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What is a bedroom?

By Doug Smith, SRA, AI-RRS

Editor's comments. I wrote about this topic in 2010. Fortunately, Fannie and FHA have clarified this since then. Some of my comments are at the end of this article.

Question:

The room layout for an attached townhouse included a second floor bedroom and bath and on the first floor a second bedroom, kitchen, living room and bath. One room on the first level was being used as a bedroom. The door to this room was a two panel French door. There was a skylight but no window to the exterior and there was a small closet. The room measured 12' X 10' and the ceiling height was over 8'.

What is the current definition of a bedroom? Since this room has a closet, doesn't that make it a bedroom?

Answer:

What Fannie Mae says:

Interestingly, Fannie Mae does not offer a specific definition of a bedroom. The following guidance is offered in the most recent Selling Guide:

Layout and Floor Plans

"Dwellings with unusual layouts and floor plans generally have limited market appeal. A review of the room list and floor plan for the dwelling unit may indicate an unusual layout, such as bedrooms on a level with no bath, or a kitchen on a different level from the dining room. If the appraiser indicates that such inadequacies will result in market resistance to the subject property, he or she must make appropriate adjustments to reflect this in the overall analysis.

However, if market acceptance can be demonstrated through the use of comparable sales with the same inadequacies, no adjustments are required."

It is clear that at least Fannie Mae depends on the appraiser to determine the definition of a bedroom and whether a room used as a bedroom meets local market acceptance, suggesting that adjustments for unusual layouts, for instance, be derived from the local market.

What FHA says

Next consider what FHA has to say about bedrooms. Here we receive more detailed information. There is less information regarding bedrooms than was formerly found in the previous Handbooks.

In Section II (B) 3. (v.)L "The Appraiser must not identify a room as a bedroom that cannot accommodate ingress or egress in the event of an emergency, regardless of location above or below grade."

FHA Handbook 4001.1 no longer contains the guidance concerning the size of windows below-grade.

In summary, the classification of a room as a bedroom largely rests upon market acceptance and safety issues relative to egress. Other physical shortcomings can often be accounted for by either market based or cost to cure based adjustments to value.

International Building Code

The codes developed by the Building Officials Code Administrators International (BOCA) were used on the East Coast and throughout the Midwest. Since the early 1900s, the system of building regulations in the United States was based on model building codes developed by three regional model code groups.

The codes developed by the Building Officials Code Administrators International (BOCA) were used on the East Coast and throughout the Midwest of the United States, while the codes from the **Southern Building Code Congress International** (SBCCI) were used in the Southeast and the codes published by the International Conference of Building Officials (ICBO) covered the West Coast and across to most of the Midwest.

Although regional code development has been effective and responsive to the regulatory needs of the local jurisdictions, by early 1990s it became obvious that the country needed a single coordinated set of national model building codes. The nation's three model code groups decided to combine their efforts and in 1994 formed the International Code Council (ICC) to develop codes that would have no regional limitations.

After three years of extensive research and development, the first edition of the International Building Code was published in 2000. The code was patterned on three legacy codes previously developed by the organizations that constitute ICC. By the year 2000, ICC had completed the International Codes series and ceased development of the legacy codes in favor of their national successor.

What does the 2015 International Residential Code say?

Excerpts from the 2015 edition of The International Residential Code.

The basic change in the code was that it no longer singled out rooms as bedroom, but described all rooms as "habitable rooms." When mentioning egress, the Code does include the nomenclature "sleeping rooms."

The following are excerpts from the latest edition.

- Habitable rooms shall have a floor area of not less than 70 square feet (R304.2)
- Habitable rooms shall not be less than 7 feet in any horizontal direction. (R304.3)
- Habitable space, hallways and portions of basements containing these spaces shall have a ceiling height of not less than 7 feet. For rooms with sloped ceilings, the required floor area of the room shall have a ceiling height of not less than 5 feet and not less than 50 percent of the required floor area shall have a ceiling height of not less than 7 feet. (R305.1)
- Basements, habitable attics and every sleeping room shall have not less than one operable emergency escape and rescue opening. Where basements contain one or more sleeping rooms, an emergency escape and rescue opening shall be required in each sleeping room. Emergency escape and rescue openings shall open directly into a public way, or to a yard or court that opens to a public way. (R310.1)
- Emergency and escape rescue openings shall have a net clear opening of not less than 5.7 square feet. The net clear opening dimensions required by this section shall be obtained by the normal operation of the emergency escape and rescue opening from the inside. The net clear height opening shall be not less than 24 inches and the net clear width shall be not less than 20 inches. (R310.2.1)
- Where a window is provided as the emergency escape and rescue opening, it shall have a sill height of not more than 44 inches above the floor; where the sill height is below grade, it shall be provided with a window well in accordance with Section R310.2.3. (R310.2.2)
- The horizontal area of the window well shall be not less than 9 square feet, with a horizontal projection and width of not less than 36 inches. The area of the window well shall allow the emergency escape and rescue opening to be fully opened. (R310.2.3)

The Code refers to "habitable rooms" not bedrooms

The essence of the 2015 International Residential Code is that the code does not specifically use the term bedroom, but refers to all habitable areas of a home. However, in Code # R310.1, at least one opening must open to the outside. Therefore, it can be said that for each sleeping room, there must be two emergency escape and rescue opening.

A bedroom ceiling needs to be at least 7 ft. tall. It's okay if some portions of ceiling are below this level, but at least 50% of the ceiling needs to be a minimum of 7 ft. in height. Most ceilings tend to be at least 8 ft. tall, so ceiling height is not usually an issue (R305.1).

Lastly, the room should be at least 70 sq. Ft., and more specifically the room cannot be smaller than 7 feet in any horizontal direction. (R304.2 / R304.4).

