APPRAISAL TODAY

February 2018
Index

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Staying positive with unreasonable fees, excessive Scope Creep from AMCs, etc.

I last wrote about this topic in 2015, before CU really started affecting appraisals, fees went way up and then down, etc. So many changes!!

Appraisal businesses, particularly for residential lending have always been very cyclical and stressful, depending on mortgage rates. With AMCs taking over most appraisals starting in 2008, there was much more additional stress from fee competition, which had never occurred before, even during the down cycles.

In 2015, Collateral Underwriter caused even more stress, with your appraisals being compared with other appraisals regarding square footage, C and Q ratings, etc., etc. Clients expected to see support for GLA adjustments, which is not easy. Your adjustments are compared with the CU statistical results.

Positive vs. negative attitudes towards your business

For all business owners, seeing the glass as half full rather than half empty is critical for success.

Fortunately, I have always been a "glass is half full" person. I learn a lot from my mistakes, and try to do better the next time. If you tend to be a "glass is half empty" person, you can change, but it takes work.

Also, having a negative attitude is very stressful, affecting your health and relationships with your family and friends. With a positive attitude, you will spend less energy worrying and fretting over things you cannot change. Then, you can focus on today and planning for the future.

Remember what it was like during the crash after 2008, when there were very few loans, and appraisal volume severely declined? If you are reading this, you are a survivor. Mortgage lending is very, very cyclical. Those that adapt survive.

Surviving the changes is very difficult without a positive attitude.

How I survived

The 2008 mess was the third appraisal down cycle I have experienced. In the early 1980s, interest rates were 18%+. I quit appraising and did corporate real estate for 5 years. In the early 1990s, after the dot-com bust, I laid off all my staff and almost had to declare bankruptcy.

I finally quit doing lender work in 2005 due to the cyclicality of the business, even though I had good lender clients. In 2008 I had enough non-lender work, but my fees were down due to competition of other appraisers who did not have much mortgage work.

Today, my clients are familiar with the recent high residential fees and I am not dropping my fees. My commercial non-lender appraisal fees are higher than lenders pay. Fees have come up some since 2008, but are still low.

Effects of negative online communication among appraisers

It is very hard to be positive if all you read are negative comments.

I have been online since the first web browser. Negative comments have always been very common for most groups, not just appraisers. I have no idea why. I don't think anything can be done about it except have good moderators that don't allow it.

Increases of appraiser online communication is another significant factor in the difficulty in being positive. Unfortunately, there are lots of negative comments, particularly about AMCs on blogs, facebook, appraisersforum.com, etc. There are also negative comments on fees, appraisal waivers, hybrid appraisals, etc. There are not many positive comments.

I don't recommend spending much time reading the negative appraiser comments. In my free newsletter, I often don't put links to negative blog posts. If you read a lot of negative comments, how can you be positive about your business?

I regularly read postings from yahoo groups that discuss appraising and don't whine about all the problems. I go to blogs that are about appraising and don't complain a lot. Sometimes there are negative posts, but I skip them.

There are positive online groups and blogs. I wrote about them in my last newsletter.

You adapted and survived of the downturn in loans after 2008

There are few residential appraisers who can make it financially without doing lender work.

Those who refused to work for AMCs and would/could not find other work are long gone from appraising. Or, doing very few appraisals. Some are not doing appraisals, but keep their licenses active.

The change was very, very fast. Those appraisers who were willing to work for AMCs, even at low fees, survived. Later, some were able to find AMCs that were reasonable. Others got more non-lender work. Some found lender clients that don't use AMCs.

Then boom times returned with increasing fees and very high demand for appraisers.

You adapted to the ups and downs of fees, AMC demands, etc.

You got non-AMC clients, found AMCs that were okay to work for, adapted to broadcast orders (or quit bidding), learned how to negotiate fees, etc.

You learned how to support your adjustments more, explain why your sq.ft. differs from public records, not to use low GLA adjustments, etc.

Shortage of appraisers will happen eventually - baby boomers retiring

Baby boomers retirement is affecting all types of work, from construction to city planning. I have noticed a significant "brain drain" in my local planning department. In the past I spoke with planners with years of local experience. Now I speak with new college graduates with little familiarity with my city. Not many new hires were done during the recent recession, making the shortage even worse.

At a recent USPAP class I attended, most of the attendees had gray hair. There were very few newer residential appraisers. There were some newer commercial appraisers.

With very few trainees since 2008 and many baby boomers cutting back or retiring, there will be a shortage of appraisers.

I am 74, just ahead of the "official" baby boomer age of 71. I started cutting way back on my appraisals a few years ago by only accepting appraisals in my small city. No more 7 days a week, 10-12 hours a day. I don't need as much money and don't want to work so hard.

Many appraisers are retiring. Every month, myself and other appraiser vendors are getting emails and calls from appraisers who are retiring.

The future looks good - for those who stay in the very cyclical regulation of appraisals

Mortgage lending regulations are notoriously cyclical. FIRREA in 1989, after the S&L failures, caused new appraisal regulations, including licensing. Then, mortgage brokers took over loan originations in the 1990s. Somehow, anyone could get a loan, even if not qualified at all.

Then the mortgage crash in 2008 and regulations caused most lenders to quit using mortgage brokers for ordering appraisals. They switched to AMCs and told them to make sure appraisers were doing what they "should" do. At the same time, many review software programs were used to "review" appraisals, looking at factors that were often irrelevant for appraisals.

Now, residential appraisers are dropping out for many reasons. There are very, very few new residential appraisers coming in. More and more baby boomers, including myself, will be cutting way back or retiring. I am no longer willing to work 60-80 hours per week like I did for over 25 years.

Eventually, the pendulum will swing back. Trainees will be allowed to sign on appraisals. Lenders will figure out that the excessive appraisal requirements are causing delays in getting loans done. Lenders pay AMCs for all their employees calling on the phone. Appraisals become less reliable as experienced appraisers refuse to work for AMCs paying cheap fees.

You adapted to the dramatic change in clients

Ever since lender appraising started in the 1930s because of the foreclosures in the Great Depression, lenders provided the vast majority of appraisals in the U.S. Until the early 1990s, they used staff appraisers, with fee appraisers available for overflow.

For over 20 years, starting in the 1990s, most appraisals were ordered by mortgage brokers.

Prior to the 1990s, almost all appraisals were ordered by lenders. After HVCC, there were no more personal relationships with clients. One appraiser was seen as the same as another by AMCs.

This is a huge change for any business. You survived the change.

Fees go up and down - a big change

Prior to AMCs, residential lender appraisers never had fees that went way up and down in the past. Appraisers did not have significant fee competition among themselves. Lenders did not shop for the lowest fees. Lenders make their money from making loans, not paying lower appraisal fees.

