

# The Future of Residential Appraisal Experience

AARO Conference

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# The Future of the Appraisal Industry

## **Contributors**

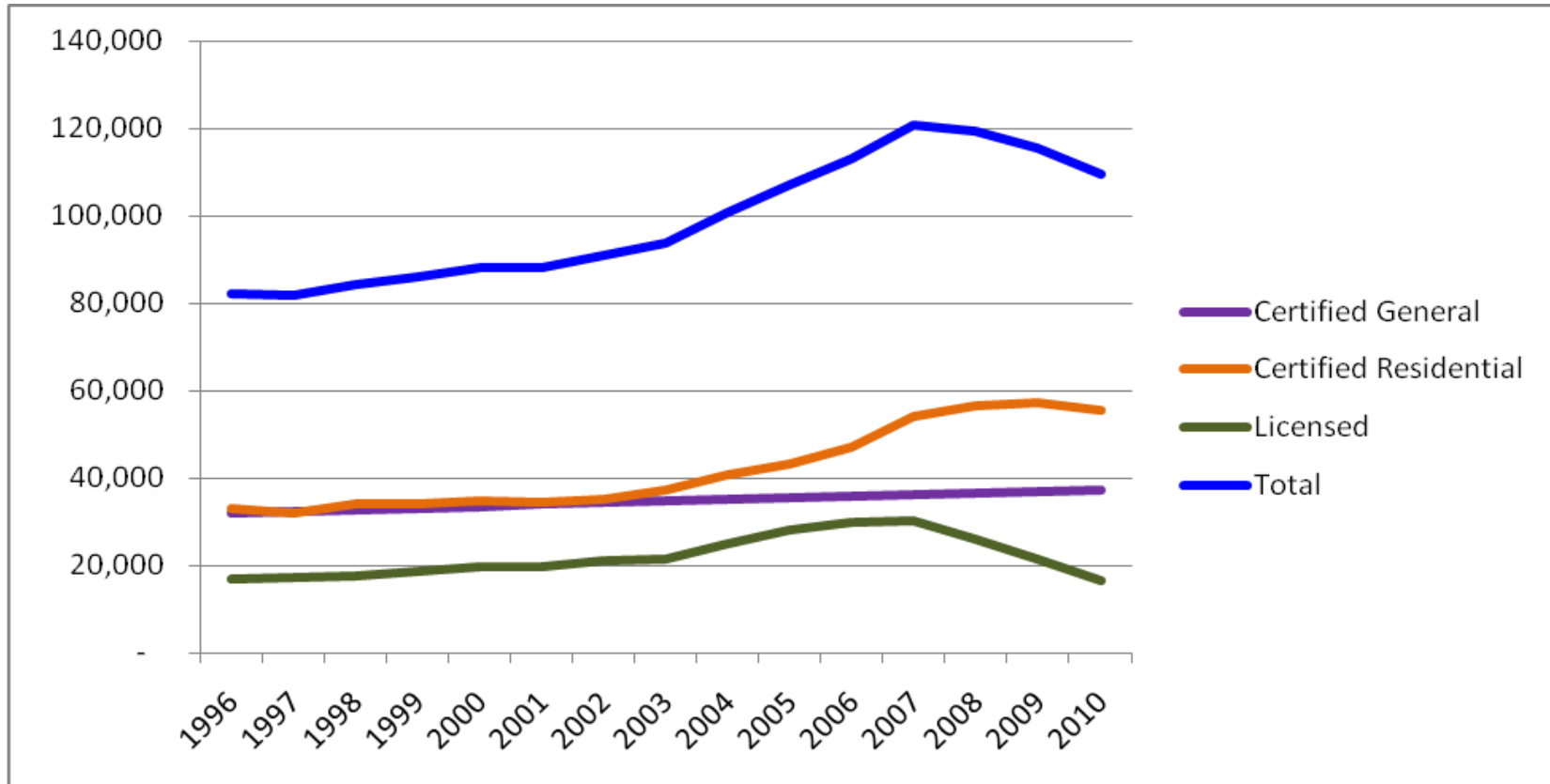
- Tony Pistilli, US Bank
- Tim O'Brien, Rels Valuation
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# The Future of the Residential Appraisal Industry