The Closet Myth

Many believe that a closet defines a bedroom. In short, the market defines a bedroom as well as other considerations listed above.

As a practical matter a bedroom should probably have a closet since most buyers expect one, but technically the International Residential Code does NOT mandate a bedroom to have a closet. So the lack of a closet does not necessarily mean a room cannot be a bedroom.

However, as Fannie Mae makes clear, the appraiser must consider what is expected in the local market, and what is required by the local city/county.

Would buyers consider a room as a bedroom if there is no closet? In newer tract subdivisions it's probably a matter of functional obsolescence not to have a closet, but in older classic homes, where

bedrooms were sometimes not built with closets, it's very likely not an issue at all.

For instance, consider a Victorian or Prairie style Bungalow home without closets in any bedrooms. While some real estate professionals believe closets are always required, that rule doesn't really apply here for two reasons:

- 1) The IRC definition of a bedroom does not actually mandate a closet; and
- 2) If the market considers the rooms as bedrooms, that's what they are.

It would be highly improbable for buyers to walk through an old Victorian home without closets and say, "The house was stunning and utterly perfect... but there are no bedrooms". Ultimately closets are not technically mandated by the international definition, but they may be expected and/or required by local code.

The final answer to the bedroom question

We can conclude that the room in the townhouse does fail in the definition of a bedroom based on the absence of two exits, one to the outside. The following is link to the 2015 International Residential Code. <http://codes.iccsafe.org/app/book/toc/2015/I-Codes/2015%20IRC%20HTML/index.html>

About the author

Doug Smith has an appraisal practice in Missoula, Montana, and is a certified general appraiser doing both residential and commercial appraising with a specialty in hotel appraising and feasibility studies. He has an MBA from the University of Montana and the SRA designation from the Appraisal Institute. He can be contacted at hotelman@montana.com.

Comments from the previous article in May 2010 by Ann O'Rourke

Many appraisers were trained that bedrooms must have closets

I was trained at an assessor's office which did not require closets.

This old requirement probably came from lenders, maybe from an old FHA requirement or just "that's how it is always done".

I still get some "hate mail" when stating in my free email newsletter that closets are not required.

If closets are important in your market, you can use cost to cure, which is minimal.

What about apartment bedroom counts?

This is a problematic issue. In my market there are many pre-1920 homes converted during World War II to house shipyard and naval base employees.

Apartments are typically rented by the number of bedrooms, so it is a very critical determination.

I have seen tandem rooms, dining rooms, living rooms, very small rooms, etc. rented as a bedroom. This is a very different market than single family homes.

I typically ask the owner or property manager how many bedrooms are in the apartments they rent, as apartments are rented by bedroom.

Sometimes I see rooms as bedrooms, but they don't rent as bedrooms. But, more often I see rooms that would not be counted in a single family house rented as bedrooms.

Homes in vacation rental areas are often maximized for the number of bedrooms.

Home design trends over time

Over the years, interior floor plans have changed significantly. In the Victorian era bedrooms often did not have closets. Armoires were used for clothing storage. Some homes did not have hallways.

In today's tract homes, the floorplans are fairly standard for bedrooms.

There are many historic "shot gun" cottages in New Orleans, where you go through one room to get to the next room.

Septic tanks and bedroom count limitations

In areas where there are septic tanks and leach fields, the number of bedrooms allowed is determined by the maximum size of the septic tank and leach fields. Rooms that look like a typical bedroom are not listed as bedrooms. You could have a home that has five typical modern bedrooms, but only three can be counted as bedrooms. The other 2 rooms are dens, sewing rooms, etc.

Local jurisdictions can vary on what is a bedroom

Some require more or less ceiling height, don't consider any basement rooms to be bedrooms, etc.

What about additions?

This is where I mostly see rooms that I don't consider bedrooms because a former bedroom is used for a stairway or access to a rear addition.

There is seldom any way to fix the problem.

What about tandem or "walkthrough" bedrooms

In some markets there are many pass through bedrooms and it is not an issue with buyers. In other markets they are not considered bedrooms.

One way to handle it is to call it a "plus" bedroom. That's what I do in my local market. It includes many types of non-standard rooms that can be used for sleeping.

Another approach is to call them functionally obsolescent and make an adjustment on the grid.

Issues with the 1004mc: A closer look

by George Dell, MAI, SRA, ASA

Residential appraisers have had difficulties reconciling some results required by the **1004mc form**. This is particularly true at market rebounds and peaks, where 'averaging' sale prices into groupings of 6, 3, and 3 months delays identification of a market turnaround, and creates erroneous time adjustments.

In order to understand how to comfortably resolve the problems, we ask: What is good about the form? What went wrong? How do I protect myself?

In the past many lender expectations were that time adjustments were unacceptable. A few clients did appreciate an honest effort to reflect market direction, most appraisers went the path of least resistance lest they lose a client's business.

Most appraisers reading this newsletter or on other appraiser forums are familiar with the common and practical problems in making the form fit the reality. Here we first acknowledge the benefits of the form. Then we look at the issues from a technical viewpoint.

Understanding the reduced problems can then help us find practical solutions, and ways to protect from challenge and even liability. In order to protect ourselves, and serve the public good, we must first

understand the problem.

The Good and the Bad.

The Good

The form's arrival did provide some benefit:

- It provides protection from client pressure to avoid time adjustments.
- It emphasizes that market analysis is half of the solution.
- Several related issues are revealed.
- Other information is allowed to be analyzed, including other neighborhoods.
- A relevant time period for analysis is recognized.