AMCs totally changed that. The lower the fees they pay to appraisers, the more money they make.

Residential lender appraising started in the 1930s, with the Great Depression. As far as I know, residential lender appraisal fees did not go down much. When there were lots of loans, fees went up some, but did not decline when loans decreased. Over time, fees increased. When I started my business in 1986, an SFR appraisal was $195. Over time my fees gradually increased.

For example, before HVCC you got $350 and spent 5 hours on an appraisal or $70 per hour with no excessive requirements and call backs. After, you got $350 and spent 7 hours writing up the appraisal plus another hour with corrections, updates, etc., for a total of 8 hours so you make $43.75 per hour. That is Gross, before any expenses - auto, MLS, data, CE, license, E&O, etc.

Recently, fees went way up during the recent boom. There were no armies of trainees to use, which is what had always been the solution to "up" markets.

As more appraisers drop out, there will be more work available, even when mortgage lending slows down.

When fees go down, to make the same money as before, you work longer hours and try to get higher fees

What's the positive side? You have enough work to make a decent living even though you are working much longer hours.

When lenders lighten up on appraisal requirements, you will work fewer hours.

Become an optimist

Maintaining a positive attitude is very important to being happily self-employed. All appraisal practices have bad periods. Sometimes they last for quite a while. Maintaining a positive attitude can be challenging.

Anticipate regulations getting less onerous. Avoid pessimistic people. Listen to motivational Recordings or read a book on it. They really help. Take charge of your business. Don't let it run you.

Athletic competitors have been successfully using visualization techniques for years. A figure skater visualizes completing a perfect triple axel, then does it at a major competition. A downhill racer who has difficulty starting well, while at the starting gate visualizes herself making a perfect start. It really does work.

To change your attitude, look for evidence that a more positive position is reasonable. For example, you get a lot of work from an AMC. But, recently their fees have been lower and requirements more excessive. There are over 500 AMCs you can work for. Get another client.

Visualize finding and getting work from a few AMCs with good fees and are not a big hassle to work for. Or, getting a new good direct lender client, such as a local bank.

Motivational books and recordings help you stay up when business is stressful

Many appraisers are lacking in self esteem according to a study conducted for the American Society of Appraisers (ASA) about 15 years ago, before AMCs took over residential lender appraising. The study found that "clients and the public have a generally positive image of appraisers, but appraisers themselves don't think so."

To most appraisers, the idea of listening to a motivational recording seems odd, or somehow implies there is something wrong with them. I got many strange looks from appraisers when I asked them which motivational books or Recordings they like.

You can listen to them when you are driving, gardening, exercising, walking the dog, etc.

But psychological visualization techniques have been used for many years by athletes to increase performance. For example, a tennis player visualizes successfully serving a tennis ball. Studies on patients with medical problems have shown that a positive attitude makes a difference in their ability to fight off a disease.

The classics: Dale Carnegie and Napoleon Hill

Dale Carnegie was one of the first, if not the first, of the widely read authors and speakers on using the mind to achieve success. Napoleon Hill based his books on Dale Carnegie's insights.

Both books use many real-life examples.

Of all the books I read, Dale Carnegie's How to Win Friends and Influence People spoke most directly to the basics and being client-oriented and having successful business relationships. Some of the principles are: become genuinely interested in other people, be a good listener, and don't criticize, condemn, or complain.

Napoleon Hill's book, "Think and Grow Rich," as compared with Dale Carnegie's is more of a "hard sell," focusing on making money, changing your mindset, and achieving success. This book was mentioned by many people I spoke with as being good as a motivational tape, so don't be turned off by the frequent mention of getting rich and the use of outmoded or unfashionable terms such as "temple of wisdom."

Both books were written in the late 1930s and are still available in bookstores today. Some of the examples and words used are somewhat quaint because they are not current, but the ideas are very "today."

Can these books and recordings really help you?

Why not get some assistance to keep yourself motivated? Sitting around and complaining doesn't do anyone any good. Feeling depressed and frustrated is normal when there are negative changes in businesses.

Those who make it through can develop a positive attitude. Anything that can help you in your business is worth a try. Even if you only get one good idea from a book, recording, or seminar, it's money and time well spent.

What if the titles turn you off?

Phrases such as Personal Power, Control of Your Destiny, Magical Mind, Conquering Force, and Core Desires turn me off, too. But when listening to recordings or reading books, I found good ideas in each one.

Will these books and recordings really change your life?

I'm not saying any of these will make a big change in your life, even though some of the ads imply this. Maybe one will, but probably not. What you are looking for is reinforcement of what you already know, but hadn't really gotten motivated to do, or an idea that can cause you to get a few new clients or worry a little less or feel better about your future.

Won't other appraisers think you're weird if you use these recordings and books?

Who cares what others think? If you can feel and be more successful in your business and your life by reading a book, listening to a recording, or going to a seminar, do it. Let others sit around depressed and whining about no business.

What books or recordings are best for you?

Everyone is an individual. I didn't much care for Napoleon Hill, but he was the author mentioned most by the people I spoke with. I loved Dale Carnegie, who many people find too simplistic.

Try different speakers and authors to see what you like.

Where to get recordings and books

The first place to check is your local library. Mine has a good selection. Many recordings are available in bookstores.

Check Amazon. Search for motivational recordings and books.

Listen in your car

Listening in your car fills up a lot of unproductive time when driving.

Where can you hear speakers live?

Local real estate associations often sponsor sales trainers and motivational speakers.

The stages of responding to negative change

Where are you on the stages listed below?

One of the best books on the effect of negative change was Dr. Elizabeth Kubler-Ross' book On Death and Dying, published in 1969. She interviewed several hundred terminally ill patients and their families and came to understand the stages they went through to accept their own death or the death of a loved one.

Since then, these stages have been applied to businesses experiencing negative changes, such as major declines in clients (mortgage brokers to AMCs). Obviously, this is not as big a change as a death in the family, but the stages of adjustment are very similar.

Managing at the Speed of Change by Daryl Conner expands Kubler-Ross' five stages to an eight-stage corporate model. I have combined the two models into a 6-stage process, appropriate for appraisal firms.

These stages are perfectly normal. The trick is to not get stuck in the first four too long.

The stages are:

1. Denial. Can't believe that business won't come back to the way it was before with lenders or mortgage brokers ordering appraisals.
2. Anger. Bitter complaints about all the AMCs with low fees, regulators trying to get rid of appraisers, ineffective professional associations, too many unqualified appraisers, etc. Feelings of frustration and hurt.
3. Bargaining. Trying to forestall the negative changes. Pressuring other appraisers not to lower their fees, complaining about AMCs, etc. This is the beginning of acceptance of the changes.
4. Depression. Feelings of hopelessness, helplessness, and victimization. Paralysis: unable to do anything except saying no to low fees or refusing to work for AMCs. This stage is unpleasant, but necessary. The changes in the appraisal market have finally been accepted.
5. Testing. Willing to look for new options within the current limitations. For example, looking for new markets for appraisal services or finding a few good AMCs to work for.
6. Acceptance. Making the changes necessary to adapt to the new appraisal market.

