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### **Why I am an appraiser**

I have been appraising for over 40 years. I was very lucky to have found appraising in my early 30s. I really love appraising. My MBA really helps me understand the business side. I am comfortable with the challenges of managing my appraisal business.

Today, many appraisers are unhappy with their career choice, both commercial and residential. Many of us like appraising, but don't like the fee appraisal business side, which has significantly changed, especially the residential side.

I was very fortunate as I started appraising when most appraisers were staff appraisers and there were active professional appraisal associations. Appraisers

were respected as experts. It was a great time to be an appraiser. I would never have become an appraiser without a staff job.

I still like appraising and my appraisal business. I avoided working for AMCs and did not have to work for very low fees.

In this article I take a look at the past and how appraising has changed to try to understand what is happening today.

Why are appraisers, especially residential, so dissatisfied. And, why I still love the art and science of appraising, as do many other appraisers.

I am very lucky. Many people go through their whole lives without a career they really enjoy.

### **Why do appraisers tend to be negative?**

Most people don't like change. Possibly it is because appraisers have been trained to look at problems or defects when we do appraisals.

This is nothing new. Back in the 1990s, I offered two days of appraisal business management seminars. The first day, attendees spent the first hour or so venting about lousy clients, cheap fees, etc.

At the beginning of the second day, one of the older attendees said he thought appraising was an easy way to make money and really liked it.

### **Negative effects of licensing**

I supported appraisal licensing back in the late 1980s. Unfortunately, the negative effects were not anticipated by many appraisers, including myself: decline in professional appraisal associations, clients just looking at license instead of other qualifications, USPAP heavily influenced by lenders, etc.

### **Why are appraisers so negative about other appraisers?**

The only reason I can determine is that many appraisals are reviewed by lenders, if only by computer software. I don't think accountants' reports are reviewed by their clients. I can't think of any trade or profession reviewed as much as appraisers.

I really dislike this part of appraising. My non-lender appraisals are never reviewed.

### **Appraising vs. appraisal business**

I'm sure almost all of us like determining a value, working in the field, keeping up on the real estate market, etc. That's what staff appraisers do.

Most of the negative factors come from your appraisal business. The more clients you have, the more issues. If you work for AMCs, you have lots of lender clients and lots of fee and requirements issues.

If you work for a few direct lenders, you learn their requirements and can often establish a personal relationship with someone. Also, fees tend to be stable.

If you work for non-lenders, you can do what you did during the mortgage broker days, including stable fees. No requirements except USPAP.

### **How long you have been appraising - a significant factor**

I suspect that the longer you have been appraising, the more you resent the negative changes. You remember the "good old days".

When you started appraising may affect your "attitude". Most people don't like change, particularly if it is seen as negative.

If you started since AMCs took over, you are used to fee hassles, scope creep, etc. Marketing is easy - apply to some AMCs. No personal relationships. Relatively few value hassles. If you work for direct lenders, it is similar to the past. Not many trainees.

Remember the mortgage broker days? Lots of value pressure, but no fee hassles and relatively few reviews. Marketing was personal as you knew the loan officers. Not very good training for many appraisers.

Are you a pre-licensing "old timer" like me, nostalgic for the days when appraisers were seen as professionals? No UAD, CU, etc. Some value hassles, but not much. Most started at lenders, where they were trained.

As an old timer, I did not have to change much as I had a well established non-lender business. My appraisals are very similar to pre-AMC days. I don't do any quantitative adjustments except market conditions. No tablet for inspections, no MC, UAD, etc. I don't like change unless it works for me. But, I really, really miss the old days every day, which are never coming back.

### **How I got started in appraising**

I am easily bored and have always wanted to learn new things. After graduating from college, I worked in various biology and chemistry labs for 7 years, but I didn't like working inside and found the work very boring as compared with studying it in school. I was looking for a new career.

In the mid-1970s I saw an ad for an appraiser assistant at a California Assessor's office. It said "Work in the field." I had never heard of appraising, so got a book on appraising at the local library before my interview.

My first year I only did inspections and loved it. I was updating their records and spent almost all the time in the field and saw lots and lots of properties.

Then I got an appraiser job with another California county assessor's office, working in rural, urban, and agricultural areas. I was hooked. I was given a geographic area and had to appraise everything in it, including the land values. Appraisals were done on one or two page letter size reports or 4 x 6 inch cards. We updated them periodically. The cost approach had been used extensively for decades, but one of the supervisory appraisers developed a price per sq. ft. chart which we used for the basic value. There were no adjustments. You just listed the sales you used.

The experience was fantastic. I had experience that you cannot get, especially when you do lender work.

Unfortunately, other type of appraisal work gives you limited experience because of the much smaller number of appraisals you do for lenders or for other types of clients.

### **My corporate real estate job from 1980 to 1985 - using my appraisal skills**

There are other options for appraisers!

In 1980, I got my MBA and planned to return to appraising. But, mortgage rates were over 18% and there were hardly any jobs available. I interviewed with a few local commercial fee appraisal firms, but the salaries were way too low.

