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Appraisers in a box – again: Current trends appear to be constricting ability to provide services - by Bill Pastuszek

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I reread an article I wrote three years ago entitled “Appraisers in a Box.” The article discussed that “[r]eal estate professionals are finding it increasingly difficult to carry out professional responsibilities in an increasingly competitive and regulatory stifling environment.” The professionals include those in conveyancing, brokerage, and appraisal.

A few years later, we now see a relaxation of these requirements. Such is the nature of political perspectives and regulations. The loosening is scarier than the tightening. The timing seems odd. I guess I’ve always thought a little regulation – intelligently conceived and reasonably applied – goes a long way and is better than the lack thereof. (I guess the problem is defining what is intelligent and reasonable!)

In the current anti-regulatory celebratory environment, I am reminded of a scene in an old Star Wars movie where the protagonists are in a pit with the walls closing in on them. It might be an apt analogy for the state of the profession. Current trends appear to be constricting appraisers’ ability to provide competent and ethical valuation services by taking away essential elements of the appraisal process. The trend is affecting both residential and commercial appraisers.

What is most galling is that the appraisal profession at large hasn’t had much say in these changes. The changes are being forced upon us even over objections of professional regulators, experienced lenders, and appraisal organizations.

Come the Next Big Crash, appraisers will get blamed once again for having failed to maintain acceptable levels of appraisal practice and have thereby created incorrect valuations. Setting up an environment that allows appraisers to be simply bypassed as impediments to loan production may put into motion the pieces that will lead to.

The appraisal profession is still mostly old, white, male, and with licensee numbers that are declining. Due to unrealistically difficult entry requirements, the profession is not attracting as many newbies as it should be. Appraisers have always been a bit set in their ways and the profession

hasn't done much over the past decade to dispel that perception. The organizations just don't seem to be as effective as they once were and the infighting hasn't done much for outside perception. What's happening now may just simply be the result of frustration with the lack of receptivity to real innovation in the profession.

Are these changes – raising the deminimis, bifurcated appraisals, use of non-USPAP compliant evaluations eliminating/minimizing financing appraisals in the interests of hyper risk management, appraisal waivers due to unsupported claims of appraiser shortages – going to benefit the public? The last bad time was the result of massively bad acting in circumventing or simply steamrolling laws, regulations, and common sense lending and investment practices. The reaction to that period of extremely bad behavior was to put in place safeguards to protect consumers and the financial system.

One example: Evaluations. Think about a world where evaluations are done without adherence or recognition of the Ethics Rule, the Competency Rule, and other fundamental USPAP elements. And, that's not even taking into account recognizing fundamental regarding development and reporting.

The current trend is toward large scale deregulating, with the goal being to “streamline” the process. Clearly, we are in the midst of create technological disruption and change in all industries, including appraisal and financing. The direction of agencies and GSEs points toward disturbing trends which may result in the stretching and tearing of the somewhat fragile fabric of hard won safeguards developed as a result of the last crash. Is the lending industry, consumers, and regulators ready for the potential blowback of changes whose consequences appear to be inadequately tested?

Stated differently, is it the public's protection that is the real global issue here? As appraisers, USPAP has as its underlying purposes that appraisers must maintain a high level of public trust. The rest of the world may not be guided by such a lofty concept. We seem to have fewer resources this time around when the music stops. There seems to be a shortage of Jedi Knights to save us this time.

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