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## **We are always learning - by Shaun Fitzgerald**

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Shaun Fitzgerald

Many, many years ago at the age of 16, a family friend – also our insurance agent – congratulated me on getting my learner's permit. No, no, I responded, I've had my learner's permit for six months; today I got my driver's license! He responded "No, you will be alone in the car by yourself for the first time, and that is when you really start to learn to drive." He went on to suggest that I had learned the basic skills, but now had to learn to apply my best judgment to the road conditions.

There is a similar story for appraisers and the folks who use our services. Just about anyone can go to Zillow or Trulia or Realtor.com or RocketHomes to get an estimate of their home's value for free. A more sophisticated approach might be taken by lenders using an Automated Valuation Model (AVM); usually there's a small fee for that. Or maybe even hire an appraiser to conduct a "drive-by" appraisal – more expensive than an AVM, but less than a full appraisal with an interior inspection, etc. With all the data and information floating about on the internet, who needs an appraiser?

For that matter, there are organizations aggregating all the data that appraisers are providing every time they submit an appraisal report. Fannie Mae, Freddy Mac, the VA, HUD, and numerous Appraisal Management Companies (AMCs) are building massive databases of real property information. They feel that their information is so good that they can tell the appraiser that they collected the wrong data or employed the wrong comparables – or that the data that the appraiser did collect is incorrect. If an appraiser's actual measurement and observations differ from the information in their database, the appraiser will be strongly encouraged to change them. An appraiser struggling to make a living might just comply; they do not have time to argue with someone on the phone who has been informed by an incorrect computer database. So, maybe the appraiser will just comply, and in doing so will further confirm the incorrect information. Moreover, there is some thought being given to providing appraisers with the selected comparable sales and having the appraiser write a report! So, why even have an appraiser involved?

One reason for involving an appraiser is that the appraiser will take responsibility for the report and sign a certification to that effect. That signature might be the only one in the loan file where the signer actually takes responsibility for their work. And when the rising prices finally top out and

crash, there will be someone to blame.

With all that data out there, can't these organizations successfully identify markets about to top out? Certainly, there are analytical algorithms that could look at the crashes of 1987, 2000 and 2008 and figure out that it is going to happen again. Those databases "know" that the wealthier communities pulled back well before the crashes. They know that the least affluent communities continued their price appreciation faster and higher – then crashed the hardest – and took the longest to recover!

These organizations - Fannie Mae, Freddy Mac, the VA, HUD, and numerous Appraisal Management Companies (AMCs) – allegedly exist to protect the public, protect the banks, protect the financial health of our nation. They were not really created to micro-manage appraisers or to doubt whether the appraisers had correctly collected the information now in their databases. And these same organizations are suggesting that we may not need the judgement of the appraisal community. They are saying hurry up and complete these appraisals so that we get these loans out the door. They are saying don't argue the facts because we have better data than you do. They are not saying anything about where financial markets are heading.

Just today, I read a communication from a "reputable source" that said the reason that prices are moderating is because there is less inventory. For many months though, the same "reputable source" has reported that prices have been increasing because there is less inventory. I don't get it. And while this "reputable source" is contradicting itself, there are some suggesting that there might be less need for appraisers.

Over 50 years after earning my learner's permit, I'm seeing the warning signs in our economy that equate to the roadside signs I was supposed to notice when I was sixteen years old.

Shaun Fitzgerald is the owner of Fitzgerald Appraisals, Easton, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540