The Bad

From a "data science" viewpoint, several issues are ignored or improperly suggested:

- An incorrect data set is specified.
- Sparse-data situations are not handled.
- Outlier handling is ignored.
- A subjective look is favored over objective and simpler time-series econometric methods.
- Grouped-comparison is required, creating loss of critical market information.
- The grouped comparison into uneven groups hampers the important value of visualization.

Problem: Use of neighborhood data

First, we note that the form requires the use of neighborhood data. This is a problem.

Appraisers are (properly) trained to use only comparable market data. A neighborhood does not automatically provide the best competitive market segment. Neighborhood data is defined as a group of complementary uses. However, any experienced appraiser, or even a lay person knows that home buyers may look at only a few homes (of those available) in a given neighborhood. But, they will usually consider homes in similar or nearby neighborhoods.

This immediately sets up a conflict and disagreement between what the 1004mc analyzes, and what USPAP and best practices require. The form focuses on neighborhoods, while appraisers must focus on competitive property transactions (reflecting actual buyer actions). The two do not automatically coincide. In fact, they seldom coincide.

USPAP SR 1-4(a) specifically states "an appraiser must analyze such comparable sales data as are available." This immediately sets up a conflict and disagreement of what the 1004mc requires, and what USPAP and best practices require.

Problem: Grouping of data into 6 month and 3 month periods

The grouping of data into 6 month and 3 month periods sets up other problems.

First and most obviously, the inconsistent groupings make it hard to see trends.

Second, grouping anything where there are few data points aggravates the problem. One or two sales prices set the median for that group.

Variation from other variables is missed. Any chance of smoothing is blocked out.

Thirdly, grouping causes "data discarding" in that you pretend every sale takes place on the middle date of each group, (45 days ago, 115 days ago, and 9 months ago). The actual date of sale is very useful and already in your data set -- is thrown away! As you might guess, for time-series analysis, time is the key input variable.

Problem: Trend is placed further in the past

Another result of the above three Fannie Mae instructions is that the identification of the trend is placed even further in the past. The general effect is that the appraiser must conclude time adjustments are in the wrong amount, because they reflect conditions changes 2 to 5 months in the past (due to the information loss). But wait, there is more!

Problem: Market conditions adjustment in the wrong direction

At market bottoms and market tops it gets worse. The form forces a time adjustment in the wrong direction - every time! How can this be? Well, because the historical data is "averaged" back at least 45 days, the change in market direction is delayed about 90 days. The form makes the appraiser report the outdated downward trend as a time adjustment, even as the market has long proceeded to go up.

The related white paper is available on my website. You can download it at https://valuemetrics.info/Free_downloads.html

A more extended analysis is included in a paper which won the President's Award at the 2010 Joint Appraisal Institute and Union of Pan American Valuers" conference in Miami Beach: *Auditability of Valuation: A Professional Solution to World Needs.*

Why is it a problem doing it the "GSE" way?

So why is it a problem that appraisers do it the GSE way? (GSEs include Fannie Mae, Freddie Mac, FHA, and the VA, who later followed Fannie's lead without question). Just do what the client says. Even if it may be misleading. But, but . . . surely we would not be required to use a client-instructed analysis to arrive at an improper value estimate. Would we?

Catch 22 - when your conclusion differs from Fannie Mae

The 1004 form requires a signed, dated certification, which includes:

"Based on ... statement of assumptions and limiting conditions, and appraiser's certification, my opinion of the market value, as defined ... is"

So what is the required definition of market value? Page 4 of the form states it is: "The most probable price which a property should bring in a competitive and open market..."

The form then prescribes a particular analytical method for conclusions.

"The appraiser **must** use the information required on this form as the basis for his/her conclusions and must provide support for those conclusions, regarding housing **trends** and overall **market** conditions as reported in the Neighborhood section of the appraisal report form" (form 1004mc)

The above sentence allows no room for something other than the Fannie Mae 1004mc basis for your conclusions.

So what's the catch? How is this a problem? The catch is that when the client requires a particular method, assumption, or approach, the result will be not the appraiser's conclusion, but the result of a Fannie Mae algorithm. It is a **client condition**.

If you have ever felt that your conclusion is different from the Fannie Mae conclusion, this is why! You are required to certify it is your conclusion, even as it is not.

USPAP vs. Fannie Mae

Is this acceptable for work under Congressionally Authorized Appraisal Foundation Standards (USPAP)?

We look at Appraisal Foundation (AF) Advisory Opinion AO19, "a form of guidance issued by the ASB (Appraisal Standards Board of the Appraisal Foundation). It states:

Unacceptable Conditions

Certain types of conditions are unacceptable in any assignment because performing an assignment under such conditions violates USPAP.

Specifically, an assignment condition is unacceptable when it:

- precludes an appraiser's impartiality, because such a condition destroys the objectivity and independence required for the development and communication of credible results;
- limits the scope of work to such a degree that the assignment results are not credible, given the intended use of the assignment; or
- limits the content of a report in a way that results in the report being misleading.

If it appears that if the 1004mc requires an adjustment in the wrong amount and wrong direction . . . this is an unacceptable condition in the assignment. It specifically "violates USPAP." Because it:

- precludes an appraiser's impartiality and independence;
- limits the scope of work . . . that the assignment results are not credible;
- limits the . . . results in the report being misleading.

"The appraiser's conclusions are to be reported in the 'Neighborhood' section of the appraisal report" (1004MC instructions)

What's the catch? The catch is that the appraiser must use the client's analysis, which creates an adjustment error. The error results in a value that is higher or lower than the "competitive and open market" indicates. Then the appraiser must certify that this "Fannie Mae value" is market value.

The most recent Fannie Mae FAQs, issued February 12, 2016, p.4 -- reiterate some of the above.

Q17. Are the trends that are reported on the Market Conditions Addendum to the Appraisal Report (Form 1004MC) the same trends that are to be reported in the One-Unit Housing Trends section of the appraisal report (Form 1004)?