Positive and negative responses to change

In Managing at the Speed of Change by Daryl Connor, people confronted with change are divided into two categories: Danger-oriented and Opportunity-oriented. Few people are totally one or the other type, and most are somewhere in between.

Danger oriented appraisers see change as threatening and feel victimized. They have difficulty handling change and prefer the status quo. They tend to be reactive rather than proactive, responding very late to changes, and have a victim mentality, blaming and attacking someone else.

As the changes continue, they get more and more overwhelmed as their old methods aren't effective. When finally deciding to take some action they jump into activities that may or may not work. Sound familiar? Many appraisers have this mind-set. Maybe it's just part of being an appraiser (or engineer, or accountant, etc.).

In contrast, opportunity oriented appraisers look at change as a potential advantage to be exploited, rather than a problem to be avoided, accepting change as a fact of life. They have a strong sense of purpose, and view life as constantly changing variables. When change comes, they are just as disoriented and angry as the danger-oriented people, but view the changes as necessary and something unpleasant to which they have to adjust. They tend to compartmentalize the stress.

For example, they may write letters objecting to AMCs, but they don't let the negative feelings limit their ability to make changes in their businesses. They know when to ask for help, and count on their friends, associates, and loved ones for support.

Resiliency

The opportunity oriented appraisers are resilient when faced with change. They:

1. Display a sense of security and self-assurance that is based on their view of life as complex, but filled with opportunity (Positive).
2. Have a clear vision of what they want to achieve (Focused).
3. Demonstrate a special pliability when responding to uncertainty (Flexible).
4. Develop structured approaches to managing ambiguity (Organized).
5. Engage change rather than defend against it (Proactive).

Source: Managing at the Speed of Change.

Increasing your resilience

No one is opportunity oriented 100 percent of the time. Resisting change is okay sometimes, but is not advised now for appraisal business owners. You can become more positive, focused, flexible, organized, and/or proactive. Changing your behavior can be done.

What if it's really hopeless for you?

Don't feel like a complete failure. Some of the most successful business owners have had failures. Taking risks is part of having a successful business. Sometimes you lose. You can always try again. We all learn more from our mistakes than from our successes.

Where to get more information

"Secrets of Self-Employment: Surviving and Thriving on the Ups and Downs of Being Your Own Boss" by Sarah and Paul Edwards has an excellent chapter called "Riding the Emotional Roller Coaster" for small businesses experiencing change It has practical techniques for such changes as going from feeling overwhelmed to feeling capable, and going from fear or anxiety to anticipation.

Another very good book is "Who moved my cheese" by Spencer Johnson, which is very popular with appraisers. Check out motivational Recordings and books at your local library or use Amazon.

Looking for new AMC clients? Check with your state regulator to see who is licensed. Try social media to find out what appraisers think about a client you are interested in. The Facebook groups are good.

There is lots of info online about becoming more positive. Google how to become a more positive business person. I will discuss this in a future article.

Remember, the only thing in life that is constant is Change. As appraisers, we appraise changes in prices.

New liability issues: Hybrid appraisals, appraiser identity fraud, etc.

Source: Appraisal Institute Webinar: Legal Trends and Issues Impacting Appraisers and Appraisal Firms 12-15-15, 2 hour webinar.
Note: I had a copy of the recording and the handouts. It was hard to keep track of the direct quotes, so some of them may not have quotation marks.
\ Speakers: Peter Christensen, J.D., LIA Administrators and Insurance Services; Bill Garber, Appraisal Institute; Scott DiBiasio, Appraisal Institute (speaker info at bottom of article). A copy is available for purchase from the Appraisal Institute - for info see the end of this article.

About the speakers

Note: Peter Christensen was the primary speaker on the national liability issues. Appraisal Institute speakers in the last half hour of the webinar discussed a state legislative issue where the AI has been very active: limiting the time period during which an appraiser can be civilly sued.

LIA provides insurance and bond products to appraisers, appraisal firms and management companies in all 50 states. As general counsel, Peter assists and advises LIA's 24,000+ insureds with regard to liability threats, lawsuits, and administrative complaints and discipline. He graduated with a law degree from the University of California at Berkeley (Boalt Hall School of Law) in 1993.

Bill Garber, Appraisal Institute Director of Government and External Relations.

Scott W. DiBiasio, Appraisal Institute Manager, State and Industry Affairs

Topics covered in webinar

Note: due to space limitations, only the bolded topics are discussed in this article. For full details, purchase the webinar handouts and audio recording. See end of this article.

- Claims combining appraisers and AMCs.
- Hybrid valuations.
- Appraiser ID fraud.
- State statues of Repose (statues of limitations)
- Mass litigation - Llano Financing Group. Interesting history. Hopefully will not occur again.
- Commercial appraisal bank reliance language - …"this Report, and the information contained therein, may be used and relied upon by the addressee(s) of this Report, their affiliates, successors and assigns,…
- Some unique, new types of claims. Appraisals for IRS - façade easements and donated "deconstructed" building materials
- Appraisal firm employment issues - overtime and independent contractor classification. Good analysis of the issues. I have been writing about ICs for 25 years. I always made sure my appraisers did not work overtime.

State Legislative Activity and Outlook for 2018 section (Dibasio and Garber, Appraisal Institute.

Liability overview - returned to the level prior to the mortgage crisis

Appraiser liability is not out of control, even at the worst period during the mortgage crisis. Claims now are at very low levels. Lawsuits against appraisers have returned to levels prior to the mortgage crisis.

There are always new issues and trends that we (LIA) watch, so the presentation focused on these issues. Some of them are discussed below.

Appraiser ID Fraud: seen more frequently

You would think that appraiser identity fraud would have went out at the peak of the mortgage boom, prior to the crash. At that time there was a lot of appraiser name changes. Did see a lot of claims where the appraiser's name changed and then the report submitted to the lender.

This ID theft has re-emerged, but is different now, primarily due to AMCs ordering the vast majority of lender appraisals.

Thousands of appraisals are now being done annually under circumstances involving ID fraud, principally on the residential side, where the person signing the report did not actually do the appraisal.

Appraiser panel "on-boarding" is usually an online process. Often there is no way to determine if the person signing up on a panel is actually the appraiser they claim to be.

Once the person is on the panel, how do you know the person performing inspections or doing the reports is actually the appraiser they claim to be?

