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Fees are going way up!! How to get higher appraisal fees during this boom time By Ann O'Rourke, MAI, SRA and Doug Smith, SRA, AI-RRS

Editor's note: I wrote about this topic in the May, 2015 paid newsletter. But, there have been significant fee increases since then for AMCs and non-lenders. However, too many appraisers are still working for \$200-\$250 AMC fees.

Next month I will have a survey of fees over the years from many sources. I ran out of room this month and had to get the USPAP draft in this newsletter as the comment period was expiring soon.

Business 101 says: find out what your competitors and customers are paying. If you don't know what AMCs are paying, and what other appraisers are receiving for non-AMC orders in this very strong market, you are probably low.

Corelogic (RELS and Landsafe AMCs) - increased fees starting last year

Starting about 18 months ago, Corelogic offered competitive fees. Corelogic's policy is to not try to get the lowest fees. Instead, they started offering competitive fees. They purchased RELS, which has offered low fees since they started in the early 1990s as Bank of America's AMC. But, Corelogic's policy is to not try to get the lowest fees. Instead, they started offering competitive fees.

Some AMCs started following Corelogic's fee structure to get their appraisals done.

Excerpt from a July 2016 online article.

"Thanks in large part to its growing property valuation business, CoreLogic saw a huge jump in revenue during the second quarter, the company reported Monday afternoon."

"Starting in late 2015 (9 months prior to July, 2-16), CoreLogic grew its property valuation business with the acquisitions of FNC, LandSafe Appraisal Services, and RELS."

"CoreLogic closed the FNC acquisition in April, with the cost for the provider of real estate collateral information technology and solutions coming in at \$400 million instead of the \$475 million it was first estimated to cost."

In 2015, CoreLogic purchased LandSafe Appraisal Services, an appraisal management company, from Bank of America for \$122 million."

"And earlier this year, CoreLogic announced plans to acquire the remaining ownership interest in RELS, a provider of property valuation and appraisal services, from Wells Fargo."

VA increases fees in 2016 - you can use this as a "base" for evaluating AMC fees

Recently VA started significantly increasing their fees.

Sample URAR:

- California \$450
- TX,AR,LA,OK, ID \$475
- OR \$650-\$780 (Note: fees have always been higher in the northwest)
- FL, AL, MS, PR \$450
- MT \$800-\$900

VA's 2-4 unit fees are low.

Go to www.benefits.va.gov/HOMELOANS/appraiser_fee_schedule.asp to get the fees in your state.

VA fees are not the highest fees and, in the past, they seldom raised their fees. I guess they figured out supply and demand pricing if they wanted to have fewer VA appraisers taking vacations or registering for a low number of appraisals.

Significant differences among AMCs, direct lenders and non-lender clients for bidding, fees, marketing, and review hassles

In the past, prior to AMCs taking over, residential appraisal fees changed very little over time, both lender and non-lender. Since AMCs took over, there have been dramatic changes.

Bidding

The Primary Rule for all clients: If they are looking for the lowest fee, you cannot win. There is always someone lower.

- AMCs - Heavy bidding. Appraisers compete on fees for almost all assignments.
- Direct lender - May have some bidding on complex assignments
- Non-lender. Some bidding, depending on the type of client.

Fees

- AMCs - Supply and demand pricing. Recent trend is offering higher fees due to shortage of appraisers who will work for low fees. Some still go for the lowest fees they can get, but others have recently increased fees significantly for some appraisals, especially for purchases. But, you usually have to haggle to get higher fees. The fees will go back down when the market slows down.
- Direct lenders - usually have fees set by the client with relatively few changes over time. Some decreased fees slightly when business was slow. Most have modest fee increases during the current high demand.
- Non-lenders - Significantly increasing fees. Most savvy appraisers are basing their residential fees on what buyers are paying for mortgage appraisals.

Client loyalty

- AMCs - very little loyalty for larger AMCs, some for smaller AMCs particularly for unusual or high end properties
- Direct lender - use an approved appraiser list. Typically good loyalty.

- Non-lender - loyalty with repeat clients and referral sources.

Marketing

- AMCs - Ask to get on approved list. Not much is required to get on approved list at this time.
- Direct lenders - can be difficult to get on approved list. Requires marketing to get on list and stay on list.
- Non-lenders - requires lots of marketing, especially when you are getting started. Also needs continuing marketing for regular clients and referral sources.

Review hassles

- AMCs. Have multiple clients with differing requirements. Sometimes combine them together with long lists of requirements. Have very few staff licensed appraisers. Reviews done by automated review software.
- Direct lenders - Only one list of requirements. Many use review software. Easy to learn what they need.
- Non-lender clients - very few do reviews, except relocation companies sometimes. I have not had an appraisal reviewed since I quit working for lenders in 2005, with the exception of relocation companies.

Staff appraisers to speak with about problems etc.

- AMCs - most have very few licensed appraisers
- Direct lenders - usually have staff appraisers available
- Non-lenders - no staff appraisers, except relocation companies

Poll: What percentage of your work do you receive from AMCs?

www.appraisalport.com -

late July, 2016 poll

0%	14% I don't do any work for AMCs
1%-5%	18%
26%-50	14%
51%-75	19%
76%-100%	35%

My comment: Looks like there are some appraisers who don't work for AMCs. I had expected higher percentages that worked mostly for AMCs. Now that business is strong, some appraisers don't work for AMCs, or take less work from them. When business is slow, they do more work for AMCs.

How many appraisers are raising their fees?

I have been telling appraisers to raise their fees since early 2015. Below are two results of appraisalport weekly polls.

Results from an April 2015 AppraisalPort weekly poll

Question: How long has it been since the last time you actually raised your fees?

1 year	17%
2-3 years	18%
4-6 years	18%
7+ years	26%
I can't remember - I normally just accept the fee my client offers.	21%

Back in April 2015 not many appraisers were raising their fees.

In the past year, have your standard fees for a typical non-complex assignment changed?

Results from Appraisalport September 2016 poll.

Decreased	3%
Stayed about the same	42%
Increased by less than \$50	27%
Increased by less than \$100	18%
Increased by more than \$100	11%

More appraisers are raising their fees in 9/16, but 45% have not still raised their fees!

A few years ago I raised my non-lender fees to close to what borrowers pay. Why do appraisers keep working for low fees when they are so busy that they can't take any more work? Or, they are not super busy, but want to get higher fees? Fear of never getting any more work. This is common to almost every business person, including myself. But it is not good when it keeps you from making more money, as it always does.