Yes. The conclusions regarding trends that are obtained from the Form 1004MC must be the same trends reported in the Neighborhood trends section of the Form 1004. The information reported on both forms must be consistent to provide the lender with a clear and accurate understanding of the market trends and conditions present in the subject neighborhood, based on properties that are considered competitive with the subject being appraised.

The appraiser is always wrong. And some have been found wrong, and punished. Accept the client condition, or accept that your livelihood is probably at a Fannie Mae end.

We close with the following quote from AF ASB USPAP Advisory Opinion AO19:

"Because intended users' reliance on an appraisal may be affected by the scope of work, the report must enable them to be properly informed and not misled. **Assignment conditions that compromise an appraiser's impartiality and objectivity in an assignment are unacceptable.**" (emphasis added)

About the author

George Dell MAI, SRA, ASA, is a recognized authority on applications of predictive methods to asset valuation and risk/reliability issues. He has broad graduate-level education in mathematics, statistics, econometrics, finance, and insurance. He has authored numerous articles, seminars, and is a co-author of the AI book "Appraisal Valuation Modeling".

In developing the "new valuation modeling paradigm," he provides the answer to "big data." The "data science" tools are the answer to the current troublesome issues for the appraiser, the lending industry, and the health of the economy. His academic paper, "Auditable Appraisal Best Practices"© was presented at the joint AI and Union of Pan American Valuers in 2010, winning the "best manuscript" award out of over 100 papers submitted.

George is CEO and chief instructor for Valuemetrics, Inc., which provides a curriculum of

hands-on workshops for appraisers and lenders. The entertaining workshops present simple, clear, and practical tools to define market comparables. Also, two tools: contrasting and simple regression, are shown for their ease of use - when properly modeled.

For more information, go to www.valuetrics.info .



By Wayne Pugh, MAI, CRE, CCIM, FRICS

Editor's note: Wayne Pugh will be a regular quarterly contributor. Thanks, Wayne!!

Need to go paperless or clear out the clutter?

See why the wireless Fujitsu ScanSnap iX500 is the best document scanner

The ScanSnap software allows the Fujitsu ix500 scanner to scan a batch of papers quickly and easily regardless of whether the documents are one sided, two sided, front facing, rear facing, upside down or off axis. The scanner simply and quickly solves these problems, providing the user with a perfectly scanned image in a JPG or PDF file format.

To improve your productivity, the ScanSnap software:

- Provides duplex scanning (two sided documents)
- Automatically deletes blank pages
- Automatically rotates your document
- Automatically straightens misaligned scanned images
- Automatically eliminates text/image bleed from the other side of the document
- Automatically converts your document to a searchable PDF

The ScanSnap software quickly guides the user through the scanning process. In just one step, your documents can be scanned and directed to your computer's hard drive, a variety of cloud services, Evernote or your iPad/iPhone/Android device(s).

Storing your information in a secure online server environment provides considerably more

security than the server environment in your office. Most office servers are subject to power outages/shortages, fire, theft, water damage, and etc. Consider uploading your important data/information to a service like Dropbox or Evernote and limit the risk of losing the most important asset of your appraisal operation.

The scanner has a small footprint having the size of a small fax. It can scan up to 25 pages per minute.

The price on Amazon is just over \$400. Their customers (3,538) rate the scanner with 4.7 stars out of 5. I own two of these scanners and use them every workday.

In short, the Fujitsu iX500 is the perfect scanner for the appraisal professional.

About the author

R. Wayne Pugh, MAI, CRE, CCIM, FRICS is CEO of real estate consulting and appraisal firm R. Wayne Pugh and Co., the head of Software for Real Estate Professionals Inc. and a principal member of Real Estate Counseling Group of America. He formerly served as president of the Appraisal Institute and as chair of the Louisiana Appraisal Board.

He has been a regular contributor to the Appraisal Institute's quarterly Valuation magazine for many years. In the 4th Quarter 2015 issue he writes about getting hacked by malware in an email that locked up many of his critical file. He was lucky and only had to pay a \$100 ransom. He was lucky. Others have paid much more, including several hospitals.

Wayne recommends Malwarebytes for virus checking. His lesson learned was to back up his files to multiple drives. I use on-site backup plus two off site "cloud" backups, as I am in an earthquake zone. All my backups are automatic, done several times a day, so I don't forget to do them.

In his "spare time" he likes to go to his beach condo and relax with his wife Vicki.



Your Web site - the easiest and fastest way to get non-AMC work!

Many appraisers are busy today with lender appraisals. But, mortgage lending has always been cyclical, with significant highs and lows. I have been through 4 very bad downturns in the past 35 years.

In the early to mid 1990s, I laid off all my 7 employees and almost had to declare bankruptcy. Why? Too lender-dependent. I learned a tough lesson. I finally quit all lender work in 2005, when the Fannie forms changed. I had great lender clients. I did not upgrade my forms so I would not be tempted to do any lender work.

Remember when the recent crash occurred? Lender business stopped, almost overnight. Appraisers

lost their mortgage broker clients. Many lenders went to AMCs.

This article is for appraisers who don't have a web site or are looking for ideas to make changes to their current web site to do better marketing for them. I also focus on selecting a "tag line" which shows how you are different from other appraisers.

I last wrote about this topic in 2003. Lots and lots of changes since then.

Take a Test: How can people find you now if they want to give you a referral or an appraisal assignment?

When you Google your name and location, such as Randall Noyes appraiser texas, what comes up?

Then Google my name ann orourke appraiser. I set up my web site in 1998 -
www.appraisaltoday.com.

Google other appraisers and see what happens.