I used my 7 years of lab experience, 4 years of appraising, and my MBA to get a mid-level management position with a biotech company. I was in charge of real estate administration. The company was both a landlord and a tenant and owned properties in Berkeley and Emeryville. I had never worked in an office or supervised any one.

I did not like meetings, memos, the inevitable "politics" and really missed being in the field as an appraiser. I cashed in my stock options and my 401k and used the money to start my appraisal business in 1986.

### **What I dislike about lender appraising**

I started appraising at an assessor's office. No value pressure at all. No changing requirements. I was respected as a professional.

When I started my appraisal business in 1986, it all changed, especially residential. My first lender appraisals were a total surprise. The chief appraiser told me how the form had to be filled out, what I could say (and not say), etc. Fortunately, lender commercial narrative appraisals did not have these requirements. There were minimal, if any, reviews as I worked for small local lenders.

What was worse was the extreme ups and downs of the business.

I never really adjusted. I finally quit doing all lender work in 2005.

## **What I like about appraising**

I have always been curious, wanting to learn new things. Also, I am very good at collecting and analyzing various pieces of information to come to a conclusion. Appraising was perfect for me.

Every property is different. I am never bored. I love it that someone is paying me to find out about the real estate market. I really like finding out the "story behind the sale."

For example, I had been wondering for over a year about the small apartment market in a nearby city. I read articles in the local newspaper, but they didn't have much information. A local lender gave me an appraisal assignment on a proposed construction of 7 units in the city. Then I knew about the market.

Even tract homes are still interesting to me. Our local real estate market (San Francisco Bay Area) is very dynamic, with both big declines and increases over the past 40+ years or more. Most tract homes were built over 25 years ago and some have been remodeled. Employment and traffic patterns have changed significantly.

I work a smaller area than many local appraisers. But, I am always learning something new. Most of my work now is in my city, Alameda CA, with a 76,000 population. I am always learning something new about Alameda real estate, even though I have been appraising here for over 30 years.

## **What I do not like about appraising?**

Appraising would be much better without those darn clients!!

When I was a staff appraiser all I did was appraise. I only had one person, my boss, telling me anything. Regulations/requirements did not change very often. Very minimal supervision. Checked out of the office at 9am and returned at 5pm. I loved it. I quit after Proposition 13 passed in 1979. After that there was no more mass appraising. If I would have stayed I would have a very nice pension now, but really love self employment. I could not be a staff appraiser again.

My ideal situation is: I get an emailed order, a check in the mail after accepting the order, and send the appraisal back. No turn time hassles, etc.

Lender based appraising has always been cyclical. In the down cycle when interest rates were over 18%, from 1980 to 1985, I quit appraising and became a corporate real estate manager.

I had a really tough time during the appraisal recession from early 1994 to 1997. My firm changed from 3 full time appraisers and 3 staffers to myself and one part time staffer.

After I made it through the 1990s appraisal recession, I vowed to not be dependent on lender work, and quit in 2005 when the new Fannie forms came out.

I didn't update my software so I wouldn't be tempted. It was a tough decision. Another primary factor was that I could not work for mortgage brokers due to the pressure.

### **Many appraisers not seen as professionals**

When you have a CPA, you are seen as a professional. How are you seen if you have an appraisal license?

I don't have any answers. We cannot go back to the past pre-licensing. AVMs, Zillow, CU, etc. has definitely made a negative impact.

### **Decline of professional national appraisal associations after licensing**

I really don't like the decline of the national professional appraisal associations.

When I started my appraisal business, I joined SREA and AIREA and was very active in SREA. I was also active After they merged into the Appraisal Institute,

Until licensing, most appraisers belonged to a professional appraisal association. The two largest, SREA and AIREA, had local chapters in my area. Each met once a week at a restaurant about 15 miles from my office. I am still good friends with several local residential appraisers who helped me when I started my business. I had never seen a Fannie appraisal form.

At the meetings you networked with chief appraisers, got help with appraisal problems, etc. I still know many of the appraisers I met then.

In 2000, when I was chapter president, I went to a national conference in Florida with well over 1,000 attendees.

Other appraisers association such as state advocacy groups are okay, but they focus on legislative and regulatory issues.

There are some local, regional or state appraisal associations that are similar to the national associations - meetings, classes, etc. They are very worthwhile. In California, there is REAA with chapters in Northern and Southern CA.

### **Effect of federal regulations**

I remember back when FIRREA started in the late 1980s. USPAP was changed to allow for different types of appraisals and appraisal reports. It mostly affected commercial appraisals. But, it did require licensing, which significantly changed appraising.

Dodd-Frank around 2008 also significantly affected residential appraisers, resulting in the AMC take-over.

### **Shift from staff to fee appraisers (and self-employment)**

This caused significant dissatisfaction over fees.

Most people do not want to be self-employed. They prefer a regular, steady income. In 2014, about 10 percent of the active workforce, were self-employed.