IF YOU DON'T ASK FOR A FEE INCREASE, YOU WON'T GET ONE.

Valuation review fee survey, October 2015

I will update this when the 2016 survey results are available. Stable, with some increases in 2015. I am expecting big changes on fees and turn times for 2016.

What is your typical appraisal fee?

2011

Less than \$100	0.2%
\$100-\$200	3.4%
\$200-\$300	27.4%
\$300-\$400	45.8%
\$400-\$500	17.1%
More than \$500	6.1%

2012

Less than \$100	0.2%
\$100-\$200	3.8%
\$200-\$300	22.4%
\$300-\$400	51.6%
\$400-\$500	16%
More than \$500	6%

2013

Less than \$100	0.4%
\$100-\$200	3%
\$200-\$300	22.8%
\$300-\$400	52.2%
\$400-\$500	13.9%
More than \$500	7.7%

2014

Less than \$100	0.2%
\$100-\$200	0.9%
\$200-\$300	17.8%
\$300-\$400	50.2%
\$400-\$500	20.2%
More than \$500	10.6%

2015

Less than \$100	0.1%
\$100-\$200	0.8%
\$200-\$300	8.5%
\$300-\$400	45.8%
\$400-\$500	29.9%
More than \$500	14.9%

How have my URAR fees changed?

I don't work for AMCs, but I try to keep my fees similar to what direct lenders are paying in my area and what other appraisers are charging in this market. When I started my business in 1986, lender fees were \$195. There was a huge demand as most appraisers left the business during 1980-1985 when there were few mortgage loans due to interest rates of 15%+. But, fees did not go up significantly. Appraisers hired trainees. That was the "old days", before AMCs.

Here are some of my fees for URAR:

- 1986 \$195 standard lender fee when I started my appraisal business
- 1995 to 2001 \$250 to \$300
- 12/01 \$300 Demand increased. Lender fees increased.
- 4/02 \$325 to \$375
- 8/03 \$350
- 6/04 \$400 Quit doing lender work. Increased fees.
- 12/10 \$450 AMCs took over in 2008. Borrower fees increased.
- 2/12 \$500
- 8/15 \$550
- 8/16 \$600

I choose not to look at my commercial appraisal fees. Dropped like a rock in 2008 and has not come up a lot since then.

My fees did not change much over time until borrowers paid a lot more when AMCs took over in 2008. My non-lender fees were based on what borrowers paid and what other appraisers in my area were charging for non-lender work. Most borrowers did not know that appraisers only received a part of their appraisal fee.

Some appraisers are now getting fees similar to mine from AMCs. See the comments below in the next section. They learned to drop cheap AMCs and how to get higher fees.

Appraisers who had to work for AMCs had significantly lower fees, of course. Many left appraising after 2008 due to low fees and scope creep.

Fee negotiation tips from an appraiser getting high AMC fees

There are AMC appraisers getting fees similar to mine.

To negotiate a fee, you need to communicate with the person who places the order.

A few tips from an appraiser online:

The appraiser's name is not included, so it is anonymous.

When asking for a higher fee, break out the fee. If it is a 1004C with a 216 & 1007 give them a breakdown of the fee, not just a lump sum. Such as: I can do this for \$735. (1004C \$450, 1007 \$125, 216 \$150, technology/transmission fee \$10). And they will have the appraisal to them 21 days after acceptance.

A very important part of the bid submission is to explain WHY the fee is going to be more. If there is ANYTHING about the property that is different, tell them. Copy and paste parts of old MLS listings that tell the story. I understand this doesn't work too well with stucco boxes, but where I am it makes a difference.

Here are the fees for the last 24 appraisals: \$510 \$450 \$650 \$850 \$550 \$450 \$410 \$550 \$525 \$600 \$450 \$450 \$475 \$550 \$550 \$450 \$550 \$550 \$475 \$600 \$475 \$390 \$400 \$125. The \$125 is a 1004D.

Three tips to increase your income today

Appraisers sell their time. Look at how many hours, including driving time, not just the fee.

1. Cut your geographic area. Every minute spent driving is time you can use to work on another appraisal. Turn down appraisals that require a lot of drive time and fuel expense.
2. Turn down 2-4 unit appraisals. The fees are too low, even for VA.
3. Turn down difficult assignments that do not conform to computer software reviews, such as any that are not conforming tract homes. Every area has unusual homes (to computer review software). Don't accept them. If you work in an area of non-conforming homes, you must get higher fees.

When I started my business in 1986, I worked 4 counties. Over time I went to one county. For the past two years I have worked almost exclusively in my small city. I can complete a lot more appraisals. Plus, I avoid the nightmare traffic.

I do a lot of 2-4 unit properties. But, I was charging twice the fee for 5 units, which take much less time and are easier to do. I raised my 2-4 unit property fees to just under my 5 unit fees.

Another option is to be the "appraiser of last resort" when everyone else turns down the order. You can get a high fee, but be sure you are not working for a low fee per hour. Unless, of course, you are taking a mini-vacation on your trip to the property. Or, you really want to appraise the property for various reasons. You love dome homes, large acreage mountain homes where you can use your drone, etc.

When business slows down, you can always widen your geographic area and/or take 2-4 unit appraisals.

Pre-screening orders is critical now

When you reply to a low fee with a higher fee, what do you say? I'm busy or the property has outbuildings, is 40 miles from my office, etc.

What about TRID fees?

Usually the loan officer decides the appraisal fee for the borrower's disclosure required documents. Sometimes they have a checklist to use such as inlaw units, but most don't.

The lender is stuck with the quoted fee unless there was something critical that was not disclosed, such as the property has two units, not one unit. The disclosure document has to be re-done with the increased appraisal fee. This does not happen very often.

Who pays for higher appraisal fees because of supply/demand, not unusual properties? The AMC or the lender. It is a tricky situation for both.

That's why AMCs and lenders don't like fee changes. They have to pay, not the borrower.

Why do residential AMCs, and very few other non-AMC lender clients, use competitive bidding?

For the entire history of lender appraisals, until AMCs took over, residential fees changes were relatively modest, gradually increasing over time.

Also, it takes a lot of time, and a lot of employees, to bid out every residential appraisal job. Commercial appraisal fees are significantly higher, so bids are solicited. Another reason for paying low fees - armies of people soliciting bids on low fee appraisals.