I am always amazed how hard it is to find contact information, such as a phone number, for appraisers. We did a brief test of four paid subscribers and found a phone number for one of them. None had a web site.

Step 1. Get a domain name now

Note: This can take awhile. You can start working on your simple web site now. See below for some ideas.

Do this even if you are not planning on doing a web site soon. This is usually the most difficult part of setting up a web site.

You own your domain name until you stop paying for it or sell it.

Unfortunately, good domain names have always been hard to get. I missed the domain names "appraiser" and "appraisal" by three months in late 1995. I got appraisaltoday.com in 1997. Last year I "parked" (reserved) alamedaappraisers.com and annorourke.com at networksolutions.com, where I registered appraisaltoday.com in 1998. There are many places to "park" a domain now, such as godaddy.com.

Look at other appraisers, domain names for some ideas.

One of the best appraiser domain names I know is haywardappraisers.com, set up many years ago by Hayward CA appraiser Bob Lutz. Similar domain names for other nearby cities are now "parked."

We all prefer xx.com, of course, but many domain names are available with .info or .org. The web site for George Dell, who wrote articles this month and last month about 1004mc uses his company's name: valuemetrics.info

What if you don't want to do any non-lender work?

When lender business dries up, as it always does, many appraisers decide to look for non-lender work. That is the worst time to look for it, as you are competing with many other appraisers. Your web site can make a big difference. You don't have to accept non-lender work when you are busy with lender appraisals.

Web sites work well for non-lender work, and can work for some lender and AMC work.

Both lenders and AMCs regularly look for appraisers in specific cities. For example, you've been trying to get work from a local bank or credit union that does not use AMCs. They are looking for another fee appraiser in your city to add to their approved appraiser list.

I regularly give out referrals to appraisers all over the country. But, if I can't Google their name and get their location and phone number, they can't get the referral. This happens regularly.

Many AMCs, and other lenders, are looking for appraisers who specialize in such properties as

high end or rural residential. There is definitely a shortage of rural appraisers in some areas. Use your web site to advertise your expertise.

I very seldom get any calls from AMCs trying to give me work. But, last month Landsafe called. They were trying to find an appraiser for a high-end home in a nearby city. They got my information from my web site. I gave them the name of an appraiser in that city. Even though I have known her for many years, I somehow lost her phone number. I Googled and got it.

If an AMC is calling because they can't find anyone for an appraisal, you are very likely to get a high fee and flexible turn time.

Referrals from your web site

I give a lot of referrals to other appraisers. I almost always Google their name as I have lost their phone or email info. I am willing to spend up to 5-10 minutes looking. But, few referral sources (and people wanting to order an appraisal) want to take that much time.

How many referrals do you miss because it is too much hassle to find your phone number or email address?

Always, always ask - how do they get your name?

How do you know what marketing works best for your company? Whenever anyone calls, always ask where they got your name. I have done this since I started my business in 1986. That's how I knew that more people were getting my name off the Internet. Everyone, who was not a referral, has been getting my name off the internet for the past several years.

My marketing has changed significantly over the years

I started my appraisal business in 1986 and spent many years networking with real estate agents, attorneys, appraisers, etc. I also had Yellow Page ads.

This hard work networking over the years was critical to having a successful non-lender business based on referrals, starting in 2005.

But, this took years and a lot of work, to establish.

I set up my web site in 1998, mostly for my newsletter business. Over the years I got a few appraisal orders, but not many.

More and more people started using the Internet to search for what they wanted, including appraisals.

Today, few of us even use printed phone books. If you only have a cell phone or cable provider land line, you don't even get printed phone books.

Now, about half my work is from referrals. The other half is from my Web Site.

How to evaluate your current Web site

See the suggestions below. It may be out of date if it has not been changed for awhile. For example, you will not be called by mortgage brokers. But, your web site still focuses on lender work.

Since I just did a major overhaul of my own web site, I know that lots of us have out of date content and design, including myself.

Should you redo your web site to get a more "contemporary" web site?

Some prospects may consider a web site, such as my current web site, as "old style". Since it was done in 1998, it is definitely old.

If you are using an older template web site that many other appraisers use, consider using a newer template.

When NOT to have a web site

I see the problems below on many web sites, including appraisers'.

Do not waste time on a web site if you:

- Ask the visitor to fill out a form to contact you.
- Do NOT want to put your phone number on it.
- Do NOT want to include a bio or resume.
- Do NOT want to put what city or state your business is in.
- Do NOT want your email address available. See below.

What about your email address on your web site?

I get many non-lender appraisal inquiries by email. Don't miss out on them.

If you're worried about spammers getting your email address, use "click here" to send an email with an email address link that cannot be seen.

I put info@appraisaltoday.com on every page of my web site, at the bottom, when I set it up in 1998. I have had very, very few spammers "harvest" it.

I recommend a "resume" template web site with a few pages

1. Home page - the basic info above.
2. Second page - resume/bio
3. Third page - Optional material above

If you want to expand your web site, that's fine. But, to get started or re-do your web site, any appraiser can write this up easily.

What should be on your web site?

Many appraisal web sites that I visit do not have the location of the business, phone number, or an email address. Having none of the three is not unusual.

This means you will get few, if any, calls from prospects or your contact info will be available to referral sources.

You Must Have:

- A "tag line" about what makes you different. Mine is "Looking for a residential or commercial appraiser for estate and trust appraisals in Alameda, CA? Contact us"
- Your state appraiser license information.
- Geographic areas where you accept appraisal orders.
- What types of appraisals you want: bail bonds, estate, divorce, relocation, etc. You can always mention VA and FHA, as there are a few lenders or AMCs will be looking online for an appraiser. Also, it may give you more credibility for non-lender work.
- Your phone number.
- About yourself and other appraisers in your company. Brief writeup, plus resume.
- About your staff - non-appraisers.
- No typos or grammatical errors. I see this a lot also on web sites.
- Where you are located - city and state. I have always had my full postal business address. It was also my full home address for 7 years, when I had my business in a rear cottage. You may not want to put your home address, for various reasons.

