APPRAISAL TODAY

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Most appraisers focus on completing appraisals, not the business side of their companies, and make less money

Whether you are busy or slow, focusing on the business side of your company is very important. Over the past 25 years, appraising has shifted from staff appraisers supplemented by fee appraisers to fee appraisers. Now, most appraisers are independent business owners. In the past there were larger appraisal businesses, but most downsized during the appraisal recession starting in 2008 after AMCs took over. Many moved "back home" to a home office.

Many appraisers don't consider themselves to be "in business". I know few appraisers who are true entrepreneurs. Most identify themselves as self-employed. Instead of doing appraisals as a trainee or staff appraiser, they perform the same appraisals as a self-employed person.

Most books on small business are really down scaled books for businesses with hundreds of employees, rather than appraisal businesses, which typically have under 5 employees. Many appraisal firms today have only one appraiser, the owner.

One of the best book I know for appraisal business owners is Secrets of Self-Employment (and other books) by Sarah and Paul Edwards. This book focuses on the mental part of running the business side of appraising, which is much more important for success than the technical side, such as bookkeeping.

Most of this article is based on ideas from that book.

What is a propreneur?

Entrepreneurs are people who want to grow a business. What type of business isn't really that important. In contrast, appraisers just want to appraise.

One of the Edwards' key concepts is that most of us who start businesses based on a skill we have, such as appraising, are propreneurs rather than entrepreneurs.

Propreneurs have a business not for its own sake, but for a purpose beyond the enterprise. Appraisers want to do what they do best, the way they want to do it. Money is a factor, but few of us would do something we don't like just because it paid more.

When appraisal businesses grow, most appraisers complain that they spend too much time on managing and too little time appraising.

Entrepreneur vs. propreneur

Many appraisers fail tests of whether or not they are suited for being self-employed, as most of the tests are based on entrepreneurial characteristics.

Entrepreneurs often have always wanted to run their own businesses, had businesses when they were young, and hire people to do appraisals so they can go out and develop more business. In contrast, most appraisers just want to appraise. The business side is very secondary.

Although the concept of propreneur is not widely used, I think it is very useful to describe self-employed appraisers. For years, we secretly knew we weren't entrepreneurs. Now we know that's okay.

Staff vs. fee appraising - certainty vs. uncertainty

Self-employment means no regular income, marketing your business, collecting past due billings, no paid holidays and sick leave, etc.

I have been a self-employed appraiser since 1986 and had never previously been self-employed. I got an MBA in 1980 and had been a staff appraiser for 5 years. I really liked being my own boss. But, I gave up the certainty of a regular paycheck and a regular monthly income plus full benefits when I worked for the assessor's office.

Today, most residential appraisers are self-employed, primarily due to AMC takeover. In the past, you could work as a staff appraiser for an appraisal company. Before lenders outsourced appraisals to fee appraisers, most were lender staff appraisers.

I was lucky. I started as a staff appraiser at a California assessor's office in the 1970s. I had a regular salary. When it was busy during assessment season, I accumulated compensatory time off. I would have never become an appraiser if I had to be self-employed. No one in my family was self-employed.

I got my MBA in 1980 and started my appraisal business in 1986. I knew how to start and run a business. I realized I was never a very good employee - too many ideas and did not do well in the organization structure.

Overcoming the paycheck attitude

Most appraisers don't like marketing. Many manage the financial side of their businesses by the "balance in the checkbook" method. Also, many of us, at one time or another, have received a significant percentage of our business from one client, which often results in financial distress when you lose the client. This is perfectly normal for propreneurs, who focus on the technical side of their businesses. The Edwards' call this the "paycheck mentality".

For appraisers, the paycheck mentality means expecting a new appraisal assignment to be available when the current one is completed, just like when you worked for someone else. The paycheck mentality is waiting for an email or the phone to ring.

In order to do appraisals, and make money, over a long period, appraisers must overcome the paycheck mentality.

How can you become more positive?

As appraisers we are trained to look at the past (comps). But if you always look at the past, you can't see the future. Many appraisers are pessimistic about the future of appraising because all they can see is what has occurred since 2008. Some become paralyzed, bitter, and cynical.

To be successful as a self-employed person, you have to see the glass as half full, not half empty. Entrepreneurs think this way.

Some of us are naturally optimistic, so it's easy for us to have an attitude adjustment when we get down. If you tend to look at the bad side (pessimistic), you can change your mental attitude.

The Edwards' book has lots of good ideas, plus many references. Seminars and audiotapes on positive thinking, self motivation, etc. can really help. Networking with other positive thinking business owners can help, whether they are appraisers or non-appraisers.

Seeing every dollar as coming out of your own pocket can be good, as it makes you think about every purchase. On the minus side, it keeps you from making investments in your business so you can learn new appraisal skills, expand your geographic area, complete appraisals faster, etc.

I regularly speak with appraisers by phone and email. They ask me about business opportunities for appraisers. When I mention all the articles I have written in the last few years discussing options, they say they couldn't "afford" to subscribe. Paycheck mentality is a catch 22.

Most people do not want to be self-employed

In 2015, self-employed persons was 15.0 million people, or 10.1 percent of total U.S. employment per the Bureau of Labor Statistics.

