



IT'S ALL THE APPRAISER'S FAULT...

...or is it?

THIS appraiser has many faults, but the R.E. market isn't one of them!

I present you with some thoughts on R.E. Appraising as I perceive it after 20+ years of experience, appraising mostly for "mortgage lending purposes". Please don't take these thoughts as any kind of "gospel" or "legal advice" since I'm not qualified to provide either. They're just my musings on some of the considerations we, as appraisers, have to contend with that seem to often lead to misunderstandings when interacting with loan officers and/or underwriters.

For your APPRAISAL needs, I invite you to send me your requests, either by fax or by e-mail:

M. Cecilia Karr
fax: 714-891-8782
tel: 714-901-9221
e-mail: mckarr@karrart.com

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THE APPRAISER - AGAIN!

Back in the -80's I was staff appraiser for one of the major lenders here in Southern California. Starting as a trainee in late 1982, I had fairly quickly advanced and was "lead appraiser" (supervisor, more or less) by the time the big property boom of the -80's happened. Although the appraisal process was the same back then, actual reporting requirements were less intricate - and we "cranked them out". One problem persisted during this time: property values were increasing so rapidly, we had a hard time keeping up and were often unable to "hit" the salesprice. The "Big Boss" - who was not an appraiser - called me in and told me to "do something about it - how come the competition can bring 'em in and we can't?" Talk about lender pressure! We added pending sales to show the trend in the market in order to support the higher bottom lines. Adding pending sales made sense then, it made sense during the recent boom - and, it makes sense NOW. The appraisal reflects the current market as observed, researched and reported by the appraiser. The appraiser does not make or invent the market. If property values are going up, they're going up - if they're going down, they're going down. You, me, "they" may not like it - but there it is! Through these ups and downs, exasperation with the appraiser is bound to set in - especially during the transition periods. The change in market trends tends to be subtle at first and a properly researched appraisal may be the first hint that homeowners and lenders receive in this regard. When the trend is flat or downward, especially after a "frenzied" upswing as experienced in the past few years, the first reaction tends to be: rotten, bad appraiser. That's not nice, but it is understandable. During such times it is advisable to take a closer look at the report. There should be verbiage in it to explain the trends observed in the market along with pending sales and/or active listings. The listing history for all the comps used should be included - length of market exposure, changes in listprices, re-listings after expiration or withdrawal/cancellation - all this is required for FNMA, so yes - it would surely be there, but it is also likely to be referenced elsewhere in the report as support for the appraiser's opinion of value. "Forget" the bottom line, for now, and just read the appraisal. If, after that, you still think the appraiser is "rotten, bad" go ahead and submit the market data YOU think will support a different value to the appraiser. The appraiser will be grateful to you for the chance to set things right, should s/he have missed something substantial!

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THE APPRAISER - AGAIN! Part deux

Where do we stand now, as appraisers? Well, I'm waiting for the other shoe to drop. Again. Just like it did in the late -80's - the big R.E. market crash and the Savings & Loan scandals - it was ultimately "the appraiser's fault". FIRREA was a "Reform Act". The biggest "reform" accomplished? - Licensure of the appraisers! <Insert tirade here.> OK, now that THAT is off my chest - has it really changed the appraisal BUSINESS? Yes. <Insert tirade2!> Has it changed basic appraisal principles? No. Has it made a substantial difference in the reliability of any given appraisal report? No. Has it made R.E. Appraising a more respected profession? NO!

Why am I still an appraiser? I love the process! The easy appraisals - "cookie cutters" - are welcome breaks and get as much consideration as any other. They deserve it - after all, they pay my bills very nicely! But the "odd" ones, that's where it's at. The challenge to find real comps, analyzing the market for reaction - or lack thereof - to different individual characteristics, watching the indicated value range shrink on that bottom line until the value literally pops out! Then reporting it in a concise manner, so clear and well reasoned that even a potential reviewer doesn't move his/her dialing finger... (Reviewers are notorious for being nit-picky - I know I was back in my staff days.) Ah, now that's satisfying!

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THE APPRAISER - AGAIN part trois

What about the appraisal business? <tirade2 (from part deux)>

It is a very hard one to get into, these days. A lot of money has to be spent to even become an official trainee. Very strict rules govern the actual hands-on training needed to obtain the full license, and those put a serious dent in the mentor's own business. Needless to say, finding a mentor these days is not exactly a cake-walk. Unfortunately, this can lead down the path of temptation to cut corners, putting both mentor and trainee in possible jeopardy of all kinds of violations, resulting in License suspension, License revocation, fines and/or jail. Not exactly the American Dream. I think many of these potential violations may be inadvertent and/or go undetected with everything turning out fine in the end. That doesn't make it right, though, and it would be deceptive behaviour in a profession that is supposed to serve public trust!

As a staff appraiser, I trained many, many aspiring appraisers. Some had "it", some didn't. All were determined to make it in the appraisal field and some head-butting resulted sometimes. Since not everybody who is a "good appraiser" does things exactly the way I do, I would ask one of the other appraisers to take over the training in those cases and give me feed-back. That was an interesting time <details ommitted!> and the fact remains: some have "it", some don't.

There is no shame in not having "it" - but these days it is very expensive and time consuming to find that out. Many seem to think that if you can pass the test, you're set to go. That THAT is all there is to it. A \$ for all the times I've heard: "ANYBODY can be an appraiser".

Not all the "good appraisers" passed the test on the first try back when licensing kicked in. They were good appraisers before licensing and they're good appraisers now. Of course, they had to pass the test and eventually did - but that, in itself, did not affect whether they were "good" or "bad" appraisers, whether or not they had "it".

Did the "old-timers" get a free ride into the License Kingdom? Hardly. We all had to submit work logs, transcripts and course certificates in support of our claims that, indeed, we knew our "stuff" and were worthy. Certainly, nobody I know was "grandfathered" in.

"Good appraiser" or not, we all have to complete continuing education in order to keep our Licenses current. That is, in my opinion, a good thing. Before licensing, you could go for years thinking you "knew it all" and didn't need to learn anything new. Some folks got stuck in some pretty odd grooves then...

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