Your photo is always good as it makes you appear "accessible". A professional business photo or a more casual photo of you in the field or your office is good. Also, people like pets.

Optional material such as information on local sights in your city, your hobbies or non-appraisal interests. Be creative.

Why do I recommend this? Your site will be remembered long after a visitor leaves. I have candid photos of myself on my sailboat and my pets. I get comments from prospects about the more personal content and photos on my web site.

What about an appraisal order form on your web site?

I see this a lot on appraiser web sites. It may be a leftover from the "old days" before AMCs took over ordering most lender appraisals. I prefer to speak to the prospect or communicate by email.

Residential vs. commercial appraisal web sites

There is very little difference between marketing a residential or a commercial appraisal firm, except that commercial appraisers may want to emphasize specific property types and specialization such as condemnation appraising and litigation support.

What about putting fees online?

I see this regularly, but don't recommend it. I have never had my fees on my web site. I often quote my "standard" fees by phone or email, but don't want anyone to know what they are before they contact me.

It is great for other appraisers and AMCs to see what you charge, but it tends to "set" your fees for a prospective client. It can also encourage competitors to underbid you.

Examples:

- Bail bond (property bond) appraisal. I charge high fees for these and require cash upfront. Someone is in jail and wants to get out ASAP. Very fast turn time is required.
- Property will be very difficult to appraise, for various reasons.
- Attorney calls for a divorce appraisal. Fees much higher than my "standard" fees.
- You don't want to do the appraisal assignment, so you quote a very high fee. I have never done this, as I have turned down work since I first started my appraisal business. But, some appraisers have difficulty turning down work and quote a high fee. However, they often regret taking the assignment.

Web site maintenance

The few pages on www.appraisaltoday.com about my appraisal business very seldom change.

If you change any of the content listed above, be sure to update it. Especially if you change your email address or phone number.

Make sure your template can be easily changed. If you do it yourself, you will know how to do it. If someone else sets up your web site for you, discuss costs of a maintenance agreement or have them give you training.

For my new web site, I am paying for training from the web site developer in how to maintain it myself.

The more pages you have on your web site, the more maintenance will be required.

I am updating my [appraisaltoday.com](http://www.appraisaltoday.com) web site for the first time since 1998, when I set it up. I have over 100 pages and was surprised to see how many had out of date material, plus bad links. It has taken me a long time to go through all the pages and adjust them.

Look at other appraisers' web sites

Look at your competitor's web sites Google your geographic area, specialty, etc.

Contact information. Is it easy to find? Is there some missing information, such as location, phone

number, etc.?

Easy to navigate?

How "current" is the design. Is it custom or a template that many other appraisers use.

What additional information is there besides the basics, such as personal information, local popular sites to visit, data on the local housing market?

Keep it simple (KISS)

You don't need anything fancy on the home page that makes it hard to find the above information.

Look at mine: www.appraisalstoday.com. Almost all the 100+ pages are for my newsletter business. Only a few are about my appraisal business. Yet, I get lots of appraisal work from my web site.

What else to add:

- Your photo. This is always good to have as it is very good for marketing.
- Personal info in your bio, including hobbies and family, plus a few photos.

How can someone find out how to contact you, if they know your name?

How can someone find you? See what happens when you Google your name and location.

"Ann O'Rourke appraiser" filled up the top pages on all the search engines: Yahoo, Google, and Bing.

When I need to contact an appraiser, I first Google the appraiser's name. I am always surprised at how often nothing comes up. Or, the link to an old appraiser directory has their city, but no phone number or email address.

Or, their useless web site does not have their location, phone number, or email address. I sometimes can't even find what state they are in. This is very common in emails with appraisal questions that I receive. I have no idea where they are located.

I am sometimes willing to take the time to try to contact them. But, most people will just go on to another appraiser.

I regularly give referrals to other appraisers all over the country. But, if they don't have a web site, I can't find out anything about them, including contact information. They miss getting the referral.

My office assistant, Theresa, spends a lot of time trying to get contact information on appraisers for my newsletter business. For example, we have a large database for our paid newsletter, but sometimes the phone number has changed.

She starts with googling their name and typically finds no contact info. Then, she goes to www.asc.gov. The information there depends on what the state regulator provides. There is almost always the appraiser's city, but a phone number only about 50% of the time (depending if their state sends it to asc.gov). She never finds email addresses there. Sometimes she goes to the state regulator web site.

Theresa is willing to spend a lot of time looking for a new phone number. She rarely gets an email address.

People wanting to order an appraisal or give you a referral will not spend that much time. They will go to the next appraiser in the Google search.

What is "special" about your appraisal company?

The "tag line" on the top of every page on your web site states what makes you different than other appraisers.

For me, it is my location in my small city. When I started my business 30 years ago, I planned on only working in Alameda. Two years ago I finally made it.

Also, I do both residential and commercial, which is unusual in my area. Both my city and types of

appraisals are in my tag line.

Some residential appraisers specialize in high end homes or rural residential. Both are in relatively high demand and can get higher fees. Of course, many do standard homes, but this lets them stand out from the thousands of appraisers who don't specialize.

Some commercial and agricultural appraisers also specialize.

Why is it important to put your city on your web site?

Often when people are looking for an appraiser, they Google "appraiser in St. Louis". Their first choice is an appraiser located in the city where they need an appraisal, particularly if you work in a small city.