Per the BLS, "The self-employment rate-the proportion of total employment made up of self-employed workers-has trended down over the past two decades. In 1994, the self-employment rate was 12.1 percent; by 2015, the rate had declined to 10.1 percent. From 1994 to 2015, the unincorporated self-employment rate fell from 8.7 percent to 6.4 percent."

"The long-term decline in unincorporated self-employment partially reflects an overall decrease in agricultural employment, where a large share of workers are self-employed. At the same time, there has been a decline in the agricultural self-employment rate, which might be due to a decrease in the number of small farms and the emergence of large farming operations."

Self-employment has increased, and become more popular, with the "gig economy". However, many of these people work part time, such as drivers for Uber and Lyft.

What if you don't want to be self-employed?

Even if we don't want to be self-employed, for most of us a full-time staff appraisal job with a regular paycheck is not an option. There are few such jobs.

Subcontract work is an option for some, but you are working for less than a full fee.

Segments of our economy, particularly in the technical and professional areas, are shifting from paycheck to being self-employed. In many ways it's just going back to the past, when most people were self-employed farmers, craftspeople, or store owners.

Employees, more and more, need to have attitudes similar to self-employed appraisers. The days of keeping a job for life are long gone. Employers expect you to get new business, work extra hours when necessary, put the clients' needs above your own, etc.

Where to get more information

Sarah and Paul Edwards have written many books for small businesses, available online and in bookstores and libraries.

This article is based on Secrets of Self-Employment (Working from Home). The book has been retitled to focus on home based businesses, but still has the same material.

Paycheck vs. profit thinking

Paycheck attitude	Profit attitude
Mistakes are bad. (I might get fired - lose a client.)	Mistakes are great learning opportunities.
If I do good work, I'll get more (better) appraisals.	I create my own business opportunities.
It costs too much to get data services so I can expand my geographic area, join a local business association, etc. (It comes out of my own pocket.)	To make money, I have to spend some money.
If I wait long enough, the market will turn around. (I'll get rehired - clients will come back.)	I am in control of my future. There are options.
I deserve to get appraisals because I am state certified, designated, experienced, etc. (My employer/clients give me work because I do a good job.)	No one "owes" me appraisal work. I have to convince them I can do a good job for them.
Don't rock the boat. Do what I've always done.	The appraisal market is changing. To survive, I have to change also.
My manager/supervisor-clients tell me what to do and when it has to be done.	I manage myself. I decide what I do and when it will be done.
I know how to get ahead. Do a good job and play office politics .	How to become and stay successful is not a clear path. I have to look for opportunities.
I appraise what my boss tells me.	I choose my clients and appraisal assignments.

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Who's on your "approved client" list and why? Don't work for low fees with lots of hassles!!

Lender appraisal volume has been going up and down recently. See the graph on page 12. Of course, as we all know, going up and down is the big minus of working for lenders.

Fees have gone down since the peaks of a few years ago, when lenders and AMCs were complaining about long turn times and too high appraisal fees. Remember some appraisers were turning down 10 or more orders a day from AMCs? That is the easiest time to "fire" clients. But, we didn't have a lot of time back then, so we tended to procrastinate. Now it is more important to review your approved client list.

You need to keep close track of your clients so you don't underbid when business is strong and wait too long to lower your fees when business declines.

Many appraisers complain about their clients. But it is your choice who to work for if you're a fee appraiser. You can find compatible clients. Of course, many of us would like to receive and send our assignments by email, have no phone calls, and get paid a good fee within 2 weeks. But there aren't many clients like that anymore.

We all need to periodically review our clients and eliminate the bad AMCs, keep the good AMCs, and look for a few new AMC clients. It is a hassle to do, but mandatory for having a successful business. This should be done regularly whether you are busy or not.

We all sorta know which AMCs are good and bad. But, using the rating grid below makes you really think about how they compare. We all have clients that create "problems," occasionally or all the time. It is very good for analyzing prospective new clients before you try one order and have a negative experience. I regularly see posts online asking other appraisers about a specific AMC that has contacted an appraiser about taking orders.

Every minute you spend working on a problem from one of those bad clients is time (and money) lost from your good clients. Or, much more important, time from family and friends. Many accounting firms have an annual "audit" of their clients, ranking them, but few appraisal firms do this.

Why "clean out" clients? So you can concentrate on your good clients and have time to give new clients a tryout for your approved client list. Plus, do some marketing.

For example, how many of your clients you "helped out" with a quick turnaround when you were really busy ever called you for another assignment?

Most AMCs, of course, have little loyalty.

Regular client ranking is important for all appraisal firms, but it's particularly important for one-appraiser firms where time is crucial. If you don't have any clients you want to "fire," congratulations! You can use this article to evaluate new prospective clients and rank your current clients. Give your best service to your best clients.

The residential lender market regularly changes. Be sure you know what is happening

If you don't raise, or lower, your fees when the market changes, you are losing money. You could be getting higher fees when it is busy, or you get fewer appraisals because your fees are too high when it slows down.

AMCs mostly compete on price when selling their services to lenders. For example, they agreed to fulfill all of a lender's appraisals for $600 per appraisal and then pay appraisers $350. They have armies of employees and other costs.

Changes in lender requirements is another increasing cost for AMCs. They must have employees to monitor and get corrections on all their new requirements.

