

# Real Estate Appraisers- Barriers to Entry

## Concept Document

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### **Brief Background**

The William Fall Group has been an established leader in real estate valuation for over 35 years. Uniquely, our company completes business with commercial and residential staff employee appraisers as well as through our Appraisal Management Company - Valuation Partners - that has activities throughout the USA.

The author of this concept document, Mr. William Fall, MAI, SRA, ASA is a General Certified Appraiser credentialed in 5 states. He has taught real estate valuation courses at the University level and has served as a supervisory appraiser for numerous apprentice/trainees.

### **Current Observations**

Debate can rage on what is the necessary number of qualified appraisers. Certain markets are clearly stressed when demand for services exceeds typical levels, while others seem to have an adequate number to meet the demand. However, as we look into the future there is little doubt there will be a loss of appraisers through attrition that will exceed the number of incoming candidates.

Contrary to statements heard elsewhere, States like Colorado have seen minimal change in issuance of appraiser licenses even though lenders are frequently experiencing a 4 week delay in delivery of reports over the course of the last year. Recently other states including Oregon have reported significant report delays.

We have seen little impact regarding appraiser entry into the commercial sector of our business. Notably this appears to be driven by the wider acceptance for associates viewing the subject property without being accompanied by a certified appraiser. The acceptance of properly trained associates independently viewing the subject considerably eases the training cycle by allowing the Certified appraiser to focus on key valuation drivers appropriate to the assignment. The merits of the final signer of the report being the "responsible party" is clearly better accepted by market participants in the commercial space.

However, our residential business has required significant management of eligible appraisers. This is usually dictated by the client's credit & risk group that often narrowly interprets regulatory signals. Further, several State statutes clearly constrict the use of apprentice/trainee candidates. The reaction within the broader lending community is predictable resulting in the credentialed appraiser being required to not only sign the report but to also personally view the subject property.

The harsh reality of the real world also comes into play. The vast majority of residential appraisers work independently or in small groups that align to share expenses. This workforce is ill-equipped and unmotivated to assume the responsibility of jointly viewing the subject

property. Particularly when, at the end of the day, many of these apprentice/trainees become natural nearby competitors eroding the business of the very person who ushered them into the profession.

In combination, these influences has created an environment where an appropriate number of future appraisers cannot be sustained. Many believe the "Public Trust" and integrity of the system will suffer. True independent property valuation may be threatened by non-appraiser models that could erode consumer confidence in the system.

### **Considerations**

We subscribe to the premise that any proposed concept needs to abide by a philosophy of excellence – clearly reinforcing the Public Trust. Not diminishing the confidence in the system. Also, intrinsic to the conversation is achievement of competency, whether in the classroom or through field experience.

This process occurs in related professions. In medicine an academically trained doctor continues to develop with a clinical internship, then a residency follows in their chosen area of practice, often leading to an advanced certification for a specialty such as surgery, oncology, or dermatology. Similarly one may graduate with a Law degree but to present to the Supreme Court requires a special qualifying process.

The relevant theme is competency. The Public being confident in the capabilities of the provider.

### **A New Perspective**

Our recommended concept states that entry level in the profession would remain as apprentice/trainee by classification. Advancement is outlined as follows -

- Option One
  - Advancement to licensure by successfully completing a block of basic coursework.
  - Utilize simulative course work, both on-line and in-classroom.
  - These courses would be mandated and should not be challenged.
  - Expected completion time should be within a 6-9 month timeframe.
  
- Option Two
  - Or advancement could occur by completing a minimum of 25 property inspections with proper oversight in not less than 60 days.
  - Utilization of remote technology tools should be permitted to maximize real-time input while saving unnecessary and duplicative travel time.
  - Completion of a smaller set of courses than option #1 knowing that many basic concepts are satisfied under the direction of the supervisory appraiser.
  - Expected completion time once again would be forecasted at 6-9 months

## **Licensed Appraiser Level and Beyond**

Once completing the apprentice/trainee requirements the appraiser would be classified as a Licensed Appraiser. Their standing would remain similar to present – a residential licensee being qualified to appraise non-complex properties less than \$1.0 million.

Next steps in advancement to the Certified level would remain similar to what currently exists but would also follow a competency based system. Progressive confidence in ability being achieved along the way by the appraiser.

- Certified track
  - Advanced coursework suited to either residential or commercial properties
  - Relevant University coursework should serve as equivalents for the competency required to not exceed 50% of the total required.
  - Licensed appraisers lacking a college degree should be afforded an opportunity to advance based on demonstration of competency.
  - For advancement to certified to follow the current system of submission of work samples.

## **Final Thoughts**

Between 2003 - 2007 about 30 banks failed. Between 2008– 2014 over 500 failed. All caused huge disruption to the financial system and clearly eroded Public Trust and confidence. Many of these failures trace their roots to poorly valued real estate decisions.

Fortunately efforts have been deployed to regain stability but the appraisal community needs to continue their role of improving confidence in the system as well as insure that there is a sustainable well trained professional workforce in the years ahead.