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The appraisal landscape is rapidly changing - by Steven Spangle

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The appraisal landscape is rapidly changing. There are a number of newer types of appraisal products and appraisal requirements are changing. Change is never easy and appraisers are challenged to keep abreast of what is proposed and what is in effect. Appraisers have an obligation to themselves and their clients to be educated about and if necessary fluent in the changing appraisal products.

The obligation to be aware of new appraisal products does not end with the appraiser. Users of appraisal services should be staying abreast of new products as well. The type of appraisal that is ordered will depend on regulations imposed on the client for a specific type of appraisal, or, a risk benefit evaluation made by the appraiser's client before ordering a specific product.

Fannie Mae and Freddie Mac have increased to level of appraisal waivers they are willing to grant. This can speed the process for a purchase or refinance that qualifies assuming all requirements are met. This type of waiver is different from the type of waiver requests that have been made by several lenders to the Appraisal Sub-Committee. If any are granted, they only exempt the lender from using a credentialed appraiser but not from obtaining an appraisal.

The term "hybrid appraisals" has been applied to what is also known as a third-party appraisal. The appraisal is not the one that inspects the exterior and/or the interior of the subject property. These are somewhat similar to what was known as a drive-by appraisal. The difference, particularly when an interior inspection is included, is that the appraiser has not seen the property. In some versions an online multiple linear regression program develops the value recommendation for the appraiser. These are valid appraisal tools. They do represent a greater level of risk, the appraiser may not know who did the inspections, and thus is making an extraordinary assumption that they have completed a competent inspection. In the correct circumstance this represents a very valid tool. It is the client's responsibility to evaluate the risk of using this tool.

A significant change is being discussed by the Appraisal Standards Board (ASB). Presently there are two different appraisal options: Appraisal report or restricted appraisal. Each appraisal must conform to one of these options. This has caused problems in the past. There has often been concerns in the past, for example, that appraisers could not complete an evaluation since the report may only contain a few pages and would have to label it as an appraisal report. A very detailed and complex appraisal that could contain 100 pages was also identified as an appraisal report. Often both clients and appraisers had a hard time coming to terms with these differences identified as the same appraisal type.

The ASB is discussing doing away with these labels. This change, if approved, should allow appraisers to tailor appraisals more to the needs of a client without having to apply a specific label to it. This tailoring has always been available to appraisers.

It was the label that could be confusing. By removing the need for a specific label, it is hoped that both appraisers and their clients will be able develop appraisals that clearly satisfy a specific scope of work.

It is always important for clients and appraisers to communicate and have a mutual understanding of what is being requested and what can be provided given the request. Going forward communication, and the client's identification the risk of various appraisal assignments, may become even more important. Everyone should always have a clear understanding of what is being ordered.

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