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## **Now is the time to grow and be educated about appraisals**

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The economic condition of the country has been steadily worsening. We have seen sub-prime lending problems flow into problems for Lehman Brothers, AIG, Freddie Mac & Fannie Mae, as well as 13 bank failures including IndyMac Bank and Washington Mutual, the largest saving and loan to ever fail in the U.S.

Increasingly, the appraisal industry has come under criticism for its contribution to the housing disaster presently affecting the U.S. According to Susan Wachter, a real estate professor at the University of Penn.'s Wharton School of Business, "There is no doubt that fraud has increased and appraisal fraud has increased in a way to exacerbate the problems."

A recent Associated Press article by Mitch Weiss called real-estate appraiser regulation a failure. The article cited lack of funding and staff at state regulatory agencies as the primary reason for the failure noting the many states have huge backlogs of complaints that they cannot investigate to a lack of resources.

On Monday September 29th, the Associated Press also reported that a federal grand jury is investigating accounting and disclosure issues at Fannie Mae and Freddie Mac. The FBI is looking at potential fraud by Fannie, Freddie and American International Group Inc. (AIG). Additionally, according to The Associated Press, the FBI is investigating IndyMac Bancorp Inc. and Countrywide Financial Corp. for possible fraud.

It is unlikely that appraisers will escape without some type of additional regulations. However, potential future regulations are less of a concern than the downturn in the economic markets and millions of foreclosed properties that are glutting the market. The declining availability of loans coupled with increasingly strict credit and underwriting standards are further slowing the financing of home purchases and business expansion.

This has resulted in a decline in the number of appraisal requests. The impact of fewer assignments can be seen in an overall decline of 16% in the number of trainee, licensed and certified appraisers in Mass. from early 2007 through the end of September 2008. The biggest impact was with trainees, whose ranks thinned out to the tune of a 41% decline or by 686. Some transitioned to licensed or certified credentials with the certified residential category growing by 104 or 8%. Obviously the brunt of the slowdown in requests is being felt by the newest members of the profession, but there is enough pain to go around.

As appraisers and business people we have two options at a time like this: we can wait for the economy to improve and appraisal order to increase, and hope we are still in business when this happens, or, we can take aggressive action now to increase appraisal orders.

The first issue is business contacts. While it is important to stay in touch with our historic sources of business we must develop new sources to help offset slowdowns we may be experiencing. The best source for this is networking. Attend MBREA meetings and talk to other appraisers and see what is

working for them. Identify potential sources of new business such as lenders you do not presently do business with, attorneys or accountants. Attend their meetings, mingle and get your name around. Encourage appraisal organizations such as the MBREA to co-sponsor events with other professions and then attend those events.

We tend to only take continuing education as we near the end of a renewal period and even then we take whatever is available. Look to your education with an eye toward topics that will make you more competitive. Even if you have recently renewed your license view this as an opportunity to become more competitive and more able to complete assignments efficiently.

Communicate with the MBREA about what specific information you are looking for. As a New England organization they can put educational offerings, breakfast meetings, half day seminars, or full day seminars together quickly unlike the national organizations that require considerable planning time. Do you want more information on technology and software? Are you looking for information on how to appraise specific property types such as historic buildings, easements, or distressed properties? You must be very specific about what information you want. Then you must attend the offering and encourage other appraisers to attend. If you can obtain commitments from other appraisers in the area, classes can even be arranged using someone's office or a local meeting space to minimize travel.

Now is the time to use tools such as the MBREA to be pro-active and grow your business.

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