Prior to AMCs taking over, residential appraisers did not compete on fees. Some appraisers were lower, some higher, and some in the middle. For example, a URAR fee range from \$300 to \$400. I was always in the middle as I was most comfortable there. Other appraisers were price leaders, always trying to get higher fees and help the rest of us get higher fees.

Even when business was very slow, offering to work for \$25 to \$50 less did not make a difference. I remember trying to offer lower fees in the early 1990s. It did not work.

Why? Borrowers paid the appraisal fees, to a lender or mortgage broker. They wanted to close the deal. \$25 or \$50 was nothing compared to the profit from closing a loan.

For any appraisal business, including AMCs, appraisal labor is the highest cost. An appraisal business with multiple appraisers is not very profitable, with a 5% to 10% profit overall.

Looking at AMCs as appraisal companies who are not loyal to their fee appraisers, the lower the fee, the higher the profit. In contrast, fee appraisal businesses are loyal to their appraisers and don't try to cut their fee splits or vary them by demand. Lenders seldom changed their staff appraiser salaries/bonuses because of changes in demand.

AMCs operate on the basic economic principle of supply and demand for appraisal fees. They have trained appraisers to compete on fees by bidding.

Some appraisers are still working for low fees in areas with strong demand. Appraisers worked for low fees when it was slow. Now some appraisers are getting double their fees from a few years ago to make up for the years of low fees.

The same applies to appraisal fees, but for the first time. Residential fees have been very steady for decades.

Why are fees going up now?

Lenders will not allow trainees to do appraisals. Lenders started using staff appraisers in the 1930s and this accelerated after the GSEs started buying loans from lenders in the 1970s.

Changes in demand was handled by lenders hiring armies of trainees and laying them off in the downturns. After licensing, fee appraisers hired trainees. That is why fees did not go up much during the boom from 2002 to 2007.

How AMC fees affect non-AMC fees, both lender and non-lender

Looking at URAR fees today, in many areas AMC fees are significantly below non-AMC and non-lender work. For example, you get \$300 from an AMC, which seems like a big increase since you were getting \$250 two years ago. However, your competitors are getting \$400 and up from AMCs and \$500 and up from non-AMCs.

If you are getting \$250 for an AMC with a lot of scope creep, a direct lender for \$300 to \$350 looks good today.

Non-lender fees are also affected by competition, particularly when business is slow. But, there is still some low fee AMC appraisers trying to break into non-lender work offering low fees.

Overcoming fear of asking for higher fees

Now is the best time to start changing your bad habit of never asking for higher fees. Everyone is busy and savvy appraisers are getting higher fees. It is much, much harder when business is slow.

Behavior modification is the best way to break habits. For example, you want to lose weight, but was told as a child to clean off your plate. But, now it is causing you to gain weight. Putting less food on your smaller plate for dinner, for example, is a good way to start. Over time, you get used to eating less food and don't have to use a smaller plate.

For fear of losing business, it is the same. For example, to start now, on the next AMC call, ask for a higher fee. Or, from client X, ask for a higher fee the next time they contact you. Yes, it is unpleasant, but gets much easier the more you do it.

Then make a commitment to increase asking for higher fees. For example, start with every 4th call, then every other call, then all calls.

Advice from appraiser and blogger Ryan Lindquist, Sacramento CA

"First, I would say to not be afraid of asking for more. Without conquering this fear, you are at the mercy of clients to dictate your fees. You are the one who needs to be in charge."

"If you think your fees are too low, start asking around what other appraisers are charging, or maybe ask real estate agents or loan officers what appraisers are getting in your market. At the least, be sure your fees are competitive to your peers."

"If you work for AMCs, go into the AMC platforms and boost up your fees by maybe \$25 (or much more if you are way undercharging). If you have good relationships with some of your AMCs, talk with them about where you are at. Sometimes when you simply increase your fees by even \$25, you start to feel the impact over time. Making \$25 or \$50 more here and there really adds up after doing that for one year."

"Most significantly, ask for more on the front end when that rush assignment or complex assignment comes across your desk. An extra \$100-200+ adds up."

"Lastly, taper off working for clients who pay too little. Get rid of them. If they pay too little, they are probably not easy to work with in other ways too."

Blog: www.SacramentoAppraisalBlog.com

Web: www.LundquistCompany.com

Bidding - new for residential, not new for commercial

Commercial appraisals are typically done on a bid basis. This has been occurring for many decades. Fees go up and down based on supply and demand. There have always been commercial appraisers who took whatever came through the door at low fees. Other appraisers renegotiated fees or did not change their fees. Fees typically depending on the difficulty of the assignment and how busy they were.

Until AMCs took over, residential fees changed very little. Fees from different appraisal companies did not vary much. Fees increased over time. Clients were not fee sensitive.

That has all changed with AMCs who shop for low fees. But, the fees AMCs can get are subject to supply and demand. Not all appraisers work for cheap fees. Now there is strong demand for appraisers due to low interest rates. The fees AMCs pay are going up. But, many appraisers are still accepting low fees.

AMC fees can vary widely, for the same property. Residential AMC appraisal fees are based on bids and affected the same way as commercial fees.

Remove your fees from your web site ASAP

Fees for all types of appraisal clients are increasing quickly in many areas. Don't get locked into fees from the past. Even if they are not increasing in your area, as far as you can tell, they will be increasing in the future due to supply and demand.

How to get information on non-AMC fees

This is very easy and how it always has been done in the past. Go to competing appraisers' web sites and see if they have their fees posted. Call them, posing as a prospective lender or non-lender client, for estates as an example, but be aware of caller ID. Using a prepaid cell phone is another option. You may not want to use your business phone number. Ask appraisers you know.

You can try appraisers' web sites, but they are probably old, low fees.

No, this is not price-fixing. It is legal. Price fixing is when you conspire with other appraisers to set the fees for a client, a specific assignment or agree to take turns bidding to keep fees high. This is unlikely for residential, but is more likely for commercial due to the much higher fees. A "classic" example is real estate agents conspiring to keep commissions from going down.

What about broadcast orders?

Don't even bother replying. Work for AMCs that don't broadcast unless you can't find any other work.

Now is the time to look for AMCs that don't broadcast. Or, try to get on the special list where they contact you directly by email or phone.