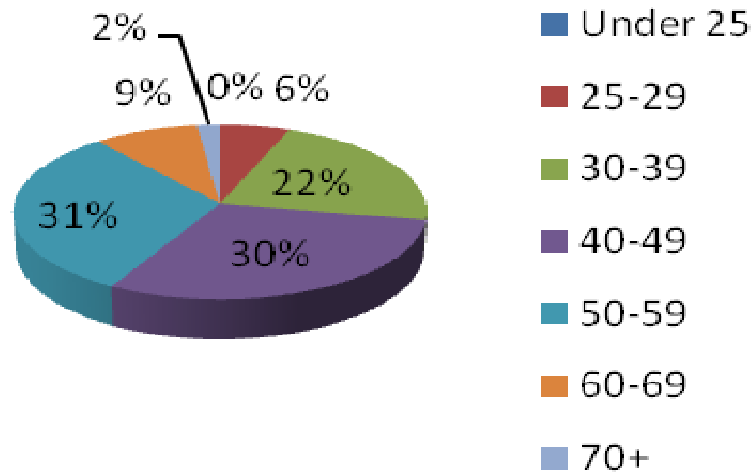
- The current state of the appraisal industry has potentially deterred trainees from entering the profession:
  - New education required from the AQB
  - Difficulty of obtaining field experience
  - Restriction on the use of trainees by lenders and GSE's
  - Higher underwriting standards
  - Increased litigation and disciplinary actions against appraisers
  - Higher insurance requirements
  - Lack of innovation to increase appraisal efficiency

- According to the ASC website, there are currently 107,345 credentialed appraisers in the country.
  - Appraisers licensed in multiple states
  - Inactive appraisers who maintain a license

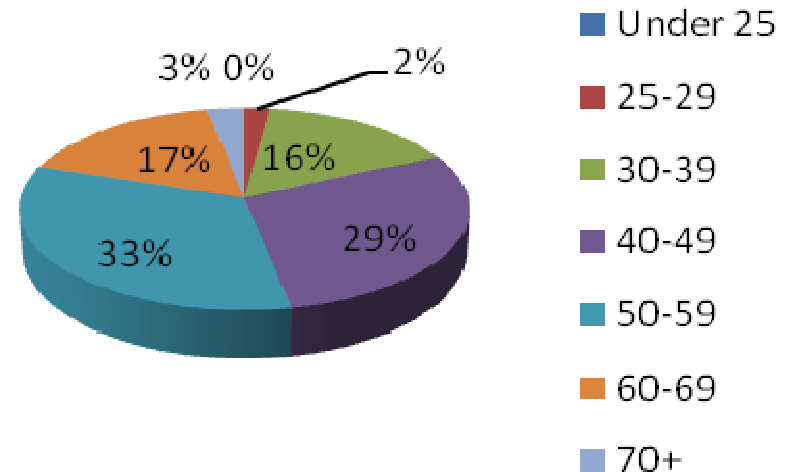


# Appraiser Demographics

## Age of Appraisers: 2008

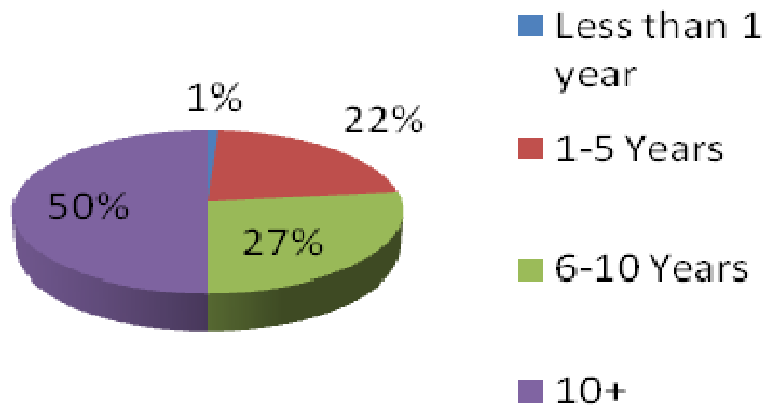


## Age of Appraisers: 2010

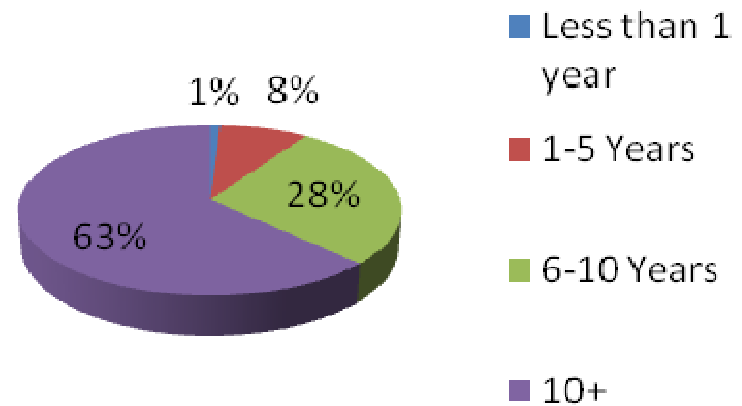


# Appraiser Demographics

**How long have you  
been appraising?  
(2008)**



**How long have you  
been appraising?  
(2010)**



# Recommendation for Interim (Current) Training Opportunities

- **NOT** intended to replace or require changes to current state regulations
- Will take coordination and cooperation between clients, appraisers, professional societies, academia, regulators, and any other entities that have a stake or play a role in the real property valuation process
- A program must fit the needs of all three constituents in the appraisal: the Trainee, the Supervisor/Mentor and the Client

