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Appraisers - stuck between a rock and a hard place

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If a person has an examination by a doctor, and the doctor tells that person something he or she does not want to hear such as, "You must lose weight" or "You need to stop smoking," that person understands that the doctor must be compensated for his professional input. Based on recent developments in the appraisal profession, this attitude about payment does not appear to extend to appraisers.

For more than a year, I have been hearing about clients who order an appraisal of a property, and if they do not like the value indication or some other aspect of the appraisal, demand that the appraiser change the report or risk not getting paid. This was particularly prevalent during the sub-prime heyday. In order for mortgages to be sold on the secondary market to be bundled and resold as securities, the appraisal reports backing the mortgages needed to conform to strict parameters in terms of the quality of the property.

For example, if an appraiser included comments specifying deferred maintenance within an appraisal report, the appraiser oftentimes would be pressured to take the comments out of the report. Refusal to do so, sometimes resulted in invoices not being paid as well as possible blacklisting - that is, the appraiser's name was placed on a "do not use" list circulated among other users of appraisal services.

Those appraisers with the strength of character not to submit to such pressure lost income, some to the extent of also losing their business. Unfortunately, there were appraisers who did succumb to the pressure, and these were unwitting contributors to our current economic mess. Many of these appraisers did not willingly provide fraudulent reports but were put in a position of deciding whether to have income to pay the bills or to adhere to professional ethics. No appraiser should be forced to make that decision. This by no means excuses unethical behavior, it is merely a reason that it takes place, and many of these appraisers have come to the attention of various state real estate appraisal boards.

From my perspective, the appraisal industry has suffered from a public relations problem for many years. To some degree, the appraiser is viewed as a necessary evil that gets in the way of a real estate transaction. The seller wants to sell, the buyer wants to buy, the lender wants to lend, the mortgage broker and the realtor want to close the deal. All of these parties have a vested interest in the deal going through. The appraiser, on the other hand, as a disinterested third party to the transaction is the reality check. Does the marketplace support the price being offered for the property?

If knowledgeable appraisers are permitted to do their job properly, without threatening pressure, the market is protected from inflated values. More than once I have heard the statement that the appraiser "killed the deal." Appraisers don't kill deals, they reflect the market. If the appraisal did

not generate the "right number," then the deal is not market supported and should not take place.

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