel of appraisers) to process their appraisals. Local lenders are using nationwide both AMCs and local large appraisal companies to stay compliant.

This is the new reality of the appraisal profession. The shouting you hear from appraisers is not the end of the profession, just a painful realignment to the way our profession once was. The future is beginning to resemble the past.

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