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## **Fannie, Freddie & fees challenge residential appraisers**

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Fees are a touchy subject in the appraisal profession. If you have any labor background at all you know that wages are typically classified. As workers attain skills they are elevated in classification status and compensated with a wage increase. The reasoning is a more skilled worker will perform a given task more efficiently and skillfully than a worker with less education and experience.

When licensing became a requirement it seemed reasonable to think that fees would be commensurate, not only with the difficulty of the assignment, but the level of licensing you obtained through education and experience. Not the case. In many instances fees are dictated by the client not the appraiser. While we like to think of ourselves as professionals similar to attorneys or accountants, the public perception is far different. Many clients over the past few years have made no bones about what they think of residential appraisers. Yes, bad appraisers have contributed to that assessment, but for many clients the appraisal is a tool, a means to their ends. We very much need to change public perception of our evolving profession. We can only do that by performing high quality appraisals and acting like true professionals in every manner. And, by insisting on adequate compensation for our efforts. If that means refusing work from clients who apply undue pressure and inadequate compensation, so be it.

Residential appraisers now must fill out the 1004MC Market Conditions form. Fortunately there is plenty of help out there. The MBREA has issued several updates on the form since its conception some months ago. The Freddie Mac and Fannie Mae web sites are also very helpful. If you visit [efanniemae.com](http://efanniemae.com) you will find useful FAQ's, a PDF format, and a recorded training video. Remember to use the MC for all 1-4 family forms including the 2055 and for all FHA loans as well. You cannot change or modify the content of the form itself but you can add as much commentary as you need to. Many of us have been doing the market conditions as a narrative and including it in the addendum of the report. Others have done it in Excel in a statistical format. You can continue to do either provided you properly fill out the 1004MC form. Forms are provided by your software provider and there are free downloads available on line. My suggestion is that you use common sense in filling out the form. Make sure the amount of data can support a statistical analysis. You may have to expand your search beyond the neighborhood or even the town you are in to get sufficient and meaningful data. It is important to let the client know and understand the general real estate market conditions in the area and how the economy affects housing.

Karl Case, professor of Economics at Wellesley College and founding member of Fiserve Case Shiller Weiss, Inc. was the keynote speaker last week at the New England Economic Conference sponsored by the MBREA. Dr. Case, who developed the Case-Shiller index, (the quarterly reports on changes in home prices) was prescient in forecasting the collapse of the housing bubble. Dr. Case shared relevant data that the appraisers in attendance could use in appraisal reports. Understanding economic trends and how they affect housing is important when

reporting market conditions. There is no easy or generic way of doing the form, each assignment is different and the data is constantly changing. Properly reporting market conditions takes time, don't sell yourself short.

The presentation by Case is available on line at [www.mbre.org](http://www.mbre.org).

Peter Vadala, MRA, is the 2009 president of MBREA, Dedham, Mass.

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