Another primary factor is what I call "AMC cascading". For example, the AMC that originally contracted with the lender gets $600 per appraisal. But that AMC is too busy and contracts out their work to another AMC for a lower fee, say $500. If that company is paying appraisers $250 per assignment, staying in business is tough.

AMC appraising is not a very profitable business, even for independent appraisal companies, because of the significantly high labor costs. Even if AMCs don't have staff appraisers,
they hire armies of clerks and "reviewers" to manage their appraisal orders and fulfillment. Legally they must pay their employees first.

Be sure to keep close watch your current or new clients to see if they may go out of business. Slower payment of appraisal fees is often a good indicator. Google them. Often, appraisers complain online first.

AMCs must pay their employees first, plus overhead expenses. How much is left over to pay their fee appraisers?

AMCs that are backed by big banks, such as Wells Fargo, Chase/JP Morgan, and Bank of America typically don't have payment problems. Many loans are now being done by large non-banks such as Quicken Loans, who use preferred AMCs. These AMC clients are much less risky than other AMCs.

Your best clients and the 80/20 Rule

How often do we take an order from a new client and make our regular, reliable clients wait?

Remember, often 80% of your business is from your reliable, loyal clients. Your best service should be reserved for your best clients.

Yes, some appraisers are on an AMCs "top tier" list and get paid high fees, even when their other appraisers are getting much lower fees. Be sure you remain on the "top tier" list by providing good service to them.

What about commercial and apartment lender appraisals?

This business has always had competitive bidding. Appraisers are used to wide variations in bids.

Fees have dropped since their peak around 2007 and have not come back up much. This is probably due to an oversupply of appraisers, particularly in urban areas.

Lender fees have been negatively impacted by appraisal bidding software. It started here over 20 years by Wells Fargo. I never bid because the fees were too low, but it has spread around the country and negatively affected lender work.

I have done these types of appraisals since I started my business in 1986, but have not done any lender appraisals since 2007 due to low fees.

Some of the topics discussed here and in the Rating Grid apply, such as value pressure, fees, collection, loyalty, etc.

Non-lender clients

Many, but not all, are one time clients. You can use the Rating Grid below to help you evaluate possible new clients and fire existing clients. I will be doing a similar table for non-lender work.

Attorneys, relocation companies, etc. are often repeat clients.

Direct residential lenders

This article focuses on AMCs, as they do the majority of lender appraisal ordering and management. But, many of the factors on the Rating Grid below relate to direct lender clients. I have been doing this table for many years, long before AMCs took over.

Value or non-disclosure pressure - dump them

If there is any value pressure or attempts to get you to remove "problems", dump them. This includes all types of clients. Some of my worst have been attorneys.

Turnaround time

AMC contracts with lenders often require a specific short turn time. That is their problem, not yours, but it does cause increased pressure for appraisers.

If your client insists on getting you to agree to a short turn time and you are busy and don't want to make your other better clients wait, say No.

Don't take a short turn time that you cannot meet. AMCs, and other clients, keep track of this. It can negatively affect your rating and the ability to keep getting work. Assuming, of course, that it is a client you want to keep.

Unreasonable amount of AMC requirements

"Scope creep" has decreased since there are not a lot of new factors, such as CU and new Fannie requirements.

AMCs work for lenders. They do what the lenders say or they will be out of business, just like appraisers.

Some AMCs require their appraisers to adhere to all of their various lenders' requirements. More savvy AMCs send their appraisers the requirements of the specific lender the appraisal is going to.

How can you tell which AMCs are doing this? Those that have pages and pages of requirements vs. those who send you a much shorter list of requirements from the lender who is getting the appraisal. Many appraisers get work from the same lender from different AMCs. Sometimes the list of requirements are quite different because the AMC adds lots of other lenders' requirements to the list.

Why work for AMCs that make you adhere to the requirements of all their lenders?

The Aggravation Factor

Some appraisers focus on getting paid, but there are additional very important factors.

Maybe your "problem" client always pays on time. But, they haggle over the fee and the value, regularly requesting "revisions." Or, they call every day asking about "status." How long do you spend "steaming" after an annoying call from them?

This is time lost, and more important, you are upset and distracted from what you need to get done, whether appraisals or family time.

How to evaluate new AMC clients

Just like any other client, give them a "tryout" by accepting one order. Then evaluate them using the Rating Grid below.

Google their name online and see if any appraiser comments or other issues come up. You can also try online appraiser chat boards, such as Facebook.

Not sure how or where to look online? See this article in the January 2018 issue: How to connect with other appraisers online. What's the best way for you?

Which AMC clients are the best for you?

What is important to you? Fast payment, no phone calls, appraisals close to your office, no fast turnarounds, fees, etc.

You can check with other appraisers online and locally, but appraisers' opinions of individual AMCs vary widely. Some appraisers like them, some hate them. You will have to figure out what you are looking for. For example, an AMC pays fast, but pays low. Or, an AMC pays well, but there are endless call backs.

Client loyalty - very important when business slows down

Before 2008, we all had loyal lender clients, mortgage brokers and direct lenders, often for years. Many direct lender clients are still loyal today.

If you have an client that you like to work for and is loyal, give them a top rating.

When NOT to accept orders from a new AMC client

Don't ever, ever accept an order from an AMC without trying to check them out with other appraisers online or appraisers you know personally. Check their web site. If they don't have one or it is not working well, Just Say No.