I started at an assessor's office around 1976. At that time most appraisers worked for lenders as staff appraisers. You did not have to be self-employed to be an appraiser.

Like most appraisers, I had a steady income, did not have to be self-employed, etc. I found that I really liked appraising. In 1986, I started my appraisal business because I wanted to be self-employed. My MBA (and cashing in my 401k) gave me the confidence and money to do this.

Starting in the early 1990s, around the time of appraiser licensing, lenders consolidated and outsourced appraisals to fee appraisers.

Lenders quit training appraisers. This was outsourced to fee appraisers, which did not work out well for various reasons.

For residential appraisers, it meant that most had to be self-employed. This is very, very different that a staff job, where you are an appraiser, not also an appraisal business owner.

### **Appraisal fees - the biggest issue**

Fees are the biggest issue today for residential lender appraisals due to AMCs.

Before AMCs took over, residential fees were fairly steady, gradually increasing over time.

AMCs introduced bidding. Residential appraisers had never done this before. There was little variation among appraisal businesses. The Internet made a big difference with

This resulted in supply/demand fees, very similar to how commercial fees have always been determined.

### **Changes in appraisal report requirements**

With AMCs, who typically have many clients, Scope Creep took off. It was too much hassle for AMCs to keep track of each lender's requirements, so they had longer and longer lists of requirements.

Automated appraisal reviewing also made a big difference.

### **What about commercial appraisers?**

Commercial lender appraisal has changed. Bid Boards were set up over 20 years ago by major lenders. This caused lower fees.

In my area, many commercial appraisers work for large national commercial real estate brokerage companies. They focus on lender appraisals.

There are fewer small commercial appraisal companies or mixed residential/commercial. Fees are better than lender appraisals.

Fees are typically bid on almost all commercial appraisals.

I am very glad I can do both commercial and residential.

### **Is there any hope for the future of appraising?**

There will definitely be a shortage of appraisers, if only because of baby boomers retiring and cutting way back.

At the age of 74, I am very picky who I work for, what I appraise and how much time I spend appraising. It is hard for me to imagine how much I used to work in a big geographic area.

Someday, maybe more lenders will allow the use of trainees and there will be new appraisers. You can make more money if appraisers work for you.

Strict regulations are cyclical. They come and go. AMC overkill on appraisers negatively affects their ability to complete all the revisions, etc., making loans take longer to close. Maybe lenders will figure this out and pressure AMCs to stop requiring so much meaningless time from appraisers responding to unnecessary requests.

If you are working for a lot of AMCs who have too many changing requirements, cheap fees, etc. I strongly recommend changing your business. However, marketing is very easy. It's okay to have this type of business, but you may need to be more positive about it.

Lots of appraisers work for a few AMCs, some direct lenders and do non-lender work. They are more satisfied. Some marketing is required.

Consider getting a general certified license. I don't have to do lender appraisals because I do both commercial and residential. Also, it helps with low fees. For example, when commercial fees significantly declined in 2008, I shifted to residential and apartments.

Relatively few residential appraisers do not do lender work. The most successful do litigation support which is lucrative. You are seen as a professional. Good marketing is required.

See the article in this newsletter by Richard Hagar for ideas on how to get better clients who want to use the best appraisers: What is a functionally obsolete appraiser.

Also see my comments at the end of Rachel Massey's article "What being designated means to me".

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## **What does being designated mean to me?**

### **By Rachel Massey, SRA, AI-RRS**

Questions people ask me:

- What does being a designated member of the Appraisal Institute mean to me?
- Does my designation matter to my clients?
- Do I get more business because of having earned a designation?
- Is it worth the time, effort and cost?

These are questions I often hear from people contemplating this path. For me, there is no one answer, because it means different things at different times and in different situations. What I can answer, with certainty, is that I would do it all over again. I never once regretted going through the designation process.

### **How the process made me a better appraiser**

The process is designed to help one become a better appraiser. It is designed to provide a solid foundation, from which to grow, and designed to provide the tools to become a lifelong learner.

Working through the process of becoming designated made me a better appraiser. That said, it is a continual process. It is a start, not an end. The goal is to continue to improve as opposed to reaching a point and stopping.

I see earning the designation very much the same as earning a black belt in a martial art. There are many excellent martial artists who never test for a belt. Likewise, there are many excellent appraisers who have no desire to work on a designation.

But, working towards a goal such as a designation or a blackbelt, provides a focus of intense learning and growth. Having a blackbelt does not mean that one is an expert, all it means is that a level of proficiency has been reached, and the martial artist is a serious beginner.

Earning a designation means that a level of proficiency has been reached, and the designee is a serious beginner. For me, it provided the structure and a goal, as it does and did for countless others.

### **What I learned from doing a demonstration appraisal report**

I was designated towards the end of 2003. Completing the demonstration appraisal report was a monumental task for me, and through it I saw how the three approaches to value fit together in the real, and very imperfect world.

