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Appraisers on steroids: What can we do to combat this scourge among appraisers?

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At the grill on a hot Sunday, I finally understood what has caused the problems with appraisals, lending, and the entire housing crisis: performance enhancing drugs(PED)!

We should have picked up on this problem sooner. Stunning!

PEDs are before us everywhere, from bicycling to baseball to NASCAR racing. Everybody, everywhere is trying to get an edge. Why should it be any different in real estate?

When things were going well in the markets and with appraisers, nobody really cared. With things not so good for a while, it's time to find some answers to a problem nobody has wanted to confront.

A report - "Mitchell II" was commissioned at the highest levels by the Foundations of Appraisal. It set forth the outlines of this tragedy.

The report notes that for more than a decade there has been widespread illegal use of performance enhancing substances by real estate appraisers which is clearly in violation of Standards and other rules, laws, and regulations. However, the Appraisal Board of Standards was unable to agree on a definition that would allow the problem to begin to be addressed. State Licensing Boards, undermanned and underfunded, were ineffective. Those substance abusers include both residential and certified appraisers of diverse backgrounds with brief major league appraisal careers to potential members of the Appraisal Hall of Fame.

Initial responses in the heat of the real estate bubble were ineffective. Attempts at self regulation and common sense appeals failed. At the highest and lowest levels, many preferred the status quo to finding out what is under the rock. Some thought they finally found an effective deterrent with the adoption of a program called HVCC, designed to reintroduce virtue, purity of heart, and unflagging objectivity into the appraisal process. This would root out abusers.

While potent and fraught with possibilities, HVCC was rushed into action by its makers. As a result, it is not comprehensive and filled with loopholes and ineffective solutions.

What can we do to combat this scourge among appraisers? Here are some ideas.

Provide Better Appraisal Education

Only high quality education will provide appraisers with the skills and knowledge to recognize the PED problem.

Provide Better Guidance Through Performance Standards

There is no clear set of standards regarding this issue. The profession needs to have clear standards set for ethical and competent conduct to provide guidance to appraisers and the public.

Provide Better Enforcement

State appraisal boards lack resources. Congress should immediately authorize funds. Major League Baseball over which congress has some oversight came under scrutiny. Congress has a much more direct role in regulating appraisers. Billions have been spent bailing out all sorts of miscreants; why not appraisers, too?

In and Out of Appraisal Testing

With state boards funded appropriately, they can create programs subjecting appraisers to random testing with A & B controls of course wherever they are and whether they are appraising or not. This will end the endless cat and mouse game and prevent circumvention of the rules.

Better Detection

As part of enhanced education, appraisers and appraisal users can be educated to spot the signs of abuse. For example, appraisers and appraisal user can be taught to tell the difference between the swelled head of a merely egotistical appraiser and one who is indulging in dangerous practices.

No Punishment for Those Who Come Forward

It's been painful to watch the names leak from the "confidential" list of baseball players. Those appraisers willing to come forward with their transgressions should not be furthered punished. Instead, they can serve as positive examples for others less honest and forthright.

Major League Baseball has attempted to address the problem. Now it's time for professional appraisers to do the same.

It's a shameful thing for a professional group like ours to be stripped of all legitimacy and standing due to the taint of this scandal. For the benefit of appraisers and their peers and intended users everywhere, let's stamp out the scourge of performance enhancing drugs in appraisal once and for all!

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