How to qualify a new AMC

1. Ask for the fee and turn time in your area.
2. Counter with the VA fee for your area. Get it from the link above. Be sure to tell them it is considered customary and reasonable.

After qualifying an AMC, how to test it when you accept a few orders

1. Keep a list of the date, the fee and the turn time that got the order. Also, how many were rejected.
2. Be sure to write down how much hassle they were. Or, use other criteria on my AMC Rating Grid in the August 2016 newsletter.

What about turn times and rush fees?

Turn times have been significantly increasing for all lender appraisals, but especially AMC orders. Low fee, big hassle AMCs are the "client of the last resort" for many appraisers.

The only way to get faster turn times is to use staff appraisers. They don't have piles of recently ordered appraisals to do, like fee appraisers. They can finish an appraisal and start another one. This is one of the reasons AMCs want more staff appraisers.

Lenders have always wanted fast turn times. This consistently has been much more important than the appraisal fee as they just pass it on to their customers. They want to close their deals quickly and not lose any deals.

Turn times - 9/28/16

appraisalport.com poll 9/28/16

What is your current appraisal turn time (order receipt to submission)?

1-2 working days	3%
3-4 working days	13%
5-6 working days	26%
7-8 working days	29%
9 or more working days	30%

As you can see, they have increased dramatically since the 2015 results below before business went crazy in mid-May..

Turn time changes from 2011-2015

Valuation Review survey below. Unfortunately the survey does not go higher than "4 or more days". You can see that in 2015 turn times increased. I suspect that 2016 will show that more appraisers have longer turn times.

2011

Same day	.5%
1 day	4.1%
2-3 days	44.1%
4 or more days	51.4%

2012

Same day	1.0%
1 day	5.3%
2-3 days	45.4%
4 or more days	48.3%

2013

Same day	1.1%
1 day	5.3%
2-3 days	48.5%
4 or more days	45.1%

2014

Same day	0.5%
1 day	4.3%
2-3 days	46.2%
4 or more days	49.1%

2015

Same day	0.8%
1 dayq	3.1%
2-3 days	37.2%
4 or more days	58.9%

Some AMCs told their lenders they would get 3 day turn times. But, the only way appraisers can do

that is to accept few orders as otherwise you quickly become backlogged.

What about rush fees, especially for purchases? I was trained to give purchases top priority. Of course, that is when there was lender loyalty and they remembered favors that were done by appraisers. Since AMCs don't have loyalty, paying for a rush fee is their only option. Looks like over half of appraisers are charging 30% or more.

Appraisalport survey from September 2016.

What is your typical rush fees

- I never charge a rush fee increase 18%
- 10% 11%
- 20% 11%
- 30% 34%
- More that 30% 20%

Handling stress

Many appraisers are working long hours and are overwhelmed with orders.

Of course, the downturn is inevitable. We all want to make as much money as we can during this busy time.

The July 2015 issue of Appraisal Today had an article on this important topic: How to reduce stress to be more productive and get more control your work-life balance. It is available on the paid subscriber web page at www.appraisaltoday.com/skipper

What is your policy on accepting orders?

Some appraisers did not turn down work before the current boom. Other appraisers regularly turned down work. Why the difference? Looking at myself, when I started my business I was very selective about the clients and sometimes the properties if distant. Looking at many of the appraisers I know, there policy was "never turn down any orders".

Today, if you work for AMCs, it is impossible to accept all their orders, even if they have good fees, flexible turn time, relatively few hassles, etc.

You must learn to screen your clients and your orders. Select the few AMCs that are okay to work for. Use my rating grid in the August 2016 issue of Appraisal Today.

Don't waste your time replying to AMCs with low fee offers that never offer a higher fee

I recently saw a broadcast list of URAR appraisals from all over the country (Pro-Tek) begging anyone to take them. The fee was \$240-\$250. Also, Valuation Partners still consistently sends out offers for full appraisals at \$230.

Don't open the email. Just hit the delete button. It can be satisfying to reply with a tirade against AMCs, but this takes time and energy.

How to find out what AMCs pay

Fees can vary widely among AMCs for the same property.

What are the AMCs you work for paying? What about an AMC that you are thinking about adding to your approved client list?

This is tricky as they do competitive bidding, but at least you can find out their "standard" fees.

A few tips:

- Ask to see their fee list for your area.

- If you did not get the order, ask the date and fee that got the assignment.
- ask them what fee is needed to get orders.

The First Rule of Pricing

There is always someone with a lower price. Don't compete only by price, unless that is your only option.

When the market changes, you need to be ready to raise or lower your fees.

Pricing is not easy for any business, including appraisal businesses.

The Second Rule of Pricing

It's not the fee, it's the hourly rate that counts. If you take an appraisal for \$200 and it takes you 4 hours, you have billed at \$50 per hour. If you take 8 hours to complete the appraisal, you're billing at \$25 per hour. How do you make more money? If your client seems to charge the same for every appraisal, only take appraisals close to your office and that are not complicated.

Win-Win negotiations for appraisers

The purpose of negotiating appraisal fees and conditions is to resolve situations where what the appraiser wants conflicts with what the client or the client's agent wants.

The aim of win-win negotiations is to find a solution that is acceptable to both parties. The framework for these negotiations implies a continuous relationship built on professionalism and good will.

Appraisers are very familiar with the negotiations that come into play when a person buys a home. These are negotiations where neither party expects to deal with the other in the future. These negotiations are largely confrontational and unpleasant.

Similarly, using manipulation such as over-promising on a shorter delivery date can undermine trust and damage business relationships. This is particularly true since many appraisal management companies scrupulously track turn-around time.

Allowing no flexibility and holding to a "take-or-leave-it" stance misses the point that negotiation is a business fact-of-life. The "hardball" approach is not much use when it comes to resolving issues where there is an ongoing relationship.

Manners count with honesty and openness the hallmark of legitimate business interests. For a negotiation to be "win-win" both parties should feel positive about the negotiation when it's over.

Fee negotiation strategy

Appraisers contacted by phone with the usual question as to fee and turnaround process must be prepared for this initial offer. Clients sort themselves down to clients who are well known to the appraiser and whose fee schedule they already know and those clients that are unknown to the appraiser and whose fees they must learn.