It was amazing to see that the sales comparison, cost and income approaches tied together on my subject property. Even more amazing being that my subject was a fifty plus year old house in a 100% built-out development.

The biggest sticking point was the cost approach. In fact, my first submission passed on all but the cost approach section. I ended up attending part of Course 500 again (the cost approach day) to make sure I approached it correctly. Second time I submitted was the charm.

The demonstration appraisal process provided me confidence in working through a problem, and communicating my results in a manner that was judged, and eventually accepted.

This was, and still is, my seminal appraisal education experience. Even though in the end, it took me well over three years from start to finish, and countless hours, once I actually started writing.

It taught me more than book-learning likely ever would. It gave me confidence in my ability to analyze and extract adjustments from imperfect real-world data.

I had help from many mentors along the way, from the instructors in my narrative reporting writing course, to local appraisers who I leaned on for moral support and to steer me in the right direction if I thought I was going in the wrong one.

Not only did the process help me become a better appraiser, but I forged relationships with more senior appraisers along the way, all of whom gave of their time willingly and freely.

### **After earning my designation - effect on appraisal business**

After earning my designation, I thought that magically, business would fall in my lap from the heavens above. But we all know that this is not the case, and you must work for it. Never being very good at marketing, it did not magically fall in my lap, but I did have increased opportunities with some clients.

The attorneys started using me with greater regularity after I received my designation. My relocation work increased, as did my estate work.

Lender work declined. It declined because I had been consciously ridding myself of that business to make way for more private, attorney and ERC work since the late 1990's.

Having earned my designation, I was able to increase this private business. Being in the Appraisal Institute directory exposed me to new potential clients better than any other marketing tool I had available.

By the middle of 2004 our market had started to shift. We were building inventory in housing, and although there were no price declines noted at that time, there was evidence that some change was coming. The contract-to-listing ratios were declining, and inventory was not absorbing at anywhere near a normal pace.

Any lender work that I did take on, seemed to end up with angry borrowers and particularly angry loan officers. Other appraisers were also moving into the non-lending niche, probably noticing some of the same factors in lending.

With more appraisers moving into private work, I started to lose enough of this work to worry me, designated or not. The final straw for me was a divorce appraisal that had been referred to me by both the husband's attorney, the wife's attorney, and the mediator facilitating the settlement. I lost the assignment to someone who charged only a fraction less. The designation helped me get the referrals, but my fees lost me the work.

### **Effect of designation on getting a good staff job**

Instead of fighting piecemeal for work, I decided to look for a job with a regular salary and benefits, and having my SRA opened the doors and got me hired with a large national lender.

Although I left that job and moved onto another shortly after, I likely would not have been able to even have an interview if I did not have the designation behind my name.

In the years that followed I have been in and out of the fee world, preferring review to field work, but always happy to take on relocation work. The designation has helped me have greater options on what I do.

### **Does the SRA matter to my clients?**

To the clients that I care about and want to keep, it seems to matter very much. These include relocation companies, attorneys, and my current employer.

Do I get more business because of having my SRA? When I have been in the field, in between my review jobs, yes. I picked up trust and estate work through the Appraisal Institute directory, and through networking and referrals from other appraisers.

Does it help get me lender work? When working as a staff reviewer, I think I was hired in large part because of having the designation. For mortgage work related to private client groups, yes, I do believe that work comes through in part due to having a designation. For AMC driven mortgage work, no, I do not see it as a selling feature, but I have long tried to move away from that type of work on the origination side anyway.

### **Is it worth the time, effort and cost?**

My answer to that is an unequivocal yes! At least for me, yes, yes, yes!

It is worth it because I understand very well that getting a designation does not mean you achieve it, and then leave it, never progressing past a certain point.

It means giving back to the profession in whatever way I can. For me this is teaching, writing, participating in committees and work groups, and trying to help other appraisers. Other appraisers help/helped me, because they too see giving back as a critical need.

This is part of being a lifelong learner, because through teaching, writing, participating, and assisting others, I continue to learn. I learn in the classroom, I learn outside of the classroom, and from other appraisers. I believe that going through the designation process set me up to expect that I would need to continue to be open to learning if I remain an active appraiser.

A well-developed martial arts program will instill that same idea to the practitioner.

To continue progressing in martial arts means constantly revisiting basics, and to progress as an appraiser, the same process of revisiting the fundamentals also exists. For martial artists, teaching is a great way of learning, as it exposes weaknesses that need to be corrected.

This is no different from appraisers, who find that through teaching, their weaknesses are also exposed, and through that exposure, recognition on what needs to be corrected.

The process of becoming a designated appraiser was long and sometimes arduous. Being designated does not mean that I am an expert, but that I reached a level of proficiency and need to continue building from there.

Success, in terms of work has followed directly based on the amount of effort that I put into learning and improving, and ebbs and flows, as does everything in life.

While I would like to be able to answer with financial statistics related to how much value the designation has had for me, I cannot. I cannot because I cannot quantify it in that manner.

