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The state of the real estate appraisal profession in 2018 - by Maria Hopkins

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As refinances have slowed down a bit with the recent interest increase, I've had a moment to take a breath and reflect on a few topics. One issue that concerns many appraisers is the attempt by some to implement a hybrid appraisal product. What bothers me the most about this is that it is almost certain that less qualified if not unqualified inspectors will most likely be engaged to inspect the properties. The biggest reason this is being pushed is to try to get cheaper, faster appraisals. Users of these products are assuming they will get experienced real estate agents, insurance adjusters or some other professional to perform them. Currently lenders are having sales agents do broker price opinions (BPO's) and they assume they have experienced sales agents inspecting properties to perform these, when often they have very inexperienced agents actually going to the properties, mostly because those are the people willing to spend time doing that for the low fees that they are being paid. Anyone can fill out a BPO form, an admin person, a newer agent. Busy, successful agents don't have time to spend hours every week doing BPO's. The same will be true of the inspection reports that will be filled out and sent to appraisers who then will have to rely on those to complete appraisal reports to save time and money on the inspection presumably. There is no good outcome for this scenario. It will have far reaching unintended consequences. What is even more ridiculous is that experienced and licensed trainees are currently not allowed by most appraisal management companies (AMC'S) and most lenders from inspecting a property and performing the appraisal, even if their more highly experienced and fully licensed supervisor inspects with them and signs the report as well, taking full responsibility for that report.

The licensing law allows this scenario in order for trainees to become licensed. This ensures that there will not be a shortage of licensed appraisers in the future. In addition, now the trainees must have the equivalent of one year or so of college education instead of just a specific few relevant college level classes, in order to obtain just the basic license. They must have a 4 year degree to become certified residential licensed. Unfortunately few lenders or AMC's will approve a basic licensed appraiser. So the reality is to work on their own they need a degree. The original thought was that a degree would make the profession more professional. That sounds good, but in reality the degree does not ensure professionalism and adds tremendously to the barrier of entry into the field.

The second largest barrier is that licensed appraisers have very little incentive to train these new appraisers into the field where the cost to do so is high, the value of work swings from high to low seemingly overnight, and these people can then go out and become their competitor. Often new appraisers undercut fees paid by users still not paying customary and reasonable fees and looking for the cheapest, fastest appraiser. So we go from a reasonable system by which trainees were trained into the field in a safe and reasonable manner, to users requiring a non-appraiser with no guaranty of any qualifications at all to perform property inspections that appraisals will be based on. We go from one extreme to the other. Appraisers, of course, are against this from happening mostly because it just doesn't make sense.

I'm sure we can make money sitting at our desks and accepting these assignments but, it's concerning that lenders and other users don't see how ridiculous this all is and most appraisers really care about their profession. Just allow the trained but not yet licensed appraisers to perform inspections as allowed by existing license laws. The end result will be far better than the proposed hybrid appraisal product and ensure that there will be no shortage as we older appraisers retire. Heads up though, I have no intention of ever retiring. I actually believe in training the new generation of appraisers and intend to do that as long as possible. Belonging to a professional appraisal organization does matter and has numerous benefits to newbies and veterans alike. I will enjoy discussion of this as well as other issues with my colleagues at the Appraisal Expo on October 22nd. See you there!

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