When business is strong, AMCs are desperate and calling lots of appraisers, including those in states distant from the subject property.

AMCs often have difficulty finding appraisers to do the "tough ones", unusual properties and/or markets.

Be sure to check online to see what other appraisers think.

Many of us are afraid to turn down work. I have always said I'm backed up for 4 to 5 weeks. That seems to be most acceptable to them.

Some reasons for saying no:

- I've never heard of them and don't want to take the time to research them.
- They won't know my name when business slows down. They may even be out of business.
- They may call me all day long asking for "appraisal status."
- They are not local (located in/near my city) and collection can be a big problem if I bill them.
- You don't know what lenders they work with and don't want problems. For

example, some lenders don't like "legal, nonconforming" on appraisals, which is on almost every appraisal I do in my city, as the homes were built long before zoning regulations were enacted.

When to take a new AMC client.

You check them out carefully. See the criteria below in the Rating Grid.

• They work for a local lender. For example, in my area, getting work from credit unions has always been very difficult. But, now many of them use local AMCs. See who they use.

• They only handle orders taken from a few lenders, so they can make sure the lender separates the loan officer from the appraiser. The lender is responsible for everything else. No "reviewers" from hell and constant phone calls.

• You have already researched AMCs and they are on the list of AMCs that you would consider working for.

What about AMC credit risk

AMC profits go up and down because of changes in mortgage volume, just like your appraisal business. Be sure to keep close track of your receivables. Do NOT let them get too high.

When the market slows down, some will go out of business. Information is often available online by googling their name. If there are problems, start collection efforts now. The Squeaky Wheel Gets the Grease.

I am always surprised that so many appraisers lose lots of money because they just didn't notice delays in payments or complaints from appraisers online. If the AMC files for bankruptcy, it is too late.

In the January 2018 issue, see my article "How to collect all your billings. Don't work for free!!"

Which clients to "fire"

The AMC Rating Grid on the next pages gives you different rating factors. Every appraiser is different. Every appraiser's opinion of a specific AMC is different.

What is most important to you? In my business, from the day it started, I have always been obsessed with past due billings. I would prefer not to do the work rather than not be paid. So, one of my top criteria is no payment problems. I also don't work for any clients who call every day asking for appraisal status. It makes me too annoyed and stressed.

How to use the Client Rating Grid

Make a copy of the next two pages and fill them out for your clients. You can do your major clients, or all of them. You can also use it for evaluating potential new clients. Unfortunately, no pass/fail score could be developed, as clients tend to vary substantially among appraisal firms. Use the form to evaluate and compare your clients. Typically, only a few clients cause most of the problems. If you have clients scoring high, give them extra attention. You don't want to lose them!

You can also copy and paste this grid and change it to what you want or add your own criteria.

Or, make up your own grid using part of the one below, especially if you do no AMC appraisals.

Or, put your own scores on this grid and make copies, depending on what is important to you.

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Client Rating Grid

Date ______________________

Client name ____

Current client ___ New potential client ___

Fees
- 50 Always low
- 30 Will increase after haggling or comes back a week later with higher fee
+ 10 Sometimes keeps up with other clients and increases fees
+ 30 Pays the same C/R fees except for some increases when busy
+ 50 Always pays well. Quick to increase fees

How are orders placed?
- 50 Broadcast all orders to many appraisers
- 40 Shops for lowest fee
+ 15 Looks for experienced appraiser for unusual properties
+ 30 Contacts you first
+ 40 Contacts you first and accepts fee

Loyalty
- 50 None. All appraisers are the same
+ 10 Sometimes gives me work when business is slow
+ 20 Does not blast orders. Contacts appraisers that they prefer
+ 50 Has been a good client for many years.

Value or non-disclosure pressure
- 5,000 Regularly pressures. Dump the client.
- 50 Sometimes pressures
+100 Never pressures

Information provided
(about subject, borrower, etc.)
- 6 Very difficult to get correct information
- 4 Incorrect information
- 2 Late, or missing
+ 2 Scattered, but workable
+ 6 Good, only a few pieces missing
+ 8 Excellent, always gives correct full data at time of placing order

How many requirements and accuracy of requirements
- 30 Changes requirements after appraisal is completed
- 25 Incomplete or incorrect list of lender requirements
- 20 Combines all the requirements from all their lenders and sends them. 15+ pages for example
- 10 Combines requirements of several lenders
+ 15 Only includes requirements for the lender ordering appraisal
+ 15 AMC works for one, or a few, lenders with relatively few stable requirements
+ 50 Direct client. Few hassles.

Types of requirements
- 25 Changes frequently. Hard to figure out.
- 20 Very picky for anything that is not a tract home.
- 15 Picky for unusual homes.
+ 30 Follows Fannie Mae or other fairly flexible written guidelines
+ 40 Not very picky. Easy to work with.