This is big liability risk to AMCs. For appraisers, it is not so much a liability issue, but is a big inconvenience to appraisers with stolen ID when someone else does hundreds of appraisals with your name on them.

Appraiser ID Fraud Example #1 - Two appraisers who "traded names"

Example #1 was when two appraisers worked together as a team. One was on the VA list, the other not. One was on certain lender and AMC panels, the other was not. They both liked to work about half time, leaving the state for long periods of time. How did they solve that? They commingled their identities and traded time away with each other. They would each take assignments and complete them in each other's name.

That worked for several years - until a real estate agent remembered seeing one at her listing whom she knew, but then later saw that a different appraiser completed the appraisal.

Appraiser ID Fraud Example 2 - Trainee uses supervisors' names

This is obviously much worse than Example 1, above.

A trainee basically hired his own supervisors.

The trainee ran the firm and collected the money for appraisals he did with the supervisors. The trainee soon figured how to make it more profitable. He "fired" his supervisors, and then simply started doing appraisals in their names.

He signed up for appraiser panels in their names and forged E&O declarations pages.

Every now and then, when an AMC or lender called with a question, he pretended to be the appraiser on the phone. It looks like he did 100's of appraisals for several AMCs.

(At least, his work quality was excellent.)

If you run an AMC, he may very well have done appraisals for you.

Hybrid valuations

Are appraisers covered by their liability insurance for hybrid appraisals? LIA and most other companies say Yes.

These are appraisals (usually residential now) that combine an appraiser's valuation analysis with another party's inspection and/or AVMs or automated tools. LIA has been hearing a lot about these in the last 6 months, primarily lots of marketing They are not trying to steer appraisers away from this service. They can work well for some appraisers. An example was a North Dakota appraiser who spends his winters in Arizona. He liked doing hybrid appraisals on North Dakota properties in cold weather while he was in warm Arizona.

A main liability concern: The appraiser (and AMC) may be dragged into claim, typically by borrower, based on information supplied by the other parties. Clarity of who provides and is responsible for particular information alleviates some of the concern. For example, the inspector does not report (or notice) fire damage in the attic.

Assuming that the appraiser's scope of work states that someone else did the physical inspection, a claim would be covered by the appraiser's E&O insurance. However, appraisers can still be drawn into a claim regardless of what is in your scope of work.

Will your hybrid appraisal be covered by your E&O insurance policy?

Yes, by LIA and most E&O insurers. You should be more concerned about minimizing your risk.

Hybrid forms

As a general matter, the form designers don't take advantage of their freedom from the 1004 - they are not doing a good job in reducing potential liability not only for the appraiser, but also for their own companies and inspectors.

Some of the new products are missing liability prevention ingredients. Key examples:

- No statements that the report is not a home inspection. That even the third party does not do a home inspection.
- Weak wording on intended use and intended user. In general, this is not very good for the protection of appraisers.
- The worst forms just copy 1004 language, including the certifications.

Form advice: before using the form, carefully read it. Don't trust that it is worded well. Is there some way this could be twisted around such that the borrower could be given permission to be an intended user? Can the form be improved so the borrower would not be an intended user? How can I protect myself from a claim by a borrower or other unintended third party?

Hybrid appraisal reports completed online

In some instances, an appraiser completes the form online and relies too heavily of the automated tools built into the software platforms that create the reports rather than doing their own common sense analysis.

The appraiser may fail to create an adequate workfile with the required information and data to support (and perhaps later defend) their appraisal, needed for a disciplinary risk, issue or a claim.

How is your hybrid appraisal going to be used?

You need to know how your appraisal will be used.

As far as liability and disciplinary risk, there is a big distinction between a hybrid valuation that a consumer may receive a copy of, versus one that will strictly be used internally. If the appraisal is used for a loan and the buyer is given a copy, that is much riskier that if it is only for internal use by the lender.

Other hybrid appraisal report problems

Next to your value, one form has a one year very low risk of percent decline. But, you did not provide this number. Make sure that you disclose that you are not providing this number.

Always pay close attention to intended user and intended use language. Don't trust form language. For example, intended user is very weak and does not include who is not an intended user. Intended use is also very weak and does not include that no other intended use is authorized by the appraiser.

New Trend: Lawsuits naming appraisers and AMCs as co-defendants

Primarily on the residential side, but some commercial also. This is from lenders and borrowers. It occurs when the lender or borrower has a problem with a loan (default or repurchase).

Performing loan repurchase claims are more common (against both AMC and appraiser).

The reason they are able to go after both the appraiser and the AMC is taking advantage of state AMCs laws which can be argued to impose duty of care on AMCs (just like appraisers).

For example, Indiana AMC law provides "An appraisal management company is responsible for ensuring an appraisal complies with standards established: (1) in the USPAP; and (2) by the board."

When there is a claim, the AMC and the appraiser have to work together to defend the appraisal.

There is a little bit on commercial claims also. There are now a "fair number" of commercial appraisals being ordered by AMCs now.

State Statues of Repose (State law)- requires acting by a specified deadline

Note: I did not write about the state laws that were reviewed in the webinar. If your state does not have an SOR, your state legislative group needs to work with the AI to set one up. There is lots of information in the webinar and handouts, which can be purchased.

The Appraisal Institute for the past few years has been working on limiting the time during which an appraiser can be civilly sued.

Definition of Statute of Repose: A statute of repose (sometimes called a nonclaim statute), like a statute of limitation, is a statute that cuts off certain legal rights if they are not acted on by a specified deadline. ... Some jurisdictions have passed statutes of repose in the context of products liability law, or for Probate court proceedings.

After the mortgage meltdown, when appraisers were sued, some states allowed an almost infinite time period for lawsuits after the appraisal was completed.

This happened in some states with appraisers being sued for appraisals done many years ago. The discovery does not start until the defect was discovered, which could be many years after the appraisal was completed

The objectives are to:

1. Make Statue of Limitations laws consistent with USPAP's Recordkeeping Rule
2. Make it clear that accrual begins on the date on which the appraisal or appraisal service is performed.

Where to get a copy of the presentation and the handouts

Go to www.appraisalinstitute.org and search for the seminar name. The price is $90 (non-members) and $30 (members)

Direct link:
https://www.appraisalinstitute.org/legal-trends-and-issues-impacting-appraisers-and-appraisal-firms/

What does this mean for you?

Be careful when doing (or deciding to do) hybrid appraisals. Identity fraud is back with increasing use of AMCs. Watch out for it.

If you have appraiser employees or independent contractors, listen to this webinar recording.

