



nerej

Can appraisers take back some measure of control? And, are we up to the task?

May 10, 2012 - Appraisal & Consulting

The appraisal process is under serious assault. It will get worse before it gets better. Appraisers are no longer believed. What appraisers do is no longer credible. There is no faith in appraiser's abilities.

The appraisal process is scoffed at by consumers, academics, the media, regulators, the government, and appraisers themselves. Appraisers regularly are figuratively beaten up, manhandled, maligned, and their abilities trivialized.

The process that has been developed by trial and error, painfully at times, has reached its limits.

In an age of apparent digital precision, the analog nature of the process doesn't stand up to technological scrutiny and the expectations of systems.

Appraisers have had foisted upon them somebody else's idea of how their job should be done. They are told what to do, they do it, then they sign their name to the work and take full responsibility for it.

The techniques used since the "beginning" are under attack. New techniques, half baked, ill considered, are forced on appraiser without their input or approval.

The markets cry for "more market analysis," "more support," "greater accuracy." Appraisals are reviewed by the ignorant, the less than knowledgeable, and those interested in self-aggrandizement.

The old ways of doing things were not necessarily that good. Certainly the housing crash showed the cracks in the entire system of residential real estate lending, and the leaks in the appraisal dikes were pretty apparent.

Appraisers and the appraisal "system" did not do well during the boom and subsequent crash. The integrity of the appraisal process was severely degraded by appraisers willing to compromise themselves to help out a client, keep an account.

The current system in place in the post crash "AMC Era" provides an environment where intermediaries working for their clients impose ludicrous and insulting requirements on appraisers and appraisers are willing to work for short fees, ridiculous turnarounds, onerous communication requirements, and unacceptable and expanding scopes of work. Appraisers meekly accept a system that provides for legalized coercion, all in the name of appraisal quality, and distorted, illogical, and unrealistic appraisal requirements created at the whim of some investor.

Even the refuge of appraisers, USPAP, is used against appraisers. Those with nefarious intentions use USPAP as a lever to intimidate appraisers into compliance. Most appraisers are sure enough of their knowledge of USPAP to know when they are being intimidated and when USPAP is being used for purposes of co-optations.

While more quantitative analysis is called for, more numbers crunched to provide definite support for trends, there is less recognition of the uniqueness of real estate and the individuality the process requires in many (not all) cases.

Real estate appraisers fill a gap between the "hard science" of quantitative techniques and the "guesswork" of the market. The best appraisers are uniquely qualified to solve valuation problems that are subject to all sorts of biases and that are based on small samples that resist statistical techniques. The good appraisers manage to solve thorny valuation problems with limited data through a combination of sifting through data to find the appropriate comparison and interaction with market participants.

Those appraisers who are not so good manage to muddle through the process. The results are hit and miss. Then there are the appraisers who don't get it, can't get it, won't get it. The system as it is evolving scoops up everyone and treats them the same, impersonally, without much respect, with much flexibility.

We are at a crossroads in this industry. Will appraisers find the requisite tools to solve the problems the marketplace perceives with the appraisal process or will they continue to allow the marketplace to impose illogical and burdensome requirements on the appraisal process, further reducing the independence of the practitioner and the flexibility of the process? Or, can appraisers take back some measure of control? And, are we up to the task?

William Pastuszek, MAI, SRA is the head of Shepherd Associates, Newton Mass.

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