Communication of appraisal guidelines
- 20 Very unclear, changes from one reviewer or underwriter to another
- 15 Written down, but no one pays any attention
+ 10 Fairly clear, and most use them
+ 20 Clearly communicated. Everyone uses and understands them

Times of communication with appraiser
- 30 National holidays (Christmas, etc.)
- 20 Weekends
- 15 Evenings and early A.M.(in your time zone)
+ 15 M-F, 9am to 5 pm only (in your time zone)

Your preferred method(s) of communication (make your own ratings)
- Text
- Email
- Cell phone
- Office land line
- Web site

Number of communications per appraisal - status update
- 30 Many times per day
- 5 Once per day
+ 5 Every 2-3 days
+ 10 Once per week
+ 40 Only if late - appraiser forgets to communicate

"Corrections" - typical time per appraisal (research, writeup, communication)
- 40 Over 2 hours
-30 1-2 hours
-15 30 minutes
-10 15 minutes
+20 5 minutes
+40 Very rarely have any requests

Average/typical number of "Corrections" per appraisal
-25 Over 10
-20 5-10
-15 2-4
-10 1
+40 None

"Corrections" - ease of resolving
- 40 Asks for unethical solutions
- 30 Just looks at checklist - rigid
- 20 Reviewer not knowledgeable about appraising - hard to communicate
+ 20 Communicate with experienced, licensed appraiser if needed
+ 30 Easy to work out a solution that is acceptable to appraiser

Value pressure
- 40 If you don't cooperate, you will never get any more work
- 30 Asks for "just a little" higher value
- 30 Asks for consideration of new comps to "get value up"
+ 40 None. Ever.

Typical length of appraisal report
-30 Over 40 pages
-20 30-39 pages
-10 20-29 pages
+10 10-19 pages
+30 Same as before AMCs took over

Who does the "reviews" (in addition to lender review software)
- 30 Clerks who can't spell appraisal
- 20 Clerks who are very difficult to understand over the phone
+ 5 Clerks who have had some training
+ 10 Clerks who understand what their employer wants and how to communicate with appraisers
+ 40 Certified appraisers with review experience
+ 50 Certified appraisers with experience in your market

Payment terms
- 60 Used to be timely, now pays very late, if at all
- 40 Always over 90 days
- 30 Always over 60 days
+ 4 Pays within 90 days
+ 10 pays within 30 days
+ 20 Pays on receipt of bill
+ 35 Pays in advance

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Appraisal Report Corrections & Responses - Suggested Protocol

By: Dave Towne, Appraiser Education Service

For some time, appraisers have written or called me, asking about how to do report corrections, or respond to client requests - after an original report has been sent in. I decided to distribute these suggestions to encourage a uniform procedure across the appraiser universe. I don't recall ever seeing anything published about this topic.

1. Disclose, don't bury - any modification, correction or response to the original report, or even subsequent changes. I have seen too many reports where the appraiser hides changes within the body of the report as if those were part of the original, when in fact they were later additions.

2. Remember that once you sign and deliver a report with appraiser certifications included, that becomes a 'legal' document. Itemize anything done to update or add to the report after the original submittal date. Read on for how and where.

3. I suggest all reports contain a Table of Contents page. This ToC should include reference to all pages before it, and of course, after it. Some reports have a Cover Page with subject photo, date of appraisal, value, etc. as the first page. Put the ToC page after that, but be sure the ToC shows the Cover Page as the first page.

4. Have your report software number each report page in sequence, with the numbering shown on each page - normally in the upper right corner - as Page X of Y Pages. This allows a reader to look at the ToC page and then flip to the desired page easily. This is also important to help discourage report tampering by anyone upstream from the appraiser - which has been a problem in the past.

5. Now that those basics are implemented, here's how to do corrections, changes, modifications, client responses, etc.

6. Anytime you need to do anything as noted AFTER the original report was submitted, insert a separate Addendum page with signature block as the page

IMMEDIATELY AFTER the ToC page. Don't put the change notice Addendum and extra pages at the end of the report, because you want the readers to know exactly what was done, and when. (Note that the following page numbering will automatically change.)

7. On the new Addendum page, upper left, write the date in BOLD TYPE you received the request, etc. from the client. "Received", not the current date, because sometimes these modifications are not done for one or more days after receiving the original message.

8. Skip 2 - 3 lines, then write "On the date above, the appraiser received from the client a (message or request) to do "XYZ." This is where you tell the reader what the client requested of you. If justified, identify the actual person who sent the request….but most often you can just say 'the client.'

9. If in this process, you need to make changes to the body of the report, in any of the fields or comment boxes, or add something you may have originally forgotten, tell the reader what was done, and make corrections/additions as necessary.

10. However, if the request has to do with 'change the sale price' in the report due to a re-negotiation AFTER your original report was submitted, DO NOT change the sale price on the form page. Instead, write a description of what occurred, and also include the PRICE CHANGE ADDENDUM (usually supplied with these requests) as the page following the new Addendum discussed above. FNMA has issued a notice that they do not want original reports changed when this occurs. So this process complies, and it will also satisfy other users such as FHA, VA, etc.

11. Anytime a client provides you additional written documentation, include that as an additional page following the new Addendum page. Print it as a PDF to include, or else scan it in as a Scanned Document. Make sure the Addendum references the additional page by a name, so that the ToC will show it properly. Sometimes this occurs when an original report is written "Subject to" an inspection by another qualified party. That party supplies a written document to the lender, who sends you the document and asks you to change the report to "As Is." I think this is perfectly fine, as long as the process is described on your new Addendum and the other party's document is included in the revised report. NOTE: just because you write a report "Subject to" inspection does NOT automatically trigger the need for a 1004D Completion to be done. That's a lender decision, not yours.