[redacted]APPRAISAL™ SUBJECT - SINGLE FAMILY HOME - 3BD / 2BA 411 S Schug St, Orange CA 92869 FILE NUMBER #141110-2447-1 CLIENT FILE ID# #7891665314-515

INTENDED USER

The intended user of this report is the named Lender/Client. In some jurisdictions, e.g. Illinois, the AMC is considered an intended user.

The intender user of this report is the named Lender/Client. Use of this report by other parties is not intended or authorized by the appraiser. No other parties should use or rely on the appraisal for any purpose.

INTENDED USE

The intended use of this appraisal report is to provide an opinion of the MARKET VALUE of the real property that is the subject of this report based on a sales comparison analysis, for the purposes as defined in this report.

The intended use of this appraisal is for the named Lender/Client's evaluation of the subject property as collateral for a mortgage loan to the borrower identified in the report. No other use is intended or authorized by the appraiser.

Do you have to be crazy to appraise real estate?

by Barry Bates

"No, but it helps." That's the standard retort to the same question asked about any occupation (though I've heard appraisal referred to as the Second Oldest Profession).

In fact, one of the positive traits needed to be an effective, competent and happy appraiser is Conformity, as you'll see later in this rant. It doesn't mean you need to be a conformist, but you have to be good at conforming to a relatively strict set of procedures and structures around estimating the value of real property.

I used to kid myself that I was a NONconformist, but that was actually only during my 4 years at college in Berserkeley, 1968-72. Although my politics are still a little to the left of Friedrich Engels, I toed the line in school like I did in the Army, and I got what I wanted.

As I climbed the ladder to what I once thought was success, though, I found that all my problems were coming on two legs. I'd hire somebody to watch the front desk, and he'd never show up to work. Or I'd assign a complex project to a bright-eyed college grad only to find that the light in his eyes was just the sun shining through the hole in his head. It took a long time, and a few seminars, to learn what to look for in a good employee.

My career and being crazy

Sometimes the truthseeker gets a hearing. I believed in truth, justice and the American Way throughout my career, but I was no Superman, and my dumbest moves were tilting at windmills.

After I had finished tours of duty as chief appraiser for Commerce Security Bank, Wells Fargo Real Estate Investment Group, The Money Store, Ameriquest Mortgage, and after I worked in the secondary market for Hansen QLS and Countrywide Securities, the bloom was off my moral rose. I was able to stand firm on values, but was often overruled by a stroke of the pen. I was later informed that there are no such things as truth and justice. By my psychiatrist. About two weeks ago.

Thus I can say with certainty that NO, it does not help a career to be crazy (unless you have a boatload of money and know how to manipulate the Electoral College). You might think that by hiring wackos, you might learn to wrangle them. No: there are too many types.

I found that although I needed to do more research for this paper in terms of identifying positive traits and factors contributing to a successful appraisal career, I had a built-in list of what traits did NOT work, at least in the long run.

As we begin to compile a list of traits conducive to the practice of real estate appraisal, we might start with fairness or lack of bias, which in turn starts with loyalty to the truth and the ability to learn from and leverage.

Unfortunately, a truthseeker on the job today is just as likely to be seen as a sucker or a liability. The appraiser/lackey may have comfort in secure employment, but is likely to sharply feel the loss of autonomy and self-respect.

Bad appraiser traits

Inevitably, when I ran across an appraiser, or was trying to hire one, one or more of the following traits turned up, most of which I have in spades and which are anathema to quality appraisal practice:

Rigid Ideas. This is the appraiser who thinks that the cost approach is never appropriate in appraising a 90-year-old house in fair condition with some historical significance. Need I say more? Rigid ideation can also be a symptom of Asperger's syndrome, obsessive compulsive disorder (OCD)

Unstable Work History. Not long ago, the Jobhopper, a bunny-like character, starred in a Dilbert strip. The pointy-haired boss asked the usual questions, including why the Hopper had had so many jobs in close chronicity to the present application. The Hopper protested, "How can you tell if I'm a job hopper?

Maybe I just know when a position is unsuited for me." "Okay, okay, you're hired," said the boss. Thought balloon over Hopper's head: "I'm getting SO sick of this place!" Hopping jobs is NOT a good sign. I thought I was wise in changing jobs whenever a better paying one appeared on the horizon. In fact, it showed I had little interest in the industry.

Bias against certain property types, borrowers, locations without sound analysis or support.

Isolation. As a residential fee appraiser, it's easy to enjoy the autonomy and self-determination offered by the job. But it's also easy to avoid the social contact critical to managing your aspirations. The tendency to isolate is the bane of the profession, and the reason that appraisers generally do not band together to address a threat to their livelihood.

Picking the wrong battles. My own knee-jerk tendency to stand ground against management pressure to inflate values made me feel great on my way home. But, I often missed unforeseen consequences and ended up, usually unbeknownst to me, on the boss' "not a team player" list.

Opinions of a working professional appraiser on psychology of appraisers

To stir up some ideas for this article, I interviewed one of my closest appraiser friends via text today as a way to take the temperature of a working professional: he's a senior reviewer for a high-tech mortgage bank based in the Northwest, and is as sharp as they come. He has an ability to use his own intuition, coupled with experience and intuition, to solve one-time, complex valuation-and personnel--problems.

His remarks suggest that scrupulous honesty has indeed become somewhat of a liability for the appraisal jobseeker. He also was once was an optimist.

"…Psych traits of appraisers? On the edge, never knowing when the biz will die. Depressed when it's slow, and too much anxiety when it's busy because we know it will be slow again. Hard to plan a life in this biz. Appraisers are always looking for the other shoe to fall. They live under the Sword of Damocles."

Of course, he's seen some ugly behavior in his already long career, and I share his discouragement. Those of us who live by O'Toole's Rule (Murphy was an optimist) are always watchful for the hidden agenda.

Hopefully, we're outnumbered by Millennial idealists who will return honesty, fair dealing and competence to the residential appraisal industry.

Self-examination

My point in presenting all this setup information is to emphasize that self-examination to clearly identify your best talents and traits deserves all the effort, thought and research you can squeeze in for it.

Partly because it's never been more important to see where the appraisal profession is heading, especially with respect to technology (AVMs with built-in AI) and product development in the secondary mortgage market ("waivers").

The power of an appraiser

The power of an appraiser may be mundane and ephemeral, but it has always meant a potential hanging sword over the head of the homeowner or refinance applicant. I forget how many years ago that the GSE definition of market value changed from "the highest price" a property would bring in an open market to "the most probable price". Maybe we should have left well enough alone.

Appraisers, as always, are still subject to brutal attempts at co-option, coercion and a kind of second-hand extortion, yet they can no longer go home feeling like they solidified their own reputation and wisely prevented some borrower from financial ruin. Nor can they be comforted by the protection of an employer or the praise of a buyer or seller.