From the perspective of professional satisfaction, it has been an immeasurable benefit. I would encourage anyone who wants to exceed their own expectations, to pursue the path, even if you no intention of ever being designated. After all, knowledge is power.

### **Editor's comments on her SRA and MAI designations**

I give out a lot of referrals. I first look for SRAs for residential appraisal. I know that SRAs are more likely to have good education and training. If I can't find an SRA in the AI directory, I contact a local MAI for a referral to a good residential appraiser. I look for MAIs for non-residential appraisal referrals.

I am an over achiever. I have always wanted to have the best credentials and learn a lot to be better in my career. I got an MBA in 1980, after appraising for 5 years, to understand the business of real estate. Before my MBA I did not understand real estate markets very well. After, I was a much better appraiser.

I did the same with appraising. When I worked at the assessor's office I knew about professional designations. At that time they were not available for assessor appraisers.

When I started my appraisal business in 1986, I started working on designations. In 1988 I got my SRA. The classes and demonstration appraisal report made me a better appraiser. At that time, it was a significant marketing advantage as lender Chief appraisers often had SRAs. I networked with them at chapter meetings. Today, with the takeover of AMCs, it is only helpful for non-AMC work. However, there are some direct lenders who know about SRAs. Also, an SRA makes it easier to get on the "top tier" approved appraiser list for appraisers that some lenders use for high end or unusual properties.

In 1990, before the unification of the AIREA and SREA I had everything done for my SRPA except for a few experience credits. For various reasons, I did not get my MAI until around 2003. At that point, I was well established in my appraisal business so it did not make a big difference. However, I have been regularly contacted for work because of my MAI. It also helps with large multi-property appraisal assignments.

When I got my MAI, my self esteem went way up, which I had not anticipated. I was the same appraiser as the day before I got it, but other appraisers looked at me differently. I will never give it up as long as I am appraising. My SRA did not have that effect on me, for unknown reasons.

### **About the author**

Rachel Massey, SRA, AI-RRS has been in the real estate field in the Ann Arbor area since 1984, first in sales, and then as a full time appraiser since 1989.

She has a Bachelor's degree from Siena Heights University with a real estate concentration, and is an AQB Certified USPAP instructor.

Rachel was one of the original members of the Michigan Council of Real Estate Appraisers and has a passion for helping other appraisers through writing, teaching and with peer review.

She has expertise in lake appraisal, Relocation appraisal work and other residential work in Washtenaw County and surrounding communities.

When not appraising or thinking about appraisal, she can be found enjoying sunsets, walking, and the occasional toss about the mat in aikido. Rachel can be reached at rachmass@comcast.net or through her website, [www.annarborappraisal.com](http://www.annarborappraisal.com)

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## ***ScanSnap iX500***

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

At my office, we are categorizing and scanning everything possible to move our business operations as close to a paperless environment as we can. It's been my experience that the Fujitsu scanner is the best choice to make this happen for the typical appraiser's office. Just check out the reviews on [Amazon](https://www.amazon.com).

### **Small Footprint – Takes up less space than most scanners**

The footprint is small - about the same size as an old personal fax machine. It's sleek and virtually silent. It's also very fast, scanning up to 25 pages per minute.



Figure 1: ScanSnap iX500 Scanner

### **Powerful Software – Fast, intuitive set-up**

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

### **The multi-functional ScanSnap software:**

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

Just imagine the ability to scan a 40-page document and not worry how each page is faced, or whether some of the pages include text on the front and/or the rear of the documents. ScanSnap's OCR technology will index every word within your scanned documents so you can quickly locate that important information that would be hidden in a paper file.



## Conclusion – Great price with rich features

The iX500 isn't the cheapest scanner you can buy, but I honestly believe it is the most convenient and well equipped. Aside from the cost savings of having to purchase filing cabinets, the benefits of not having paper-clutter around the office/house and being able to find any document you need in an instant are huge.

Fujitsu ScanSnap iX500 can be found at [www.amazon.com](http://www.amazon.com). The Fujitsu ScanSnap iX500 is priced around \$420 at the time of this review.



### AUTHOR BIO

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

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## What is a Functionally Obsolete Appraiser?

By Richard Hagar, SRA

**Editor's note:** *This article was written soon after HVCC changed appraising and caused AMCs to take over.*

*However, everything discussed here is even more relevant today because of the loss of most direct lenders. Do you want to become a top tier appraiser and get good lender fees? Do you want to do non-lender work with good fees and few hassles?*

*Hager "tells it like it is". Don't be offended. This is valuable advice. It may be time to update your appraisal toolbox.*

Functional obsolescence is the reason many appraisers are going out of business. On a daily basis, appraisers moan: It's because of the HVCC that my business is

down or that AMC or X or Y or Z caused my income to decline. Really? Are you sure? So, why is my company buried in business and you are not?

