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What are we being asked to do, doing about it, and why do it?

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It occurs to me from time to time that what we do as appraisers is a very complex undertaking with a very simple result - at least to many of those who rely upon us. Unlike me, most of you may be pretty lucky not to think about the complexity of what we do most days and are probably likely to keep it simple.

However, this may be a good time to consider what is it we are being asked to do, what we then do about what we are asked to do, and then consider why we are doing what we are doing. My comments are going to be focused somewhat on appraisals for lending transactions, but they apply more generally too.

What are we asked to do? On its face, it's pretty simple. Our job is to provide a value opinion and communicate it to the client. To do this, we have as a guide the Uniform Standards of Appraisal Practice (USPAP) which provide requirements for minimum level of practice. Nearly every client and user group has additional requirements related to the assignment's intended use. (This is where appraisers "moving" into a new practice area get tripped up by these not always obvious additional requirements. USPAP is truly only the floor, and appraisers need to be cognizant of these additional requirements in order to conform.

We provide results to the client through the appraisal process, a set of logical steps that lead the appraiser (and others) to a value conclusion. Our results are typically reported via a written report which has its own requirements related to the intended use awaiting the uninitiated.

In a nutshell, getting to the opinion of value is a complex, not quite linear, process with an incredible number of moving parts involved. Clients, while still bottom line, i.e., value, oriented, have become much more involved in "meddling" in our process with the result that clients not only want to know how we got to there but want to be in charge of what we did, and how we did it, what we considered and did not consider, what else we should have considered, in getting there. Thus, this scope creep can include anything from more pictures of bathrooms, to verifying renovation permits, to providing extensive analyses of the sales we didn't use and what may amount to full scale zoning and building permit analyses.

Part of this is the "trust" (however tenuous) that was broken during the real estate crash, part of it is the hold that clients have over appraisers (vendors).

Should we be concerned about these growing requirements? We should. Do we put ourselves in more exposed positions by acceding to many of these requests? We do. Do we have to accede to these requests? Many times, not.

Why do we do it? Part of it is that we want to please our clients, and, get more work from them. Thus, the process of requesting and assenting to what seems an outrageous request the first time becomes a behavioral loop and what seemed absurd at first merely becomes normal, SOP.

How is the appraisal process perceived outside of the circle of appraisers today? To many users,

appraisers and their appraisals provide vital information about the market and the property in a clear, independent, and nuanced fashion. To many others, the appraisal process is a great, necessary annoyance. Yet to others, appraisals are a way to get free information, to provide further confirmation, and to create additional liability for the appraiser. Others make the often valid point that appraisers run on a rail and aren't very well informed about intended use or flexible with the out of the ordinary.

Ultimately, to many lenders, an appraisal is a confirmation of a value often already determined to be reasonable beforehand and represents a way to manage risk and liability. Why is one of the first questions asked of an appraiser to provide evidence of E&O?

I am not overly cynical but I worry about where this leads us. Part of it is surely a lack of appraiser competency and thoughtfulness. Further, through inertia, recalcitrance, and inflexibility, we have allowed ourselves to be driven by what clients want, and not necessarily what they need and what we should be providing.

Why are we doing this? Because we are allowing it to happen by not doing anything about it!

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