

Bringing New Appraisers on Board: Removing the Economic Barrier

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A lot of things have changed for appraisers since the financial crisis. The proliferation of appraisal management companies, new reporting requirements, the 1004 MC, and the Uniform Appraisal Dataset (UAD), to name a few. One change that hasn't received as much attention by individual appraisers is the dearth of trainees entering our profession. The field is not attracting new talent at sustainable rates. Simply put: We're not introducing new people into our business to replace the aging appraiser population.



Why? The answer is simple economics. Nowadays, seasoned appraisers cannot make money training a new appraiser; subsequently, the new appraiser cannot earn a sufficient living while gaining their experience. This hasn't always been true—those of us currently in the business were trained by someone who earned money providing our supervision. After the housing meltdown, lenders began requiring supervisory appraisers to physically inspect every property with their trainees until the trainees were licensed or certified. This new requirement removed the economic incentive to bring others into our industry. It does not make economic sense for a seasoned appraiser to visit every property with their new appraiser for the first 2000 hours.

Uncertainty and risk are at the heart of lenders' decision to exclude trainees from inspecting on their own. Lenders have become very cautious about valuations in the wake of the financial difficulties of the late 2000s. Many appraisers that entered the profession during the housing boom of 2005–2007 were not properly trained

or supervised. In an abundance of caution, lenders have reacted by restricting the activity of trainees. The solution to this problem is to reduce uncertainty and risk by relying on trainees fully completing the report. This is best accomplished by transparency, training, and education. Lenders need to know what part of the process the trainee is involved in, if the trainee is knowledgeable, and what additional education they received before inspecting on their own.

For the most part, appraisal education (be it qualifying or continuing) is based on appraisal theory rather than practice. A training program that involves the practical elements of a property inspection needs to be developed. With technologies available today, this training can be done virtually. Trainees could be exposed to a series of virtual inspections online, testing their ability to identify forms of functional, external, and physical depreciation. Images and video that demonstrate forms of obsolescence could be easily incorporated in an online course that ensures the new appraiser is capable of capturing these elements.

For transparency, a "trainee" addendum should be created. This additional page could outline the expectations of supervisors and trainees as required under changes to USPAP in 2015. The addendum should disclose the specific portions of the Scope of Work performed by the trainee. This addendum would provide intended users with the ability to identify the portions of the appraisal report that were developed by the trainee rather than the supervisory appraiser. The addendum could also be produced as a standalone document, providing evidence of experience hours for state certification.

The National Appraisal Congress (NAC) has identified the issue of trainees and the appraisal profession as its first initiative. The technology committee will be developing a plan for an online practical trainee education program. This education program will be above and beyond qualifying and continuing education programs already offered by other industry organizations. We will also be working on a simple addendum documenting the new appraiser's contributions to an individual appraisal report. This will serve all parties involved. Lenders will know what portion of the appraisal was completed by new appraisers and both trainees and supervisors will be able to document the hours necessary for appraisal experience.

We expect these efforts will reduce uncertainty and risk on the lenders' part, allowing trainees to complete more of the appraisal process on their own. This is a critical step in removing the economic barrier preventing new talent from entering our industry. If you would like to be involved in either of these two initiatives, please contact Robyn Clayton (Robyn.Clayton@thefivestar.com).

to ask you about a property or "I don't know how to handle a problem—what should I do?" That was how trust and respect was created. When reports are delivered by pushing a button, and an appraisal management company applies their review metrics, trust and respect can be lost.

Most people in lending would still agree the appraiser continues to be an essential part of the lending process. Appraisers must, however, live in the real world. This does not mean that they need to give up any hope for respect. Appraisers may not be able to overcome many of the obstacles created by the commoditization of the appraisal process, but there are things appraisers can do to regain and retain respect.

Appraisers need to realize that respect must be a two-way street. Many in the industry often think only in the "receiving" mode. Appraisers must realize that if they are going to regain the respect they once had, they need to change their thinking. They need to create the relationships they once had.

Lenders too often live in a void of information. Good lenders want their staff to understand the appraisal process and the need for good appraisals. Rather than think of the appraiser as an adversary, they need to work to redevelop their relationships. This can be hard when dealing with appraisal management companies. Even though a lender may use an appraisal management company, there are still real people at the other end.

The first step is to create a relationship with lender. This is true even if they use an appraisal management company. Contact the decision makers and offer to provide education to their staff. You can also provide a borrower or agent seminar on behalf of the lender. Become the expert again! This won't be an easy process, but most worthwhile endeavors aren't. It is, however, a journey worth taking.

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