



The revolutionary forces affecting lender appraising

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The revolutionary forces affecting lender appraising have abated from their peak of a few years ago. The profession has submitted itself to Appraiser Independence Rules, UAD and increased scrutiny of their work. Whether it is a commercial or residential appraisal report, more eyes, and computers, are checking the appraiser's work.

It's questionable if the lending community's significantly enhanced risk management practices resulted in any changes to the credibility of an appraiser's report. If appraisers have modified their practices, it is most likely a turn to conservatism to minimize the opportunity for blowback from clients. They have also developed a thick-skinned attitude towards both the naïve and experienced reviewers who call and email with endless requests.

The concept that appraising is a profession and appraiser's opinions, based on experience and education, are valuable became lost somewhere over the years. At least as far as lending is concerned. Commercial appraisers might believe this is a residential problem, but give thought to how often you lose an assignment to a lower bid, regardless of how your qualifications match up.

Residential loan appraisals are now a commodity. They are procured through a bidding process where the lowest bidder wins the assignment. A free and open market is a foundation of a democratic (small d) society so it's hard to rail against an appraiser who is willing to offer their services at a low price. From a lender's perspective, where there is an emphasis on speed and price, a competitive marketplace with multiple bidders works to their advantage.

The key element to being the successful low bidder is remaining true to appraiser's ethics and responsibilities under USPAP. This is demonstrated by the production of a credible appraisal report that the client can fully rely upon. Anything less is shirking of an appraiser's responsibility to self, client and profession.

The appraisal profession is not all doom and gloom. Many appraisers continue to make a great living performing assignments that are both interesting and challenging. Others are beginning to source business from non-lender clients and finding the work to be very satisfying even as it moves them out from their comfort zone.

Two factors weigh in on the future of appraising. First, appraisers are beginning to consider the value of their services and how that translates into how they set prices. The cost of education, transportation, software and data all contribute to a per assignment cost basis that must be covered. Then, factor in health insurance, professional liability insurance and, lest we forget, profit or what many consider everyday living expenses. Adding all the elements together draws one to the conclusion that today's low bid might lead to tomorrow's business failure.

Second, more appraisers are exiting the field than new appraisers are entering. Retirements are up and transitions into alternative careers are increasing. This bodes well for those who navigate today's difficult waters and remain appraising. Eventually, we will see a shift in the balance of supply

(appraisers) and demand (assignments) that will favor appraisers and restore both respect and financial stability to the profession.

This article cannot conclude without a pitch for membership. Membership provides an avenue to connect if you work alone and lack daily contact with other appraisers. It unites the profession in response to the negative pressures being applied. Membership has value to you and we encourage you to join MBREA today.

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