AARO Conference Spring 2015

Mark Rattermann, MAI, SRA
Indiana Appraiser Board Member
Mark@educationresource.com

• 1979 - Started in the real estate appraisals
• 1983 – Started teaching appraisal classes part time
• 2000 – Teaching appraisal and R. E. classes full time.
  • Writing text books,
  • Developing CE seminars
  • Developing QE classes.
• 2008 – Teaching part time – Appraising R. E. full time.
• I have had 10 trainees under me in my 35 years.
• The first requirements in the 1990’s for Licensed and Certified Appraisers were fairly modest with provisions for existing non-licensed appraisers to transition into the new credentials.
• There was originally a “Transitional License” but no trainee license.
• Nobody was grandfathered but it was not too difficult to become credentialed.
• The educational requirements were about 60% - 70% of what they are today.
• The experience requirements were similar to today but few applicants were required to show the work files.
• There was no college degree requirement and most states did not require a high school diploma.
• In my home state (Indiana), we had a 15 year old apply for a license. His mother drove him around.
In the early and middle 2000’s the census of appraisers increased significantly.

Without a college degree requirement and minimal training, this was a fairly attractive business.

Many mortgage brokers were sending friends and family to get their appraiser’s licenses. It was not unusual for a wife to do appraisals for their husbands. It was not ethical but it was being done.
• In the late 1990s and early 2000’s, many newly licensed and certified appraisers envisioned having many employees and creating large regional or national appraisal firms.

• Some appraisers with grandiose plans had one licensed or certified appraiser for 5-10 trainees.

• With one supervisor for 5+ trainees, effectively the trainees were training trainees, i.e. no supervision at all. The impact of this poor training is still evident today.
• In my state in the late 1990’s, we had four trainees form a corporation and then hire their own supervisor. He was their employee and his conditions of employment required him to sign all appraisal reports developed by his bosses, the trainees.

• Several out of state appraisal firms came to my state and set up satellite offices staffed by trainees they had never met. After a year, the trainees still reported they had still never met their supervisors. In other words, the trainees were receiving NO training.

• In my state, we had a supervisor living in Arizona with two trainees in Indiana.
• In 2006-2008, the educational hours were increased, refocused and the college degree requirements were initiated.
• The increase in the educational hours did not faze the “appraiser wannabees” but the college degree requirement eliminated about 75% of the appraisal trainee candidates.
• In 2006 when we told a appraisal candidate they needed a college degree to become certified in 2008, +/- 75% of them hung up the phone immediately.
• No longer was an appraisal career an alternative to a minimum wage job. Prior to the college degree, many new appraisers were licensed because it was one of the best paying jobs that did not require a college degree.
The college degree requirement changed everything for the better.

- The quality of the candidates improved significantly.
- No longer was an appraisal career an alternative to a minimum wage job.
- The college graduates did have superior non-appraisal trainee, i.e. they could do some math problems and could write a sentence.

- BTW, a college degree is not a requirement for a trainee but most trainees want to be certified eventually.
The average age of appraisers in my state is about 53 years old.

The census in my state is:

<table>
<thead>
<tr>
<th>Year</th>
<th>Appraiser Trainee</th>
<th>Licensed Residential</th>
<th>Certified Residential</th>
<th>Certified General</th>
<th>Total Appraisers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dec-01</td>
<td>Dec-01</td>
<td>Dec-02</td>
<td>Dec-03</td>
<td>Dec-04</td>
</tr>
<tr>
<td>2001-2002</td>
<td>862</td>
<td>1,041</td>
<td>992</td>
<td>1,320</td>
<td>1,093</td>
</tr>
<tr>
<td>2003-2004</td>
<td>703</td>
<td>810</td>
<td>888</td>
<td>1,015</td>
<td>1,023</td>
</tr>
<tr>
<td>2005-2006</td>
<td>784</td>
<td>796</td>
<td>775</td>
<td>845</td>
<td>866</td>
</tr>
<tr>
<td>2007-2008</td>
<td>546</td>
<td>563</td>
<td>555</td>
<td>604</td>
<td>634</td>
</tr>
<tr>
<td>2009-2010</td>
<td>2,895</td>
<td>3,210</td>
<td>3,210</td>
<td>3,784</td>
<td>3,616</td>
</tr>
</tbody>
</table>

The trainees peaked at 1,317 in 2005 and are currently at 201+-/-.
• Today most appraisers are not making enough money to attract new apprentices with college degrees.
• Logically, if the net income was better, there would be more new trainees.
• If the numbers continue to fall, there will be a day when there are not enough appraisers unless computers take over more of the industry, i.e. AVM’s.
• A shortage of appraisers will cause appraisal fees to go up which will attract new people.
• Higher fees will not be received well by brokers, lenders, home builders or the public.
Possible changes include:

• Removing the college degree requirement.
  • This is the least favorable and most devastating to the profession. It would bring the minimum wage people back into the business and it would no longer be a profession
  • The college degree does not necessarily give the appraiser basic training, e.g. a degree in Greek poetry but it does eliminate the candidate with few alternatives available.
  • The college degree requirement brings in candidates that have alternatives which requires higher pay.
Possible changes include:

- Lower the experience requirements.
  - Candidates say they think they should be lowered once they are in the industry but most candidates are clueless to how much 2,500 hours of experience is when they are deciding to get in or pass on the profession.
  - Lowering the experience requirements will not bring in more candidates it will just graduate them faster. The pipeline is emptied faster but there will not be more candidates unless the net income is better.
  - Lowering experience requirements could eliminate apprenticeships not increase them. Supervisors see most trainees as future competition and this makes it easier for the trainee to set up an office across the street and take the supervisor’s clients sooner.

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Possible changes include:

• Promoting “Para-appraisers” to do the mundane part of the appraisal work. This is done in many other professions. Most appraisers can do this now but don’t because they have little demand. Para-appraisers are not as much of a threat to their clients as a trainee. Para-appraisers are not a long range answer.

• Promoting a non-analytical person to do the inspections, i.e. a license for the appraiser and a different and less difficult license to do the inspection part of the appraisal. This is being done now by some very large banks with unlicensed people. This would require changes in the secondary market and with HUD/VA. Appraisal forms today require the appraiser to do the inspection.
Possible changes include:

• Lowering the secondary market standards and FHA, Farmers Home and VA requirements. This would effectively allow appraisers to do more appraisals per week which always lowers the fees overall. There would be no need for more appraisers if they can do more production.

• This would require developing a strategy and plan for when and if there is a shortage of appraisers.
The supervisor’s role in the industry is key but the incentives are not there now.
The supervisor must have a reason to spend the time training the new people.
It is often said;
“You lose money on the trainee the 1st year, you break even in the 2nd year and they quit and open their own office in the 3rd year. Why have a trainee?
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• Now is the time to develop a strategy for when there is a shortage of appraisers. Do this now before the home builders, real estate brokers and mortgage bankers demand Congress lower the standards and we lose the college degree requirement or other minimums.

• Appraisers don’t have much of a voice in Congress compared to the other groups.
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• Thank you.