Time for action

Appraisers have complained long enough to no avail. It's time for action. Before appraisal "waivers" came along, it was possible for appraisers to boycott or strike, thus using their only economic power to effect change; but we've never had the solidarity or leadership for a labor action.

Certainly one negative psychological trait of appraisers is passivity.

What is my vocational psychology?

So what is my vocational psychology? What are the traits and characteristics that make me so historically effective, and where will they be needed in the immediate future?

Moreover, and maybe just for fun, looking at the good and bad, what traits do I have that are not conducive to future success? It seems too easy to shoot yourself in the foot these days; I can't afford to make a mistake in planning for a sea change in my chosen and therefore sacred line of work."

What is a vocational psychologist?

And whom should I consult? The ready answer would be a vocational psychologist: that subcategory of psychology is the source of vital statistics with respect to correlations between success on the job and the components of a person's personality that enable that success.

I flirted with understanding what I could learn about vocational psychology on the web, and came away with basically not much other than an umbrella organization with a funky newsletter (Society of Vocational Psychology, under division 17 of the Society of Counseling Psychology of the American Psychological Association).

I found only info about that aspect of the science that counsels individuals or employers on filling positions to their best advantage. I wanted the stats and correlations, the theory behind the results. Where can I get that stuff?

What does Google say about the traits of appraisers?

I entered a query: [traits characteristics needed to become real estate appraiser]

Result: "Google knows all, sees all! It no longer makes a pretense of suggestion or guesswork. This is it; deal with it!" Well, it didn't say that, but that's how it made me feel. For common questions, Google has taken to consolidating search results and delivering flat statements.

First thing I noted is that Google decided I must have meant real estate agent, repeating my query (traits characteristics needed to become real estate appraiser) as:"What qualities do you need to be a real estate agent?"

So does this mean that Google the Wise sees no material difference between an appraiser and a real estate agent? What about our standing assumption as appraisers that agents show certain negative evolutionary traits that are common among salespeople?

- “We have found there are a number of qualities and traits that successful real estate professionals share."

[Whoa there, Big Googly! Just who is this "We"?]

- Problem solver mindset. ...
- Self-motivated entrepreneur. ...
- Honesty and integrity. ...
- Hustle and tenacity. ...
- Interest in houses and architecture....
- Engaging personality. ...
- Attention to detail. ...
- Understand the local housing market.-

Okay, that avenue of research was a blind alley. Those are all useful qualities, but they relate more to sales than to the analysis and consulting appraisers must conduct on a daily basis.

On the flip side, appraisers often spend too little time socializing with their peers and clients.

What makes a good real estate appraiser?

Where to next? What were the other links Google bequeathed me? Before checking, I tried a simpler query: [what makes a good real estate appraiser?] I was ecstatic when I discovered that my publisher, to some extent a superannuated Luddite like myself, had obviously been correctly leveraging Google Adsense: Appraisal Today was the first result source in the list!

Not only did that make me right proud, it was, IMHO, one of the best homegrown lists of arrows belonging in every appraiser's quiver.

One of Ann O'Rourke's concerns in 1993 was residential appraiser competency. "Form fillers" were lowering the bar in public respect because they could not explain their appraisals to clients. A good appraiser keeps skills honed and ready

In Ann's 1993 article, She bemoaned "form fillers" and commercial appraisal "boilerplaters". Over 20 years later, there's an established class of both certified and uncertified, licensed real estate appraisers who truly do not understand the economic principles behind appraisal and see the process as indeed nothing more than filling out a 1004; it shows in their completed product.

Today, these are the folks who are thrilled by a $180 fee for the appraisal of a $20,000,000 home, and who are proud to be able to write 8 appraisals a day, which may be signed by somebody else without disclosure.

Ann's dream traits for an appraiser are ones that we can all respect, but which we are seeing less and less:

- Integrity. This doesn't mean honest. It means that a good appraiser is an amalgam of consistent behavior and analysis.
- Professionalism. Although this overused word usually describes conformity rather than originality, it can indicate merely looking and acting the part of a professional. I mean, this is simple stuff. Don't appraise on a motorcycle, and take care to wear clothes toward the high end of the business casual range. Don't chew gum when meeting with clients. Be active in the local chapter of an appraisal association. In argumentation with realtors and lenders, avoid expressions of anger, dismissal or distrust. And show an avid interest in the opinions and observations of others. It feels absurd to have to mention these simple measures, but it's apparent that newcomers are not hearing them.
- Objectivity. This is what you're being paid for. If you're not delivering an unbiased opinion, you need to change your line of work.

The rest of the items on Ann's list are again "no-brainers", except the advice to be so inquisitive that you're easily bored:

- Talent and Innovation
- Skill, Training and Enjoyment of Interviews

- Curiosity
- Avoids Perfectionism and Rigid Ideas
- Prefers thinking "outside the box".
- Is easily bored.

Bureau of Labor Statistics - employment characteristics

I know what you're thinking ("when is this guy going to get to the point?"). Stay with me; we're getting close.

The hunt for hard traits and characteristics was needed to emphasize that as complex beings, individual humans defy precise categorization, and that a desirable trait in one appraiser (say, sociability) may be a negative for another appraiser.

Next Stop: The Bureau of Labor Statistics. I figured the Bureau won't tell us personal traits and factors, but it will provide at least employment characteristics. The overall summary looks like this:

I always wrote that off as a function my California perspective. Now the national median seems low enough to support my thesis that residential appraisal can only marginally be described as a "profession" instead of some kind of technical skill.

A hairdresser in Fairbanks, Alaska, makes $55,700. What does that mean? Is appraisal pay merely a correlation with local home prices or a true expression of supply and demand? Why?

If you believe the BLS, the complaint of an "appraiser shortage" should fall on deaf ears since the market as a whole has picked up 12,000 new appraisers since the last census.

Unfortunately, there's no way to estimate supply and demand accurately, because RESPA no longer mandates to a full appraisal.
While I wasn't looking, somebody undid the requirement in order to let Fannie and Freddie decide on whether an appraisal is necessary.

Without public announcements, the two GSEs started waiving appraisals last June for 20% equity refis and will soon extend them to purchase money mortgages. As of the date the word got out in the Washington Post (6/21/2017), online lenders like loanDepot were already using waivers in 10% of refis.

A bigger shock for me was the Bureau's estimate of 14% job growth. (If you visit the following link, don't miss the downloadable spreadsheet with detail by state:
https://www.bls.gov/ooh/business-and-financial/appraisers-and-assessors-of-real-estate.htm#tab-6) Then I saw that the BLS estimate is predicated on twice the

employment growth overall for the next 10 years (7%). The appraisal/assessment employment growth assumes the following (from bls.gov):

"Demand for appraisal services is linked to the real estate market, which can fluctuate in the short term. Over the long term, employment growth will be driven by economic expansion and population increases-factors that generate demand for property."