For those clients where the appraiser does not know the spread, a qualification question is in order. After being asked for fee and turnaround time, the appraiser qualifies the client with a simple question: "What are your usual fees and turnaround time for this assignment?" The fee quoted will often be the floor fee amount. For the unknown client, it is then necessary to determine the scope of work. This is where appraisers find it handy to have two or three monitors.

If the scheduler will state the address of the property, the appraiser can quickly check public records on one of their monitors and determine a great deal about the necessary scope of work in terms of the complexity of the inspection and with the neighborhood identified perhaps the availability and proximity of comparables.

It is appropriate to ask if there are any additional requirements of the assignment. Recently one major AMC increased the number of mandatory comparables to five along with at least two listings. These types of requests add real time to the appraisal process and require fee consideration in setting the fee for the assignment.

The appraiser at this point may proceed to quote a fee. As a rule of thumb, the scheduler has at the most about \$100.00 above the threshold amount with which to negotiate. If this is a reasonable fee, then the negotiations can be quickly concluded.

However, even though the upper level scheduler is empowered to negotiate, the fee may not represent fair remuneration for the assignment. The negotiation must then move on the next step, trades and alternatives.

The Fairness Triangle

For appraisers, there are three major elements in the negotiation process: scope of work, turnaround time and the appraisal fee.

If these were represented as the three sides of an equilateral triangle, these three elements should represent balance or symmetry. In a professional relationship, the client gives the appraiser adequate time to complete the scope of work and the fee compensates the appraiser for fulfilling the scope of work within the agreed upon time schedule. Negotiation comes into play when the fee is not sufficient to compensate the appraiser for an expanded scope of work or the appraiser is not given enough time to competently carry the work necessary to complete the scope of work.

The fee itself is not the only factor in fee negotiations. Fees include when they are paid. Recently more companies are moving to paying their accounts in 45 days with the 45 days starting on the first of the month following the date of the appraisal. When fees are paid is a legitimate subject for a negotiated settlement. One welcome trend is that many lenders are moving to direct deposit relationships with their appraisers, thus shortening the payment cycle.

Trades and alternatives

Going back to the example of the fairness triangle, the appraiser can perhaps suggest a change in the scope of work or a change in due date.

Given more time, the appraiser may be able to fit an appraisal in as "filler" type business at the announced fee. A change in scope of work may not be possible, but a drive-by appraisal may be appropriate to the assignment rather than a full 1004. A desk review may serve the purposes of the assignment rather than a field review.

The appraiser may learn something in the initial conversation that is unknown to the scheduler that may affect the fee schedule. The home may be a manufactured home rather than a frame built home requiring the appraisal to be completed on a different form. The structure may be different from the norm such as log home or waterfront property requiring additional research and report development.

Most companies adopt a differing fee schedule for Jumbo Loans. Therefore, the value of the property determined by the tax assessment may be relevant at this stage of the negotiation process.

At this stage in the negotiation the front line scheduler has two basic questions: "Can this appraiser do this appraisal and, if offered, will the appraiser accept the assignment?"

Throughout the process, it is critical that the appraiser show a willingness to accept the assignment and demonstrate that the appraiser has the license level and competency to complete the assignment.

An appraiser should maintain a friendly demeanor throughout always holding out the prospect of an ongoing relationship despite any unreasonable fee offer or extraordinary scope of work requirement.

Never close the door. It is entirely likely that the appraisal management company may be

completely unfamiliar with the local fee structure. Failing to reach a settlement, the negotiations move to the second level where the scheduler must consult with their supervisor.

Expected outcomes and consequences if you can't schedule a fee increase from the scheduler

If the scheduler cannot settle on a fee, the scheduler can move the request to a higher authority or simply close the negotiations and move on to the next appraiser on their list.

To avoid outright rejection, the appraiser can increase their chances for further consideration by again indicating a willingness to take the assignment if only for a greater fee and pointing out some aspect of the assignment that requires a higher fee.

If the offered fee is simply not within the typical range of fees for the market, that is certainly worthy of mention. That is very clearly the case for rural properties in Montana, where Doug Smith, the co-author lives. If in fact, the scheduler does consult with a higher authority, they likely will come back with a counter offer. The appraiser must be prepared to meet this offer as perhaps the last and final offer and determine the extent of any compromise.

When withdrawing is the only option

Finally, the negotiation process may reach a point where no amount of negotiation given the required scope of work and turnaround time results in remuneration which is fair to all concerned.

The objective of most appraisal assignments is to provide support for a decision involving financing of the subject property. The appraiser then must rely on the framework set out in the scope of work and, if the process has been competently followed, the appraiser has no choice, but to conclude the process.

It may be a better alternative to simply not accept the assignment emphasizing the long term consequences. Given the strident "take or leave it" tone of some engagement letters; appraisers must simply be prepared NOT to take the tone personally and meet these demands in a business-like manner. Appraisers soon learn in their appraisal career, the real estate profession is largely driven by the state of the economy.

Appraisers operate in a climate of uncertainty that is testing the ability of appraisers to not only understand local markets, but to communicate their findings to clients. All this takes time that affects an appraiser's productivity and therefore demands an appraiser's careful attention. To accomplish these goals appraisers must be fairly compensated and this demands increased attention to the negotiation process.

The underlying fee structure of most appraisal management companies allows for higher fees. Therefore, applying the general strategy of "Always ask for more." fits into a "win-win" strategy fair to all concerned.

Take a look at how you run your business

The time is right to increase your fees. Don't miss this window of opportunity.

Do you want to make any changes?

- Not appraising properties distant from your office
- Pre-screen your orders better
- Get rid of low fee AMCs
- Find out what other appraisers are charging

USPAP 2018-2019 2nd Exposure Draft - what has changed? Comments due by October 14, 2016

NOTE: I didn't write about all the changes to USPAP, only the ones that are most relevant to real property appraisers.

The only very controversial topic is Draft reports. Also, some may consider the new Advisory Opinion on Computer Assisted Valuation controversial. Other changes are definitions of Assumptions, Extraordinary Assumptions, Assignment, Intended Use and Intended User. Clarifications of Assignments Involving More than One Appraiser and Sales History are also addressed.