12. ROV requests: lenders are allowed (by Dodd-Frank) to send you additional APPROPRIATE sales for consideration. The word 'appropriate' is in the law, but most often these are just higher priced properties or have other amenity differences that do not make them 'comparable' to the subject. Sometimes you are directed to put these inappropriate sales into a grid page, do all the calculations, and then explain why they are NOT or ARE appropriate. Well, guess what - you are the appraiser and you decide how these are to be handled.

13. ROV properties 'not' comparable: I say nuts to putting those into a grid. Just identify each one by address in Bold Type on your new Addendum, and describe why it/they are not comparable. (I recently had this occur.)

14. Comparable ROV properties: this can be become somewhat of a sticky situation. If it becomes obvious that an Opinion of Value change will be necessary (higher or lower), it is best to notify the client that the original report is no longer valid, and a brand new report under a different appraiser file number will be submitted. This is because of how the UCDP process with UAD works (and with FHA and VA submittal portals also). If a ROV property is determined to be comparable and is included in the report grid…..but NO VALUE CHANGE will be made, I think you can appropriately describe what you did in that analysis in the new Addendum, and re-submit the report under its original appraiser file number. However, you could also send in a 'new' report with a different appraiser file number, just to keep things neat and tidy. (This also helps comply with USPAP, where we are directed to keep copies of ALL submitted reports separately.)

15. Once you have worked through the above steps, it's time to finalize the new Addendum. After your last comment entry describing what was done, skip a few lines, and then write "This page (and the following page) and the noted [correction/addition/modification] are the only changes made to the original report. No change to the OMV has been made." Then skip one line, and write "A new signing date of XYZ has been applied to this report." The signing date may be different from the 'receiving date' of the request. I put the above lines in Bold Type just so they stand out.

Following a protocol such as the above makes your reports look very professional. It makes it easy for report users to follow the process that was done. By disclosing everything, the user does not have to wonder about details, especially if they already have the existing report and suddenly another report for that same subject property shows up.

I have used the above process for years. No one has ever questioned a re-submitted report when they can see exactly what was done.

By the way, use this process if you find a problem with a submitted report after delivery, but before the client makes any response. None of us are 100% perfect. Sometimes we miss things, overlook items, or make typos, etc. Use the process I have described, be upfront about what was originally done, make the correction, describe what you did, and send back a corrected report. In other words - just be honest and ethical. You will be appreciated for that. Don't fear admitting a mistake was made.

About the author

Dave Towne is a Certified Residential Appraiser with nearly 2 decades 'stretching tape' in small urban, suburban and rural areasin NW WA State. He is experienced with small cabins to mcmansions on large acreage, waterfront estates to MFH in parks. Dave has not seen everything yet, but working on it!

He is a freelance writer on appraisal topics since 2006.

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The Valuation of Condominiums, Cooperatives, and PUDs - Book Review

Book Author: Maureen Sweeney, SRA, AI-RRS

Many people, including real estate agents and some appraisers, are confused about physical appearance vs. the legal description of a townhome vs. a condo, for example. A townhome is not a legal description. It is an architectural style - attached to one or more other townhomes and can be fee simple, condo, or a planned community.

I have appraised condos, PUDs and cooperatives. This book has valuable information I have never seen before, such as deconversion of condos back to apartments. I wish I would have had this book when I started appraising condos, etc. It is an excellent reference book for all of us.

We all appraise these types of residential and commercial properties. This 181-page book has a lot of information and comments on their valuation.

What do we appraise?

Chapter 3, The Bundle of Rights, discusses this very important topic. We do not appraise land and improvements. The subject property is always ownership interests in real estate. The primary question is: "What real property interest to be appraised."

Title reports on homes often contain utility easements, for example. This book discusses the many issues with these types of common ownership properties, such as percent of ownership in a condo.

The chapter includes an introduction to condos, PUDs, condo-hotels.

What is the writing style of this book? A little humor!!

Almost all the appraisal books I have read have "academic" style writing. This book presents some of the same topics as in "The Appraisal of Real Estate" by the Appraisal Institute, for example, but there are personal comments, sometimes humorous, by the author. Examples are "I admit, I am a nerd for legal descriptions." and "I'll admit right now that I am not the smartest appraiser who ever lived. I did not come out of the womb with a clipboard in one hand and a camera in the other…" (In the intro to Chapter 2, The valuation process.)

A legal description is critical for identifying the bundle of rights

Sources of legal descriptions are title insurance report, county recorder's office and the property owner.

I always get legal descriptions. The author often gets this from the owner. My MLS offers copies of recorded deeds with legal descriptions.

Other methods are discussed on page 40 and 41, such as PIN, APN, etc., CC&Rs, and plat maps. In my area sometimes an assessor's plat map indicates it, such as no individual lot dimensions, but they are not always reliable.

Be sure you are appraising the subject property. A friend of mine bought a condo awhile ago. When she tried to sell it, she had not purchased that property, but another one. It was a Big Mess.

Lists of questions to ask

The author includes long lists of document questions (CC&Rs, declarations, bylaws) to read and check. "Questions to ask when appraising an condominium: is a 6-page list. You may not need to ask all the questions for a particular condo project, but you can select what you need. Also, once you have the info for a particular condo association, you only have to update it.

Documents

I always get copies of the CC&Rs (almost all are very similar. From an attorney's book with templates?), declarations, bylaws, budget, fees, etc. I also read HOA newsletters, if available.