We've all heard about blacksmiths being out of work; Seems the use of horses has declined. And the need for typewriter repairmen, the demand just isn't what it was 20 years ago. The people in these jobs failed to adapt; Maybe appraiser are having the same problem. My company, American Home Appraisals, provides consulting and Expert Witness services to law firms, prosecutors and, government agencies. We review hundreds of appraisals in preparation for trial. We look through appraisal files and see how others operate their businesses. After examining their reports and business, I was called to court to testify about their failures under an appraiser's typical standard of care. A shame many of you can't even reach that Standard. Appraisers, I find your failure to adapt is a problem.

Appraisers often tell me .... puff, puff: My work is in the top 10% of my peers. Most of the time, these appraisers have no idea how little they know and fail to recognize how bad their work really is. More than likely it's because they are sole-proprietorships cut off from interacting with other, better, appraisers. Their lack of knowledge and skill will likely make them go the way of the Dodo bird, **well unless.....**

Let me stop and give you a few examples of appraisers Failure to Adapt, then I'll offer suggestions for improvement.

### **Adjustments**

Our office reviewed an appraisal on a nice \$5,000,000 home. The appraiser was making adjustments at a rate of \$5,000 per bedroom and \$50.00 per square foot. Upon reviewing his Workfile we found no data, nothing, zip, nada that indicated how he had determined the adjustments. In Deposition, he stated the adjustments are based upon my 20 years in the business and these were the adjustments Underwriters would accept. In response, I had the attorney ask:

- Do you know how to chart a Trendline in Excel?
- Can you perform a simple Regression Analysis?
- Can you derive an adjustment by using a GRM?

His answer was "No". In effect he was saying that his skills were **functionally obsolete.**

### **Speed**

"Appraisals are taking longer." "I'm spending a lot of time answering stupid phone calls from the review appraiser". OK... however;

- Do you know how to download comparables directly from the MLS into your appraisal software? What! You didn't know that was possible? Well have you taken a class on how to operate **ALL** of the functions of your appraisal software?
- Have you customized your appraisal software to match your individual way of entering data?
- Did you take a class on how to use **ALL** of the search functions on the MLS, or did you just take the class on how to find comparables?
- Have you moved the 4-6 comparable page to be located right behind Comparables #1-3 or did you leave it behind the signature page where it is tough to find and review?
- Fannie Mae/Freddie Mac require certain interior photos, did you rebuild your 1004 form to swap out the old photo pages with the new?

If you answered “No” to any of the above, then **you, the appraiser**, have functional obsolescence.

## Report Writing

Many appraisers do not properly describe **appraisal issues, “analysis” and conclusions**. As a result clients, review appraisers and courts are lost when they read appraisals. Appraisers who complain about stupid review appraiser requests for more information have often failed to efficiently convey information in the first place. The appraiser's skills are functionally obsolete. Here's an example. Banking auditors are taught to read appraisals. Their official **Federal Auditors Handbook** has the following quote:

***The objective of an appraisal is to communicate the appraiser's reasoning and conclusions logically so that the reader is led to the appraiser's opinion of market value.*** Did your report accomplish this task? If not then:

- Have you **recently** taken a refresher class on basic English Grammar?
- Have you taken a class on report writing?
- Are you using all caps when writing a report?
- Do you use Word or WordPerfect when writing your comments or did you use stripped down appraisal software's addendum writer? Are you form filling... or communicating ? If you are not **communicating**, then your skills out of date - Functional obsolescence.

## Cloning

In depositions we discovered that one bad appraiser cloned his old reports when creating new. He said: What's wrong with cloning old appraisals? I've been doing this for 30 years! Here's a good reason: This is in regards to a 2006 appraisal

for a big AMC, you know the one that didn't pay a customary and reasonable fee. The home is in foreclosure, the bank is out of business and the FDIC is demanding that the **appraiser pay** the difference between his appraised value of \$3,500,000 and the **true market value** which was \$2,000,000. The FDIC was suing the appraiser for the \$1,500,000 loss (Ouch!). We were tasked with reviewing the appraisal and providing expert witness testimony. The appraisal had numerous factual errors including the wrong flood map number, wrong site size, dated market information, math errors, photographs from the MLS and one sale that was not even slightly comparable. The errors resulted in a higher value for the subject.

As a method of "saving time" the appraiser cloned his report from an older one in the same neighborhood. In his rush, or due to an interruption by a phone call or Tweet, a visual scan of the report didn't catch minor issues. Some of the facts in the appraisal were based on the other, cloned property (Oops! It's called "Negligent Misrepresentation").

Now for one additional point - The buyer and seller lied about the source of the down payment and the sales price was puffed. The transaction is fraudulent and the **appraiser was being sued**, along with the rest of the stupid people, on civil RICO charges. One of the five charges included the term "***If not for the poor quality of the appraisal, this scam could not have succeeded.***" While I don't believe the appraiser was in on the deal, I do believe his negligence failed to stop the fraud. It started out as a civil suit for negligence and may end up as a criminal indictment. The prosecutors will then call the appraiser - a "**co-conspirator**".