Below is a list of all of the proposed changes. Those discussed in this article are in bold. Almost all of the material in this article is direct quotes of relevant parts of the sections. My comments start with NOTE:

List of changes

- 1 Definition of Report and Edits to the ETHICS RULE and the RECORD KEEPING RULE (my comment: draft reports)
- 2 Definitions of Assignment, Intended Use, and Intended User, and related edits to the COMPETENCY RULE
- 3 Definitions of Assumption and Extraordinary Assumption
- 4 STANDARD 3 - Dividing into STANDARD 3, Appraisal Review, Development and STANDARD 4, Appraisal Review, Reporting
- 5 STANDARD 6 - Dividing into STANDARD 5, Mass Appraisal, Development and STANDARD 6, Mass Appraisal, Reporting
- 6 Removing the term Market Value from STANDARDS 7 and 8
- 7 Edits to the Personal Property Certification in Standards Rule 8-3
- 8 Advisory Opinion 37, Computer Assisted Valuation Tools
- 9 Illustration in Advisory Opinion 21, USPAP Compliance Edits
- 10 Advisory Opinion 31, Assignments Involving More than One Appraiser
- 11 Edits to Advisory Opinion 1, Sales History

Why should you comment?

USPAP is the most important document for all appraisers. All appraisers with opinions, negative or positive, should send in comments.

Which of the changes are important for you?

“Respondents should be assured that each member of the ASB will thoroughly read and consider all comments. Comments are also invited at the ASB public meeting on October 21, 2016, in Washington, DC.”

Written comments on this exposure draft can be submitted by mail, email and facsimile.

Mail: Appraisal Standards Board
The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005
Email: asbcomments@appraisalfoundation.org
Facsimile: (202) 347-7727

Section 1. Definition of Report and Edits to the ETHICS RULE and the RECORD KEEPING RULE (Editor's note: Draft Reports)

NOTE: This 5-page section, starting on Page 7, addresses the controversial issue of draft reports, which has been going on for some time. This is very common in certain types of assignments, such as litigation and public agencies. Most appraisals are for residential lending, where some say that this could be abused. If this is an issue for you, read this section.

The ASB has heard concerns about the definition of report for some time. Enforcement officials and others have voiced concerns about appraisers who issue multiple documents (some with a signed certification) in an assignment and then attempt to disavow responsibility for prior iterations because they were not transmitted "upon completion of the assignment" as specified in the current USPAP definition of report. This claim has been made even in cases where the earlier version was submitted as a report with a signed certification and later revised.

The determining factor in the current definition of report in USPAP is "upon completion of the assignment." Given that definition, any communication transmitted to the client prior to completion of the assignment is not a report. If a communication, intended to be a report, is superseded by a subsequent document, then by the current definition, the first document was not a report (because it was not transmitted upon completion of the assignment).

When an assignment is complete depends on various factors and upon the perspective of a given party. Appraisers usually consider an assignment complete when they sign or communicate the report to the client, whereas clients have commented that an assignment is not complete until they review and approve or accept a report. In studying the overall concept of reporting, the ASB concluded that it is important to address all communications of assignment results regardless of where an appraiser is in the process.

Section 2: Definitions of Assignment, Intended Use, and Intended User, and related edits to the COMPETENCY RULE

NOTE: to see the changes, and strikeouts from the previous version of USPAP, go to the document. The USPAP definitions of intended use and intended user include the phrase, "on the basis of communication with the client at the time of the assignment."

Because the USPAP definition of assignment includes both: (1) the agreement; and (2) the valuation service, there have been many questions about the timeframe referred to by "at the time of the assignment."

This is important because appraisers cite USPAP in support of differing opinions about what must be done in the event of changes during a valuation service. For some, the USPAP definitions of intended use and intended user seem to prohibit changes after a specific point in the appraisal process. Others believe that the SCOPE OF WORK RULE permits the appraiser flexibility in how to respond to new information. One of the reasons for the differing interpretations is confusion about whether "at the time of the assignment" means the time of the agreement or the period of time during which the valuation service is being performed.

To clarify, the ASB is proposing to revise the USPAP definition of assignment so that the term will refer only to the valuation service. A modification to the USPAP definitions of intended use and intended user is also being proposed for clarity and consistency. In addition, the ASB is proposing different wording for the phrase, "at the time of the assignment," where it occurs in the Being Competent section of the COMPETENCY RULE.

Section 3: Definitions of Assumption and Extraordinary Assumption

NOTE: I never use the term “extraordinary assumption” in my appraisal reports. Instead, I describe what I am assuming, which everyone can understand. For details of the changes, including strikeouts, go to the draft documents.

After receiving comments from stakeholders about difficulties in understanding and explaining the term, extraordinary assumption, the ASB explored the idea of replacing the term and refining its definition. It was also suggested that the ASB review the term and definition of assumption to help distinguish common, ordinary assignment conditions from those, which require clear and conspicuous disclosure. However, many comments in response to the First Exposure Draft indicated that clarifications of the definitions would be more helpful than introducing new terminology. The ASB is therefore proposing the following revisions to the DEFINITIONS without changing the terms themselves.

An extraordinary assumption requires the appraiser to give clear and cautionary notice to the client and other intended users because of a significant element of uncertainty in the appraiser's opinions and conclusions. This uncertainty is due to an identified factor, which the appraiser cannot reasonably be expected to prove true or false. Identifying an extraordinary assumption serves as a red flag that is required to be disclosed clearly and conspicuously in the report since if the extraordinary assumption is found to be untrue, it could affect the appraiser's assignment results.

In contrast, in every appraisal under ordinary conditions the appraiser makes assumptions that are based upon customary facts and circumstances.

Section 4: STANDARD 3 - Dividing into STANDARD 3, Appraisal Review, Development and STANDARD 4, Appraisal Review, Reporting

The ASB is proposing splitting STANDARD 3 into separate development and reporting standards like those for real property appraisal (STANDARDS 1 and 2), personal property appraisal (STANDARDS 7 and 8), and business appraisal (STANDARDS 9 and 10). In addition, the ASB is proposing a change to the definition of appraisal review; the proposed change to the definition would result in a definition that is parallel to the definition of appraisal.

Dividing STANDARD 3 into two standards adds to the overall consistency of USPAP and the end result would be a document that is easier to understand. With this division, STANDARD 3, Appraisal Review, Development, would include what is now Standards Rules 3-1, 3-2, and 3-3. STANDARD 4, Appraisal Review, Reporting, would include what is now Standards Rules 3-4, 3-5, 3-6, and 3-7. In addition, the wording at the beginning of each of these standards has been edited to be consistent with the other standards.