References and index

There is no index, typical for Appraisal Institute books. But, the full table of contents is relatively long.

Some references to online sources are included, but the links are long and can be hard to type. The PDF version may have them linked so you can click on them. Other references are to printed books.

Chapter Layout

The introduction starts with the difference between three townhouse style buildings that look the same physically, but the bundle of rights is very different for each one (condo, fee simple, townhouse association.

Per the author "the chapters in this book are designed to build on one another." This text begins with an overview of the valuation process, next the Bundle of Rights, then how to identify the property type, next the specific property types.

I liked Chapter 5, a quick history of association living (6 pages). The oldest planned city was discovered in Memphis, Egypt, built around 3150 BC. The first co-ops were established sometime between 1876 and 1861 in Manhattan. The first industrial planned community was Pullman, IL built on the 1880s. In 1951 Puerto Rico passed the first condominium enabling statute in the U.S. In 1968, FHA approved condos or SFRs in associations.

In Chapter 6, a 10-page chapter, the bundle of rights is discussed. This is referenced throughout the book.

Chapters in the 181-page book

I have included the page numbers so you can see the length of the chapters.

The Table of Contents is much longer. To get a full table of contents, including many subheadings in PDF, google the book title. For example, Chapter 14, Condominiums, has separate sections on common elements, bylaws, percent ownership of common elements, budget and assessments.

There are long lists of questions to ask.

Summary of the book from the Appraisal Institute

"This new text will help real estate professionals understand the physical and legal components of condos, co-ops, and PUDs, gather and analyze relevant data, and develop well-supported value conclusions. Only by properly identifying and investigating the unique characteristics of condos, co-ops, and PUDs can appraisers properly address the challenges presented in valuing these common, but complicated, residential properties."

“The Valuation of Condominiums, Cooperatives, and PUDs examines the distinguishing ownership characteristics of condominiums, cooperatives, and planned unit developments and demonstrates how to define the local market, identify appropriate elements of comparison, and apply relevant valuation techniques. As an added bonus, the book includes comprehensive lists of questions to ask when gathering data and useful tips for writing credible appraisal reports."

"Appraising association properties requires a unique skill set. The Valuation of Condominiums, Cooperatives, and PUDs will help valuers develop these skills and feel confident taking on a wide variety of assignment types."

New AI seminar coming - Appraising Condos, Co-ops, and PUDs

Description from AI website: "In this comprehensive seminar, learn how to identify property through Legal Description and Parcel Identification Number (PIN); identify which four documents are needed from homeowner to make your appraisal assignment smoother; and find out what questions you must ask a building manager before concluding that your research is complete. Leave with a comprehensive list of questions to ask management companies that will help make your report as accurate as possible. Finally, discover what 12 factors you should use when choosing comparable sales for your subject property."

No seminars were scheduled as of July, 2019. For more information, google the seminar title.

Practical, lender-related issues are also included

On page 3, the issue of the cost approach on a condo being requested by a lender is discussed, including a sample paragraph to include in your appraisal report.

Should you buy this book?

If you ever appraise condos, PUDs, cooperatives and condo-hotels, or site built condos, buy this book. This applies to both residential and commercial properties.

Plus there are many color photos illustrating the material.

About the book author

Maureen Sweeney, SRA AI-RRS has been a residential real estate appraiser since 1989. From 2005 through 2017, she served as a member of the Illinois Real Estate Administration and Disciplinary Board. She is a national instructor with the Appraisal Institute and the developer of their 7-hour Appraising Condos, Co-ops, and PUDs seminar. She shares her knowledge with law enforcement and real estate professionals at various meetings and conferences.

She specializes in the valuation of residential and small income-producing properties and litigation support. She lives in Chicago, IL.

Go to http://www.maureensweeney.com/ for email address, phone number and more info.

Price and where to get the book

To get more information, google the title.

For a full table of contents with subheadings,
It is available from the Appraisal Institute.
Price: $60.00 AI Price: $50.00
(2019) Softcover, 181 pages

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Little Lenny the Liar's Lexicon
(These are what words really mean!!)

Appraisal report: A useless document that keeps me employed.
Appreciation: Gestures & acts by people who work for me that makes me feel loved and wanted. Not how much a property's value increases by, like many think.
Cesspool: The place where I dump people who don't listen to me & do what I want.
Comparables: Annoying & useless pieces of information, real or fictitious. Solely designed and used to make the deal work.
Concession: What I usually get from appraisers after beating them up.
Condemnation: The treatment I dish out when I don't like the result.
Conformity: How people fit in when they do what I tell them.
Contribution: The results all my appraisers have on my bonus & stock options.
Deed: Not a document showing ownership, rather when an appraiser helps me hit the number I need. As in, a good deed.
Default: Placing blame on an appraiser like"it's default of that jerk".
Exposure: Leaving a paper trail after changing the value conclusion to my liking and forging the appraiser's name.
Façade: Not the outer wall of a building like you think. Instead, it's the smile on my face that hides how really mad I am.
Final Value Estimate: The one & only number usually mine, that makes the deal work.
Free & Clear: A state of being soon to be altered by all the evil things I've done.
Grace Period: The final time I give appraisers to hit the number I need.
Gutter: Not roof drainage. It's the place I throw appraisers when they don't cooperate with me.
Leverage: What I always have over appraisers.
Mean: Not an average. How I usually feel and act.
Nuisance: What appraisers are to me when they do their job right and kill the deal.
Plot: Not a piece of land. A place where I bury appraisers I don't like.
Range of value: The lowest I say it's worth to the highest I say it's worth.

