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Bad news and good news for fee appraisers

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The past four years or so have not been banner years for fee appraisers. Starting in January 2008, education requirements to become generally certified almost doubled from 160 hours to 300 hours and the examination to demonstrate competency increased from three hours to eight hours. This increase effectively extended the time and cost of becoming an appraiser and discouraged newcomers to the field.

Next came the awareness that the economy was experiencing a major downturn now dubbed the Great Recession. At the time few people truly understood the extent of the downturn or the far reaching impact of such. A primary characteristic of the recession was falling real estate values. Unlike the downturn of the late 1980s and early 1990s which was a boom time for fee appraisers, troubled properties were not required to be appraised. This situation greatly lessened the demand for appraisal services.

As the abuses of the mortgage debacle came into focus, regulators and politicians went into overdrive to devise rules and regulations to make sure such abuses could never again take place. Many of these rules and regulations targeted appraisers. The outcome was the Dodd-Frank Wall Street Reform and Consumer Protection Act signed into federal law on July 21, 2010. In addition, the Internal Revenue Service, in an effort to increase revenues to the federal government, intensified tax return audit activity. One of the targets of investigation was tax deductions for real estate donations, particularly conservation easements. These events heightened the liability faced by fee appraisers.

Even as the nation painfully and slowly works its way out of the downturn, a credit crunch remains whereby fewer people qualify for a mortgage. Some buyers are avoiding this situation by paying cash for a property. A cash transaction often eliminates the need for an appraisal. Again, the demand for fee appraisers takes a hit.

To summarize thus far, education requirements have skyrocketed increasing the time and expense of becoming an appraiser, demand for appraisal services has plummeted, and the liability of appraisers has ramped up. That is the bad news. As a result of all this bad news many fee appraisers have closed their doors and abandoned the field and very few have entered. However, there is good news behind all these dark clouds.

The good news is that during these past four years, the appraisal industry has been making the transition from a craft to a true profession. With the higher educational requirements, only well educated and trained practitioners are appraisers. With fewer appraisers, even if the economy does not improve substantially, each appraiser gets a bigger piece of the pie. For those of us who are left standing, life definitely is getting better.

As a professional, association with a professional organization is critical. The Appraisal Institute is at the forefront of organizations for appraisers and has been very active for many years in not only

promoting professionalism and providing quality education but also informing government of the essential role we appraisers play in the fiduciary health of the economy and how proposed and existing regulations impact our ability to function. These last four years have not been easy for appraisers, but membership in the Appraisal Institute has definitely provided the support needed during these rough times.

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