Section 8: Advisory Opinion 37, Computer Assisted Valuation Tools

NOTE: If you use any statistical software, read this section, especially the Illustrations below. This 17-page section, starting on Page 53, discusses the use of regression, replacement cost, and analytical software with multiple functions. It may be somewhat controversial. It starts on Page 53. I am only including the illustration part of this section that starts on Page 58.

Illustrations:

Q: An appraiser used a regression analysis model that suggests a relationship between the size of a residence and the price per square foot of similar residences in a specific market. This relationship has not been confirmed by the actions of market participants. Can the appraiser use the regression analysis as support for the GLA adjustment in the appraisal?

A: No, because the appraiser does not know how the regression analysis model works, has not independently tested the conclusions it provides, and has no reason to believe the database is reliable.

Q: A stand-alone program will calculate the replacement cost of the office building that is being appraised. The software's output is notably different from the actual costs in the spreadsheet submitted. On which cost estimate should the appraiser rely?

A: Standard Rule 1-4(b)(ii) requires that the appraiser "analyze such comparable cost data as are available to estimate the cost new of the improvements." Therefore, the appraiser should not simply accept one cost calculation or another without careful analysis. The appraiser should double-check and reconsider the factual data being input. Likewise, the appraiser should review the cost contract submitted to verify that it also is based upon the same assumptions (e.g., all items included, any personal property included, arm's-length transaction, etc.) and that the calculations are correct. After doing so, the appraiser can determine whether the proposed cost or the software's output is more credible.

Q: An appraiser has purchased a software package that has multiple functions, such as market analysis, deriving adjustments for physical characteristics, automatically inputting information from the local MLS, and more. He uses the program to develop an adjustment for an in-ground pool. The program provides that amount and reports the standard deviation. The appraiser is not familiar with this term. He assumes that a large number is better so he decides to employ that adjustment. Is the appraiser correct in deciding that the output was credible?

A: No. The COMPETENCY RULE requires that an appraiser have the knowledge to complete the assignment competently. An appraiser must have at least a basic understanding of statistics in order to rely upon the output. By relying upon unfamiliar terminology, the appraiser is not complying with the COMPETENCY RULE.

Section 10: Edits to Advisory Opinion 31, Assignments Involving More than One Appraiser

NOTE: If you have trainees, use independent contractors, etc. this may be useful. This section starts on Page 65. It discusses these circumstances:

- Two appraisers working together as equals on an assignment.
- A staff appraiser whose work is reviewed and/or directed by a more senior appraiser.
- A person who is being trained as an appraiser ("trainee") and requires supervision and direction by an appraiser already fully qualified to complete the assignment.
- An independent appraiser/contractor performing work for an appraisal firm.
- Two or more appraisers from different appraisal disciplines working on an assignment.

When assignments involve more than one appraiser there are often questions about the proper way to deal with USPAP requirements relating to record keeping, signatures and certifications.

It is important to realize that USPAP does not define an "appraiser" in terms of state licensing or certification requirements. USPAP defines an appraiser as one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective. Expectation is the crucial element in determining when one is acting as an appraiser.

Section 11 Edits to Advisory Opinion 1, Sales History

NOTE: These edits provide specific suggestions on what to include in an appraisal report. The most useful edits are the examples for Special Circumstances where the appraiser is unable to obtain the contract and the jurisdiction does not have reliable sales price data. This 4-page section starts on Page 72. I did not include all the examples. If this is important to you, please read the full section. I have included some of the line numbers.

Because of differences in federal law and regulations, state laws and operating practices relating to the disclosure and confidentiality of real property sales data, the ways in which appraisers comply with the sales history requirements vary according to the jurisdiction and the availability of information. This lack of consistency has raised questions regarding the applicability and relevance of the sales history requirements.

How can the appraiser best comply with the sales history provisions of the applicable appraisal standards in the face of obstacles that are beyond the control of the appraiser?

Analysis of sales, offerings, etc., as referenced in Standards Rule 1-5, requires more than just stating the known facts about the transaction. Each pertinent factor should be examined individually, methodically, and in detail, to ascertain whether it has relevance to, or potential impact on, the transaction and potentially other assignment results, including the opinion of market value (if applicable). By examining (or evaluating) the specific details of all agreements of sale, options, or current listings on the subject property, and all sales that occurred within the prior three years, the appraiser gains valuable (or important) insights into market trends, property and buyer characteristics.

1650 Illustrations

Four types of examples are discussed, including suggested appraisal comments.

1. Not currently under agreement or option and not sold within past 3 years.
2. Currently offered for sale (a current listing). Three options are listed: competitively priced, inferior to similar listings and superior to other listings.
3. Currently under contract (a pending sale) Three options are listed: appears to be arms length sale, arms length with rent-back seller concession, and arms length buyer pays 2% of sales price toward the buyer's closing costs.
4. Not for sale but was acquired by the current owner during the past 3 years. Three options are listed: prior sale arms length, (land only) sold prior to construction of improvements and REO prior sale - not arms length.

Although not required by USPAP, many clients might expect the appraiser to reconcile any significant differences between the prior sale prior and the appraiser's current opinion of market value. Appraisers must be aware of and meet client requirements.

Special Circumstances

1710 In cases where pertinent information is not available to the appraiser in the normal course of business, wording in the sales histories would likely differ from the examples shown above. The following examples are offered for purposes of illustration only.

The 3 examples include:

1. the property being appraised is known to be the subject of a pending transaction, but the appraiser is not privy to the terms of the pending transaction and the parties to the transaction have declined to disclose the terms of the transaction to the appraiser
2. In jurisdictions where reliable price information cannot be found in the public records and where the appraiser is unable to obtain complete information regarding a prior sale in the normal course of business
3. In many cases, a property may require analyses of multiple items under Standards Rule 1-5 (e.g., both a prior sale and a current listing) and in those cases, each of the analyses must be summarized in the report.

If you have an opinion, please send it to the ASB.

Posting messages on online forums and chat boards is much less effective in making your voice heard.



ProCamera 9



By R. Wayne Pugh, MAI, CRE, CCIM, FRICS

Since the quality of the iPhone camera has drastically improved, real estate appraisers have used the cameras on their phones to take subject and comparable property photos. Recently, a camera app became available with the needed flexibility to allow for high quality photographs for a variety of conditions. ProCamera 9 is a photo, video, and editing app loaded with the best photographic technology.