Few of us only work in our own cities. We appraise in much in much larger geographic areas. Be sure to include them on your web site.

Many clients, particularly non-lender, prefer appraisers located in the city where the subject property is located.

Some AMCs care, if they have a client that wants to use local appraisers. I was speaking recently with a friend who is having his Victorian home refinanced. I warned him that the appraiser may have never seen a Victorian or done an appraisal in our city. I recommended some minor changes to make his home look more "normal". The items are common in Victorians, but rare in tract homes.

What geographic area should you use in your "tag line"?

When I started my business in 1986, there was no MLS in Alameda. Appraisers from other cities regularly came to my office as I had a 1 page sheet sent out by a local broker with all the sales. Then we had our own MLS, but it was relatively expensive to subscribe, so they kept coming to my office to look at it. I got established as "the Alameda appraiser". By 1990, we had joined another MLS, then went to a regional MLS, so they did not need to come to my office. But, I am still the "Alameda appraiser" to many appraisers and other referral sources.

Over the past 30 years, starting with Yellow Pages, I learned that the best prospects were looking for an appraiser in my city. Although I am on an island and across bridges from the much larger city of Oakland, also in my local phone book, the prospects were too much of a hassle, such as searching for the cheapest appraiser. So, I targeted my Yellow Page ads for Alameda.

Be sure to check Google, Internet Explorer and Yahoo, the most popular search engines for your location. Mine showed up at the top of the page on all three when searching for "appraisers alameda ca". When I searched for appraisers alameda "county" ca, my name did not show up on any of the search engines near the top.

See where your competitor's web sites come up using the same search terms.

Most appraisers work large geographic areas. If you are in a highly populated area such as where I live, way too many other appraisers come up when you search.

My "tag line", on every page of my web site is "Looking for a local commercial or residential appraiser for Estate and Trust appraisals in Alameda, California? Go to About Us!"

Previously it was ...Alameda County... But, over the years, there were many other appraisers that came up on search engines. When I reduced my area to only my small city two years ago, I started using "Alameda" and dropped County.

I tested it for this article. I was on the top of the page for Alameda, but way down the page for Alameda County. Too many darn appraisers with web sites, but at least I am there.

Google your city/county/etc. and the word appraiser or appraisals. Google "appraiser in "xxx ca", for example . Then try your county name: "appraiser in xxx county ca".

Try different geographic areas. When I used only my city, I was one of the few located in Alameda.

What if you have a business land line?

For some reason, Google and the other search engines have appraisers with business landlines at the top of the first page. I set mine up many years ago with Google and don't remember how I did it. Yahoo and Bing (Internet Explorer) had the same results.

When you use my tag line above, there are only two real estate appraisers that come up on Google. On Yahoo I am on the top, but Google is much better as you can include a link to your web site.

I will never give up my business land line as I have been promoting it for 30 years.

Get set up on "Google Local Business Listings"

It is free, but does require some time getting it set up. If you have a web site now, Do It. If you are setting up your web site, it is not a top priority. I set mine up many years ago when it was easy. Another appraiser told me about it.

I assume you can use a cell phone with this.

What about doing a blog?

Blogs very seldom work because there are only a few posts, done when the blog started, and none get added. Appraiser blogs are the same.

I have a blog at www.appraisaltodayblog.com. All the content is from my free email newsletters and is not original. Where will your content come from?

To see an excellent appraiser blog site go to www.sacramentoappraisalblog.com by Ryan Lundquist. He spends a lot of time on it, focusing on local real estate agents and consumers. He has built up a good non-lender business and has many speaking engagements. It is a lot of work, but there are benefits.

What about using Wordpress?

I don't recommend using Wordpress for an appraisal web site, unless you have a popular blog that you want to integrate into your web site.

Wordpress is very popular now. But, it is basically set up for blogs. Even for just doing a blog, Wordpress is not easy to learn. I have two Wordpress blogs - music and my newsletter at www.earspraymusic.com and www.appraisaltodayblog.com. They are very different.

I have been working for 3-4 months, using a web site developer, on setting up my new web site in Wordpress so I can include my blog. It has been expensive, requiring some programming and conversion of the pages from my old web site. Also, I have to learn how to use a lot of the features so I can do my own site maintenance.

I did my old web site myself in 1998 using Front Page, which has not been updated since 2003. I have been worried for quite a while that my ISP will quit hosting it, so had to do a new web site. Front Page is very easy to use. I will miss it.

In Wordpress you use "plugins" and "widgets", which are small software programs that give you access to many features that would be very expensive if you had a programmer do them. They are not easy to learn and there is seldom much documentation, if any.

What about your email address?

When I set up my first www.appraisaltoday.com web site in 1998, I also set up email addresses, such as ann@appraisaltoday.com.

Today, many people use gmail, which is acceptable for businesses. But, you will not be able to use

your domain name for "branding".

How much does a "basic" web site cost?

If you can get a free one from your ISP, there is no cost. Or, there may be a minimal cost. You use one of their templates for service businesses and do it yourself. It is very easy.

Your ISP may offer assistance with using the templates, for an additional cost.

My web site is hosted by my ISP for \$30 per month, including email.

Few appraiser web sites today need to be custom sites. If you have a large appraisal company or do high end appraisals it may make a difference.

You can always change it later to a custom web site.

Be sure that the template you select has the ability to put a "tag line" on the top of the home page. This is the most important feature of your site as the search engines use it.

An appraiser's basic business web site must have contact info, your geographic area, what type of clients or appraisals you want, and "about us" - bio, resume, etc.

What if you want someone else to do a "basic" web site

Templates can be a hassle if you have never used one before. Also, it can be tricky to find the template you like. It took me a long time to find a wordpress template for my appraisal blog.