"Greater use of mobile technology, which enables workers to appraise and assess properties more efficiently, will increase productivity. In addition, the increased use of automated valuation models to aid in the appraisal of property for mortgages, might also increase productivity."

Reasonable enough, especially with the "Google effect" on secondary towns and cities (inmigration of high-paid tech jobs), but it fails to take into account jobs that are automated out of existence.

For example, the eleven-million-odd workers in the U.S. economy who drive for a living are only now waking up to the potential effect of self-driving cars and trucks (not to mention deliveries by drone).

The prognostication also fails to note that while "mobile technologies" may increase appraiser productivity, that productivity can close off entry-level jobs.

Obviously, the BLS does not see AVMs as a job threat, but then it inserts a subtle and curious caveat: "Job prospects should be best for those who are able to switch specialties and appraise different types of properties." Maybe it means, "if you're doing residential, switch to commercial or you're going to be toast."

Quick Facts: Appraisers and Assessors of Real Estate	
2016 Median Pay	$51,850 per year $24.93 per hour
Typical Entry-Level Education	Bachelor's degree
Work Experience in a Related Occupation	None
On-the-job Training	Long-term on-the-job training
Number of Jobs, 2016	80,800
Job Outlook, 2016-26	14% (Faster than average)
Employment Change, 2016-26	11,600

US Department of Labor - Description of desirable traits

Finally, I ferreted out O*NET (Google it), sponsored by the US Department of Labor, a robust and useful database of 800 vocations that delivers real job requirements as well as the personal traits and characteristics needed to secure the job and prosper. Note the "related occupations"! Those may be the more secure options that offer similar and more comfortable work environments.

Here's the recommendation for the appraisal and assessment professions. You can take them to the bank!

Interests Interest code: ECR

- Enterprising - Enterprising occupations frequently involve starting up and carrying out projects. These occupations can involve leading people and making many decisions. Sometimes they require risk taking and often deal with business.
- Conventional - Conventional occupations frequently involve following set procedures and routines. These occupations can include working with data and details more than with ideas. Usually there is a clear line of authority to follow.
- Realistic - Realistic occupations frequently involve work activities that include practical, hands-on problems and solutions. They often deal with plants, animals, and real-world materials like wood, tools, and machinery. Many of the occupations require working outside, and do not involve a lot of paperwork or working closely with others.

Work Styles

- Integrity - Job requires being honest and ethical.

Attention to Detail - Job requires being careful about detail and thorough in completing work tasks.

- Analytical Thinking - Job requires analyzing information and using logic to address work-related issues and problems.

- Independence - Job requires developing one's own ways of doing things, guiding oneself with little or no supervision, and depending on oneself to get things done.
- Dependability - Job requires being reliable, responsible, and dependable, and fulfilling obligations.

Work Values

- Independence - Occupations that satisfy this work value allow employees to work on their own and make decisions. Corresponding needs are Creativity, Responsibility and Autonomy.
- Support - Occupations that satisfy this work value offer supportive management that stands behind employees. Corresponding needs are Company Policies, Supervision: Human Relations and Supervision: Technical.
- Achievement - Occupations that satisfy this work value are results oriented and allow employees to use their strongest abilities, giving them a feeling of accomplishment. - Corresponding needs are Ability Utilization and Achievement.

Related Occupations

13-1031.01 Claims Examiners, Property and Casualty Insurance
13-1031.02 Insurance Adjusters, Examiners, and Investigators
13-2021.01 Assessors Bright Outlook
19-4061.01 City and Regional Planning Aides
41-9021.00 Real Estate Brokers

Note that the individual categories in the lists above may Not show all alternatives. The mid-career appraiser will want to take the time to explore O*NET more fully!

Final comments

So, Loyal Comrades of the Appraisal Profession, unite!

You have nothing to lose except more money at tax time!

After reading about the positive appraiser attributes on O*NET, I, as your troop leader, have selected the following as your best personal assets.

And as the ammunition you will use successfully as the means to survive and thrive in what will almost assuredly be a sea change in the residential valuation market (certain other O*NET traits were eliminated because they benefit the client more than the appraiser):

Integrity.

If you have it, you know it, and you manage to keep it together through temptations great and small. In doing so, you've borne the full brunt of the end-runs that are beginning to dominate your environment:

$10 BPOs from India (the big fund that buys these claim they're helping poor Indian widows and persons with disabilities from Kerala to Kolkata;

Your placement on an AMC group of blacklists resulting from saying, "I'm mad as hell and I'm not taking it anymore"; you've already switched to brokering properties and trying to get elected as the local property tax referee (the best license to steal ever printed).

You're getting more and more emails, letters or phone calls from AMC "hired guns" who try to intimidate you into increasing value. You say, "Thanks for calling, but I have to get back to work on Barack Obama's house; I'll call you back if I can find a way to accommodate your wishes." Or the two-word signoff used by less diplomatic and tolerant appraisers.

You've been promised "all the business you can handle" if you can just promise to turn down any assignments where you don't think you can enable the stated owner's value or stated LTV." You politely asked if the caller has every heard of a "contingent fee". Probably not.

As an integrate, you have weathered the above and have realized that you could reduce your money worries if you rolled over just a little bit, it would take a lot of fun of the job, which you still enjoy because of your:

Independence

There's something bracingly clean and pure about producing a product that was manufactured from front to back by your own hands. You know that your independence allows you to adapt or reject as you see fit.

You also see that independence as a positive character trait that can turn a new profession as entrepreneur or techie into reality.

You've never needed anyone to dot your eyes! You may not be able to define critical thinking if it was born into you.

Attention to Detail

This is sometimes a polite way to say that you're a little bit of a geek or a perfectionist. But you know that your tendency to leave no turn unstoned (a sixties metaphor) that has saved your attractive derrière more than once. That comp you were going to use, but subconscious critical thinking told you to review the public record for it.

The realization that an onsite improvement could have no value, some value or negative value, and that the property could be accurately appraised if the cost of the improvement were known. I believe that critical thinking is the birth mother of ideas, especially entrepreneurial ideas..

My only one related to business was that there was an unmet need in the commercial mortgage industry for commercial BPOs. I borrowed $150,000 to fund the office and the IT in 2010. It was grossing $8,000,000 annually when it was sold to a larger residential valuation company that needed to add commercial to its quiver of residential arrows.

(True to myself, I quit before the sale was consummated. I had made the mistake of bringing in the IT guys as full voting shares. Warn't no fun no more.)

The current stage of technology is very conducive to an industry insider like you to find a need, fill it, and DON'T SELL until you've made your first $5 million.

