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The untimely demise of the residential appraiser

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As events are unfolding in the real estate appraisal profession, we may be witnessing the untimely demise of the residential real estate appraiser. To demonstrate my point, I will conduct a cost-benefit analysis of the process of becoming a certified residential appraiser.

Effective January 1st the new requirements to become a certified residential appraiser include an Associates Degree, 200 classroom appraisal course hours, at least 2,500 hours of experience in no fewer than 24 months, and a passing grade on an eight-hour examination.

Assuming one already has the two-year Associates Degree, the first step in the process is to become an appraisal trainee. To become a trainee, a person must take 75 hours of classroom appraisal courses and must be supervised by a certified residential appraiser or certified general appraiser. The course work is relatively easily accomplished but comes at a price. The 75 hours typically includes a real estate appraisal principals course, a procedures course, and a course in the Uniform Standards of Professional Appraisal Practice. The cost of the courses is roughly \$40 per hour including travel, course materials, instruction, etc. This step is estimated to cost \$3,000 plus take a minimum of two and a half weeks.

Finding a certified appraiser willing to supervise a trainee is an entirely different matter and not many potential trainees have been successful in this step. From my experience, there is no shortage of people interested in becoming an appraiser. The shortage is certified appraisers willing to train them. More about this choke point is presented below.

The next step is to take the remaining course work consisting of 125 hours as well as get the needed experience. At \$40 per hour, the estimated course costs are \$5,000 and the time commitment is an additional four to five weeks depending on which courses are chosen. At this point, the cost in dollars is \$8,000 in course work and a minimum of two years in experience time before you can apply to sit for the certification exam. This is the cost side of the analysis. Be aware that the cost figure does not take into consideration any licensing fees, application fees or exam fees owed the real estate appraisal board.

Now, let's take a look at the benefit side of the formula. How much can a residential appraiser realistically earn? There is a definite ceiling to earning capacity. Residential real estate fees have not increased substantially in the past decade. In fact, the fees have remained flat or even decreased. Some appraisal management companies have dictated fees as low as \$175 per appraisal. Residential appraisers have a limited capacity in terms of the number of appraisals they can realistically, competently, and consistently do on a weekly basis and still have a life. Based on discussions with numerous residential appraisers, this number is five per week. At a fee structure of \$175 per appraisal, the weekly income is \$875 for a gross annual income of \$43,750. From this amount must be subtracted expenses such as gas mileage, car insurance, data services, computer

equipment, office rent, estimated taxes, health insurance, errors and omissions insurance, and the like.

I think you get the drift. In other words, it is not cost effective to become a residential appraiser in that the earning potential is not great, and does not provide an adequate living. The return on the investment in time and expense to become a residential appraiser will not attract competent people to the field in the long run and does not incentivize qualified appraisers to take on a trainee. The market must realize that appraisers provide a very valuable service and must be adequately compensated for their time and expertise.

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