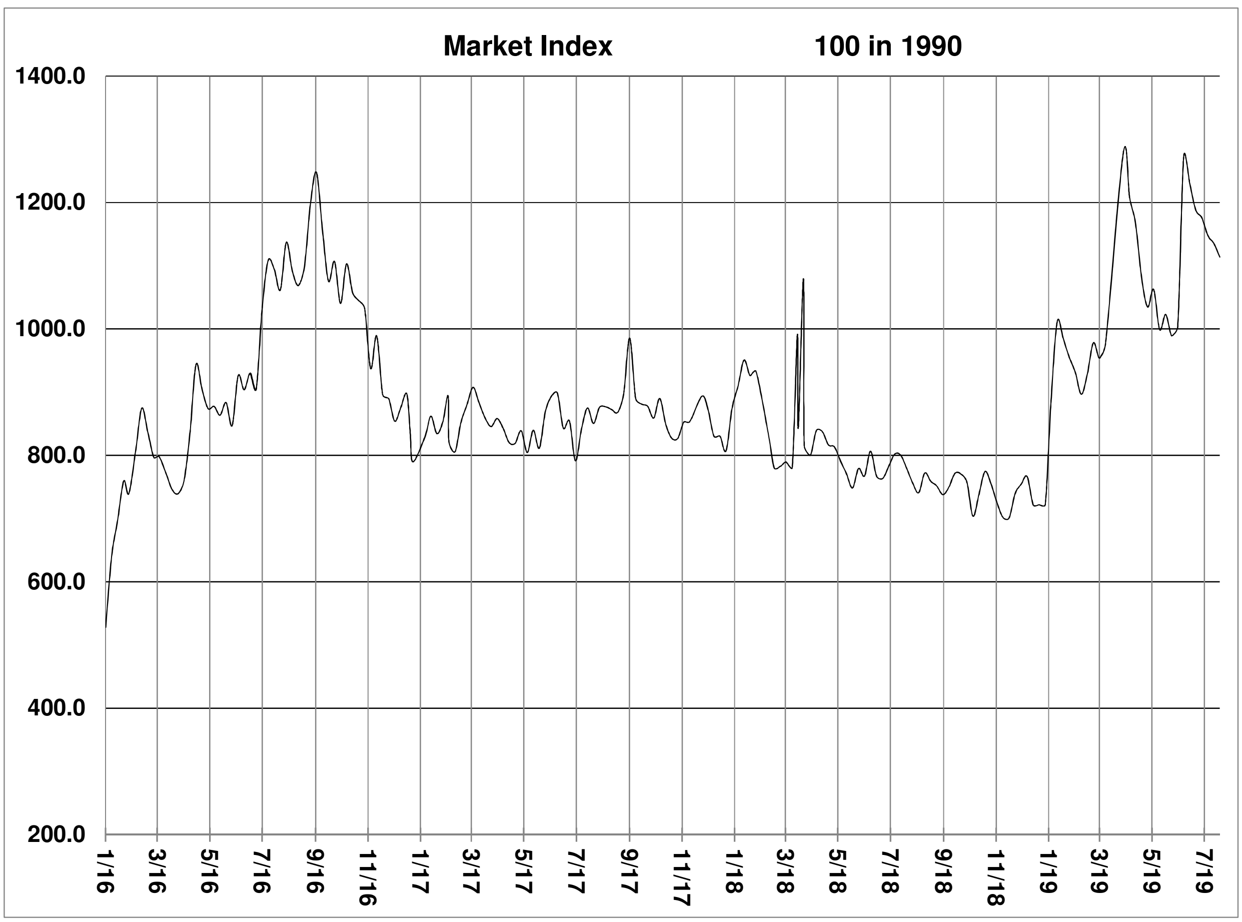
Reconciliation: Not the final step before concluding a value. It's what Tony and George force me to do after my usual screwing over of an appraiser.
Reinforcement: Stuttering Joe the Joker's help in double-teaming appraisers into arriving at my conclusion.
Replacement cost: The salary it takes to replace an appraiser.
Residual: The continuing treatment I give to appraisers long after the report is done.
Stud: Not something that sheetrock is attached to. A word describing how I feel about myself.
Survey: A quick poll of appraisers to discover which one will hit my number.
Underwriter: A more dangerous bastardized appraiser with some authority.
Veneer: What are you stupid, it means the same as façade.

Author: Anonymous Reprinted with permission of "Anonymous." Editor's note: These definitions are part of a much longer story called, "Little Lenny the Liar Introduces Value Fixer". Warning: the Lenny story is a little "out there" but is worth reading. Lenny, of course, is on the "dark side."
It's hard to do excerpts, so I have posted it at:
http://www.appraisaltoday.com/images/Little_lenny.pdf

MBA Loan Volume Application Index – 1/16 to 8/19

As you can see below, between 2016 and today, volume peaked and briefly came back recently. In 2019 the peak has been going up and down. The forecast is fewer loans in for various reasons. 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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