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Hot topics to consider during these warm summer days - by Bill Pastuszek

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It's the middle of the summer, and here are some hot topics which might be worth considering during these warm summer days.

- **Appraisal Thresholds.** The National Credit Union Administration (NCUA) increases – quadruples – the commercial loan appraisal threshold for when a commercial real estate appraisal is not required from \$250,000 to \$1 million. What is going on here? Credit Unions in the forefront of knocking down barriers to financial safety and soundness? The Appraisal Institute weighs in: “This is an outlandish scenario for anyone who cares about the safety and soundness of the nation’s commercial real estate lending system.” Agreed. “The NCUA’s ill-conceived, damaging decision shows overwhelmingly the need for immediate, rigorous congressional oversight.” Is this the best solution? Better, yet, how did this happen?
- **Real Estate Appraisers.** North Dakota asked for a federal waiver of real estate appraisal requirements that would allow local banks to make their own valuation assessments due to a shortage of appraisers. The waiver would help rural banks and their communities by improving the timeliness and costs of real estate transactions. Under current North Dakota law, independent evaluations are required regardless of transaction amount and the waiver would allow North Dakota banks and credit unions to assess the type of valuation that is needed. Hmm, is this waiver the best idea?
- **Evaluations.** Why can’t appraisers do evaluations? (These are “near appraisals” as defined by banking agency and do not require a credentialed appraiser.) Appraisers - not all, but many - have painted themselves into a corner and have effectively convinced many clients that - not they - but only non-appraisers can perform evaluations. (Those appraisers that have found a way just aren't talking about it.) USPAP allows for great flexibility and specifically addresses evaluations, yet most appraisers run away from doing evaluations, leaving the field open to those of varying competency willing to do the work.

- Re-engineering the Residential Appraisal Process. Fannie Mae, together with fellow GSEer Freddie Mac and others, is taking its overseer mandate seriously, and, is busily devising ways to streamline the residential appraisal process. This is being done mostly by marginalizing residential appraisers and eliminating the need for independent residential appraisals across an increasing number of transactions. Part of the reason for this marginalization is the longstanding reluctance of appraisers and their organizations to innovate and lead change, rather than react to it. In a data driven, technologically impatient, increasingly quantitatively-based world, the GSEs are moving towards solutions that may or may not include appraisers. The world seems less willing to acknowledge the part “art” and part “science” that is the appraiser’s craft. Appraisers haven’t helped their cause, either.
- Appraisal Quality. Why do many of us come away not feeling very satisfied after reading a 20-page residential report, or, a 100-page commercial appraisal report? Why are so much of appraisal reports descriptive rather than analytic? Reports need to do more than just present data and generic conclusions. They need to explain what that data means in connection the assignment and the subject. The profession’s reputation is tightly linked to the kinds of analysis provided. Clients know more and are looking for more and will find it if not provided.
- USPAP. What is the future of this revered (and reviled, in some cases) document? Is it helping appraisers and appraisal users in the ways that it must in an evolving environment? Do appraisers and users really understand the guidance that USPAP provides? More on this in a future article.
- The Markets. Continue watching them carefully. These are complex times. Markets have gotten much more complicated and stratified. The problems for markets are going to be harder to sniff out when (and if) they turn downward.
- Big Data. Increasingly, we rely on data aggregated and redacted in ways that we don’t understand (or maybe aren’t allowed to.) Can we trust it? Can we afford not to? At some point, it becomes the norm, like it or not.

The Principle of Change says that things change: That’s a constant of human activity. In appraisal, things are changing. Stay on top of the changes. They will have an effect on what you do, whether you are an appraiser, lender, reviewer, assessor, broker, or other real estate professional. Change is difficult: the results may not be what were intended and may not be happily embraced. But, this is the future of appraisal.

Okay, done for now, that was a lot for a hot midsummer day.

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