That's it. I know I should add some curmudgeonly negative opinions about the obstacles to success you might encounter.

But, with the three traits I've identified above, you don't need my opinion to strive and survive the coming changes.

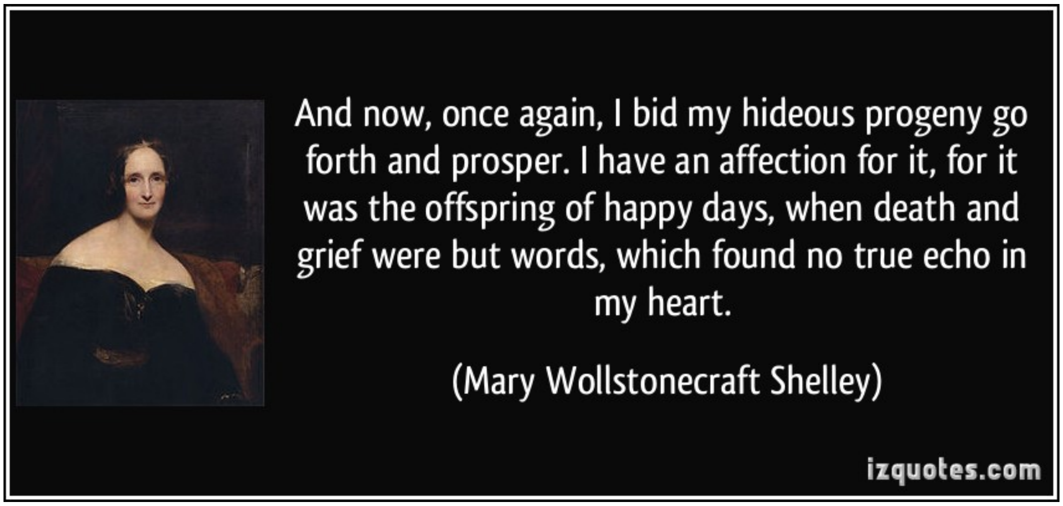
As a critical thinker, you're even willing to put aside the rosy predictions of the BLS with regard to appraiser job growth, and rely instead upon the gut intuition of the certified nut job that wrote this article.

You know that appraisal can easily go the other way, just as other industries have been disrupted or eliminated by new ideas in technology.

Go forth and prosper

Go forth and prosper, or at least go safe by adding insurance to your portfolio of products. Or go back to school for an education in coding and web development.

I've already told you the answer I got from a mortgage billionaire when he suggested I go to law school, and I answered that, OMG, I would be as old as 45 when I finished. He asked, "How old will you be if you DON'T go to law school?" I didn't go to law school, but I got the point.



(Mary's "progeny" was her body of work, but she originated the prosper metaphor, I think.)

This guy, Leonard Nimoy, just perpetuated it as Spock on TV, and apparently as a Jew dutifully supplanting God with ??????. (I'm a crypto-Hindu Catholic. Can't tell ME what to do.)

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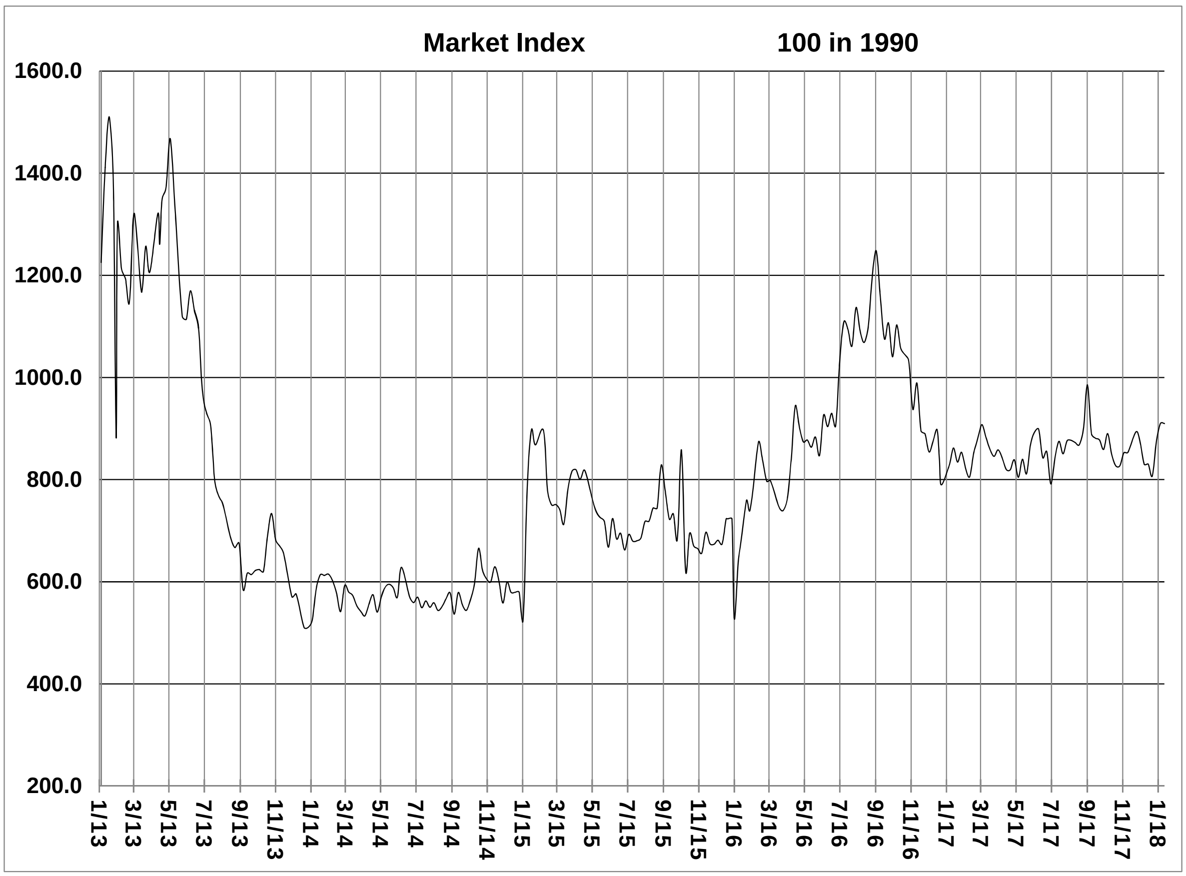
MBA Loan Volume Application Index 1/13 to 1/18

As you can see below, between 2013 and today, volume peaked in early 2013, declined, then peaked again in 8/16. For many appraisers, volume started dropping in early 2017 and has been going up and down since then. The forecast is fewer loans in 2018 due to increasing interest rates. This is a good demonstration of the ups and downs of mortgage lending.



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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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