I contacted my web site developer. He quoted \$299 plus \$25 per month for a 3 page wordpress web site, using a template.

For a more customized Wordpress web site, the cost is \$999.

What about a custom web site?

Larger web sites are much more expensive than using templates, and are typically over \$2,000. Appraiser web sites don't need shopping carts, etc., so they are less expensive than my web site, which is in the \$5,000 plus range.

A good option is to look at other appraiser web sites, see what you like, and look for the name of the web site designer, if available. Or, give your designer their web site and what changes you want, as a sample.

Don't get "hung up" on having a perfect web site

What is Most Important is getting a simple web site set up and running.

Too many appraisers (and other businesses) spend too much time looking for a web site designer, try to figure out what to put on the web site, etc.

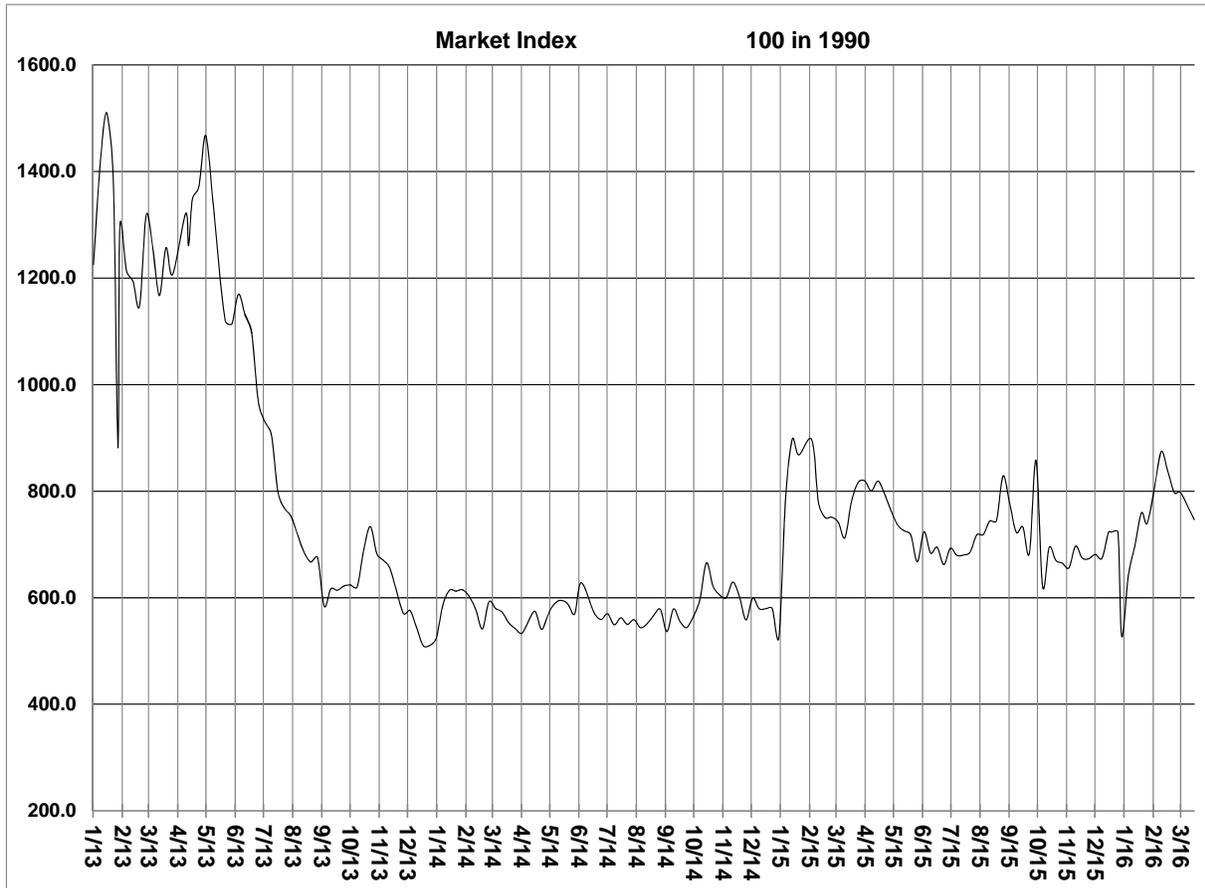
I always say the same thing: Try to get a good domain name and put up a simple site with a few pages using a template provided by your ISP or another service. You can always add more to it.

Should you have a web site?

Yes. Just Do it!! A few good referrals or a new direct lender client will pay for it. Plus, other appraisers can find you.

MBA Loan Volume Application Index 1/13 to 3/15

As you can see below, volume has declined since early 2013. 2015 volume picked up from 2014 and has been going up and down. But, there is definitely a shortage of appraisers willing to work for low AMC fees. Loan apps have been going up and down since then. Overall volume is predicted to increase slightly in 2016.



The survey covers approximately 75 percent of all U.S. retail residential mortgage applications, and has been conducted weekly since 1990. Respondents include mortgage bankers, commercial banks and thrifts. Base period and value for all indexes is March 16, 1990=100.

Appraisal Today
ISSN 1066-3900

Appraisal Today is published 12 times per year by
Real Estate Communication Resources.
Subscription rate: \$99 per year, \$169 - 2 years

Publisher

Ann O'Rourke, MAI, SRA
ann@appraisaltoday.com

Subscriber Services

Theresa Lua
M,T,W 7AM to noon
Friday 7AM to 9 AM (Pacific time)
info@appraisaltoday.com (24 x 7)

Editorial and Subscription Offices

2033 Clement Ave., Suite 105
Alameda, CA 94501
Phone: 1-800-839-0227
Fax: 1-800-839-0014

Email: info@appraisaltoday.com
www.appraisaltoday.com

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