# Recommendation for Interim (Current) Training Opportunities

**A program must fit the needs of all 3 constituents in the appraisal:**

## The Trainee:

- Must be allowed to progress, throughout the training period, to increasingly higher levels of independent assignment performance
- Must have an economic incentive to come into the profession

## The Supervisor/Mentor:

- Must have technical competency
- Must have skills to train and mentor
- Must have an economic incentive to take on a trainee

## The Client:

- Must be assured the assignment is completed competently/credibly
- There must not be any economic disincentive to allow use of a trainee

# Current Challenges

- Lender requirements which often will not allow the use of a non-certified appraiser
  - require compensating two appraisers to complete one field inspection and report
- Difficult task is determining the number of trainees any one supervisor can (or should) mentor at one time
- Additional consideration is whether a “one size fits all” training regimen is the only option



# Suggested Solutions

- A system needs to be developed for a “gold standard” protocol that defines the expectations and obligations of all parties participating in the development of the report when trainees are involved.
  - This uniform standard would require documentation and possible auditing of the parties to ensure clients that all proper and appropriate procedures are being followed



# Uniform Training Program

High level view - once the concept is agreed upon by industry participants further detail will be set forth.

- Trainee to have completed minimum 75 hours class room education (or state requirements if higher) including principles, procedures and USPAP.
- Supervisor and Trainee to have attended training setting forth expectations and responsibilities of each party, similar to that required by some states

# Uniform Training Program

- Supervisor and Trainee agree that training manual (to be developed) will be used as the basis for skills development, including points at which the Trainee will be tested for competency.
  - Training manual “chapters” will focus on field experiences that complement and enhance the previous classroom education.
  - Manual will use a “building blocks” approach, in which student will have to master selected areas before moving on to the next.

# Uniform Training Program

- Process will be flexible enough to allow Trainee to move through at a pace that is reasonable for their aptitude and availability of assignments.
- As Trainee passes periodic testing to ensure mastery of skills, they are allowed to perform that portion of the assignment with oversight/review, but not necessarily with direct supervision (in the presence of Supervisor).
- The Supervisor will still be signing the appraisal and the sponsoring organization will be taking full responsibility for all aspects of the assignment

# Uniform Training Program

- Supervisor must accompany and instruct Trainee during no less than 60 interior property viewings
  - In order for appraiser to be “certified” as trained in a particular property type (SFR detached, Condominium or Attached, Manufactured and 2-4 unit) a minimum of 10 property viewings of that property type must have been completed with the supervisor
- Before completion of training, to the extent possible given market dynamics, Trainee will be expected to have been trained on and completed progressively more complex assignments including condominiums, 2 to 4 unit, atypical housing styles...etc.
- Supervisor and Trainee agree to be audited, at any time throughout the program, for compliance with program standards by the program sponsor/financial institution

# Sample Training Schedule - Phase

1

- The trainee will assist the supervisory appraiser on a minimum of 20 inspections. The trainee will become highly proficient at measuring the subject, sketching the subject, computing the GLA, and completing the interior inspection. The trainee will at first observe, and after gaining a level of understanding of the process, assist the supervisory appraiser in preliminary comp selection. The trainee to do a line-by-line QC review of the supervisor's reports
- For at least the next 40 reports, the trainee will perform an increasingly larger portion of each appraisal. During this period, the supervisory appraiser will make a line-by-line review and go over each report while sitting with the trainee, explaining the thought process, answering questions, and posing questions
- After a minimum of 60 reports a trainee will be able to complete inspections on non-complex properties without the supervisor's physical inspection

# Sample Training Schedule - Phase

2

- For a minimum of the next 20 reports, appraisal assignments will be given out when the current assignment is handed in, reviewed, and is acceptable.
  - Clear, descriptive photos of: all rooms of the subject, all sides of the dwelling and front and rear of subject yard and all improvements must be taken by the trainee and reviewed by the supervisor.
- Supervisory appraiser will review all forms with the trainee. Topics covered: adjustments, forms, guidelines, USPAP regulations, purpose of appraisal, etc.
- Complete reports together on a variety of forms. Trainee to sit with supervisory appraiser for line-by-line review of the complete file (with MLS and county record data.)

## Skills to Accomplish

Develop report writing routine

Comparable selection

Final reconciliation

Explanation of reasoning

Development of the 1004MC form

Prepare cost approach

Sales comparison adjustments

Valuation

Personal quality review before turning in report to insure accuracy

- **A trainee appraiser will not be given more assignments than can be completed with 90% accuracy or better.**



## Recommendations for Change - Post 2015

- Work with all parties, specifically AQB, regulators and academia - to develop a path that would allow for experience credit to be included in coursework.
- A program that would allow an individual to become, and be deemed, competent in theory and practice inside a 4-year program including coursework and experience.