Here's something for you to consider:

- Have you created a generic template, not a clone, but template with your company information and lots of drop down boxes designed for specific neighborhoods and/or property types?
- Have you figured out how to import current data directly from county records into your appraisal form?

If you rush the appraisal process and keep doing things the way you were taught "way back when", then your methods are out of date. Soon a younger person with current skills will be applying for your job. The demand today is for an accurate appraisal. Can you deliver them without cloning?

## **Clients and Money**

Many (not all), but many appraisers have short work days or lack focus. Appraisers often get to work after 9:00 am and/or may quit work after a long.....6 hour day. Or, they may work long hours, but spend time dealing with email, Twitter or the sports web site. Appraising is a complex process that requires time, hard work and focus . People often ask how I get so much accomplished? It's easy.....I

work long hours. I'm up at 5-6, at work 7-8am and often don't go home until 8 pm. 10-15 hour days are common. I accomplish twice as much, because I work twice as long. The hours produce income and opportunities that others miss. Thomas Edison said it best: "**Opportunity is missed by most people because it is dressed in overalls and looks like work**".

Your chances for success are improved if you get into the office early, focus and, work longer hours. If you don't have an appraisal to finish, then read about an appraisal issue in the local trade magazine, or learn about your local real estate business. If you don't, work harder and gain knowledge, you've made yourself functionally obsolete.

Do you still hold on to the belief that the HVCC damaged your business? Why are we busy and you are not? With the advent of the HVCC our business increased. But then again, we planned on the change and altered our client mix years before the HVCC. We saw what was coming and upgraded our skills in preparation.

Was your business model based on business from mortgage brokers? Guess that didn't work to well did it! Stop blaming the HVCC. Over the past 3 years the number of mortgage brokers dropped by 70+%. More than likely, the good client you used to have, is out of business. Why? Well the HVCC didn't do that. Many of the mortgage brokers simply couldn't pass the criminal background check. Others can't pass the licensing test. In Washington there used to be 18,000+ mortgage brokers. Fewer than 5,000 were licensed by the end of 2010. Why? Their past skills are no longer sufficient. The old fashion mortgage broker of yesterday is outdated.... functionally obsolete. You, the functionally obsolete, are trying to get business from the out-dated mortgage broker.

When business was good, did you obtain business from the low hanging fruit the mortgage brokers or other easy to please clients? Now that they are gone, do you have the **ability** to obtain business from fastidious clients that **demand quality**?

Are you still trying to get business from a declining client base? Just like the switch from analog to digital TV broadcast what was easy to obtain through the air yesterday, likely doesn't exist today and you don't seem to recognize the shift. Your skills are the problem, not the HVCC. **Many appraisers can only get low paying business from AMCs because their skills are out of date, archaic, outmoded.... obsolete. You're getting paid peanuts, because that is all your skills are worth.**

I'm **desperate** to hire appraisers with skills that meet the demands of today. Appraisers must have **good -correct that - excellent** working knowledge of appraisal and spreadsheet software. They must be able to create, format and

insert graphics using their word processing software. If their computer has a printing or PDF issue, they must be able to find the solution and fix their **problem**. I have an appraiser here that downloads EVERY sale from the County's web site and then, with customized search queries, parses them into meaningful data that auto-fills into his reports - can you do that? Now you know why younger appraisers are hired and older.... put to pasture.

In 1998 we had approximately 50,000 appraisers nationwide. At the peak there were approximately 120,000 appraisers. Bad appraisers hired anybody that could breath and as a result, our profession has many poorly trained, "**Form Filling Monkeys**". These people had only enough dated knowledge to fill out an appraisal form and not enough skill to **analyze** the transaction and meet today's needs.

Most of the appraisers I sit across from in trial, they only think they know what they are doing. They falsely believe their knowledge is better than average. In trial, these people, and their work, are an embarrassment to their clients, most should have their certificate revoked. I beat them and their functionally obsolete appraisals into the dust and enjoy doing it.

### **Let Me Offer Some Solutions**

Improve your skills, get educated. Take classes in basic spreadsheets, word processing, appraisal software. Do not be a person with only a basic understanding (just enough to get by) of your major tools. Take these classes:

- Market Value and How to Adjust for Concessions,
- How To Determine Adjustments,
- Top 20 Questions Asked of Appraisers - and How to Answer,
- Appraiser Independence and Mandatory Reporting,
- UMDP/UAD . Fannie Mae's New Language of Appraisal.

**Editor's note:** For his current webinars and classes: webinars through [www.workingre.com](http://www.workingre.com). Live class info at [www.hagarinstitute.com](http://www.hagarinstitute.com).

High paid sport athletes are paid millions. They practice several weeks each spring. They improve their skills, learn and make themselves worth more. Do you take spring training to update your skills? Without **high quality** training, you can't make yourself worth more. **Stop working by yourself**. By working in a one-man-office, your ability to measure your skills against others is gone. Your ability to become a better appraiser is archaic. Find a way to join a larger, regional appraisal company.