Through a simple and intuitive interface, ProCamera 9 enables appraisers to shoot near perfect HDR or low light photos and easily control exposure and focus with a simple swipe. The app is designed for iOS 8 and now supports the Apple Watch to remotely control the camera's functions.

ProCamera 9 has so many features it would be impossible to address all of the details in this article. The ProCamera 9 app is the only app I have ever seen that rivals the functionality of the full featured DSLR cameras. It is the most feature rich iPhone camera app available today, and for a bargain price of just \$4.99.

ProCamera 9's top functions include:

vividHDR

With Cocologics's technology partner Ittiam, ProCamera 9 provides the world's best HDR on iOS 10 with no tripod to capture moving objects. The ProCamera 9 provides awesome HDR photos capturing images with the most vivid colors and contrasts possible.

EXPOSURE CONTROL

With a quick swipe of your thumb, the Settings options are displayed for you to change the app's default settings.

PRO SETTINGS

ProCamera 9 provides the same level of control provided with a DSLR camera. This includes setting explicit values for: exposure time, ISO sensitivity, white balance and much more.

MANUAL FOCUS

Focus is easily adjusted with a quick swipe anywhere on the viewfinder.

REMOTE TRIGGER FOR APPLE WATCH

Use your Apple Watch to control ProCamera on your iPhone.

ADVANCED EDITING CONTROL/FILTERS/ EFFECTS

Editing your photos is simple: Quickly swipe between filters, use image adjustment tools, or crop and correct your photos.

FULL RESOLUTION PHOTO PREVIEW

Just double tap in your photo 'Album' to see your masterpiece in full resolution. ProCamera 9 is the only app that shows you every pixel of your photos.

INCREASED CAMERA CONTROL

Separate Focus and Exposure points provide fast and intuitive control for the photo and video modes.

FULL SCREEN TRIGGER

Capture candid moments without even looking at the screen, which makes it the ideal tool for taking quick photos.

NIGHT CAMERA

Get professional, sharp and noise free night shots. Your shutter speed can be set to 1/8, 1/4, 1/2, and even 1 second (iPhone 4S/5/6,7).

SQUARE AND WIDESCREEN CAPTURE FORMATS

The capture formats include 16:9, 4:3, 3:2, 1:1, 3:1.

HD VIDEO RECORDING

The broad selection of frame rates ranges from cinematic 24 fps to 240 fps. HFR videos can be used for excellent slow-motion playbacks.

SHARING

Share your photos on Facebook, Twitter, and Instagram; or batch upload to Dropbox and Vimeo. The 'Open In' option lets you easily transfer photos between editing and sharing apps.

ADDITIONAL FUNCTIONS

ProCamera 9 also offers TIFF file formats, a rapid fire mode, an anti-shake mode for photos and videos, a 3D tilt meter, a self-timer, a live histogram, a 6x digital zoom, a full screen mode, a slow-motion video player, a dedicated Lightbox, a code scanner, a metadata viewer, a manual save, an illustrated user manual, and much more

USER MANUAL

Link: https://issuu.com/procamera_app/docs/procamera_manual_v93_en_download

RATING

ProCamera 9 well deserves five-star rating.

About the author

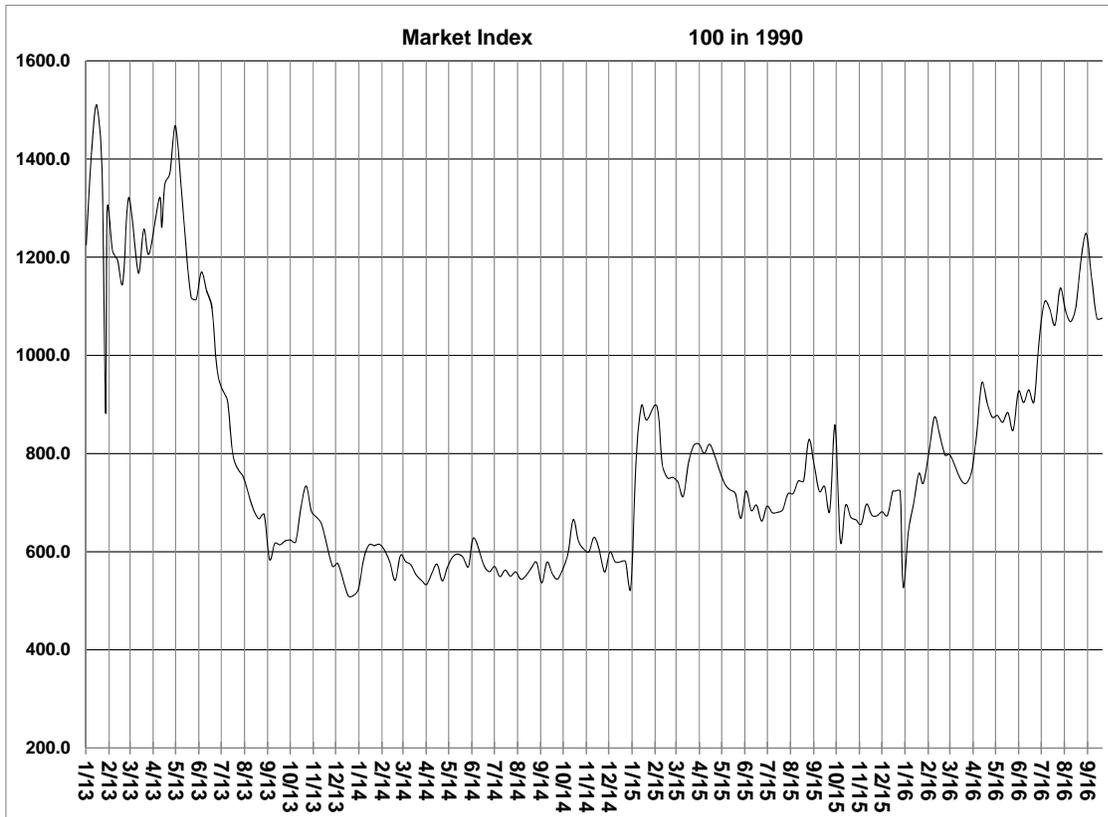


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Counseling Group of America. He formerly served as president of the Appraisal Institute and as chair of the Louisiana Appraisal Board.

MBA Loan Volume Application Index 1/13 to 9/16

Big increases in 2016, almost back to 2013!!



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.

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