**Join a professional trade group.** Get out there and talk to other appraisers. Learn from the experienced. Get designated. The process of

designation, makes you a better appraiser and increases your value. The path and hardships I had to go through to become an SRA made me a better appraiser. Anyone that says a designation isn't important, does not know what they are talking about or can't cut it. Listen to people who have achieved.

**Stop operating out of fear.** Get some guts, quote higher fees to the AMCs. Many of us have worked hard to get AMC licensing in place, but only you can make it work. Our society pays what a person makes themselves worth. By setting your fee below \$500 (standard 1004), you have stated your worth at something less than \$20.00 per hour. Make yourself worth more. Appraisers, take a good look at your skills and stop blaming others. Likely, the small fee you feel lucky to get from the AMC or Big-Bank is because your form filling abilities are functionally obsolete, out of date, and no longer needed. To get paid more, you have to make yourself worth more and complaining isn't the path to a higher fee. Do something positive about your problem, increase your skills and knowledge and make more money.

### **Hagar's classes and webinars**

I have known Richard Hagar for many years and regularly take his classes. He is one of the best instructors in appraising.

For info on his current webinars and classes: webinars through [www.workingre.com](http://www.workingre.com). Live class info at [www.hagarinstitute.com](http://www.hagarinstitute.com)

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### **About the author**

*A very brief bio:*

Richard Hagar is an educator, speaker, consultant, author, and president of the Hagar Institute. He is a life-long student and has developed an extensive background in all aspects of real estate.

His experience includes land development, real estate investing, appraising, sales and agency management, training, and consulting. Richard is a licensed real estate agent, certified real estate appraiser, and a certified real estate instructor.

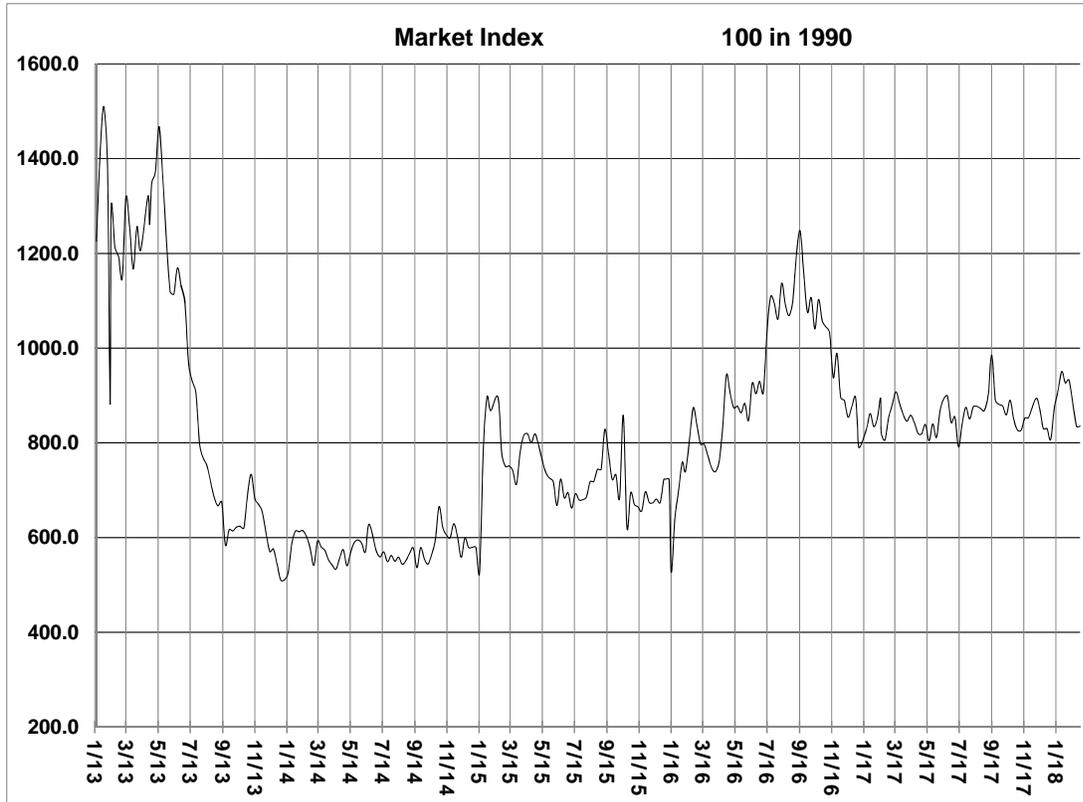
He also provides litigation support to attorneys (real estate appraisals), profiles real estate and mortgage fraud cases for law enforcement and helps other professionals understand the intricacies of the real estate industry. He serves as a key resource for States' Attorney Generals and has been an expert witness for State & Federal courts.

Much more extensive information, is available on his other web sites. An extensive 9-page resume is available at <http://www.americanappraisals.com>

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### **MBA Loan Volume Application Index 1/13 to 2/18**

**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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