October 2018

8th annual Voice of the Appraiser

special report

Sponsored by:

LANDY Insurance

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VALUATION REVIEW

ABOUT US

Valuation Review is a production of October Research, LLC specializing in business news and information for the valuation industry and real estate appraisal professionals, and is published 24 times a year.

Contact information:
October Research, LLC
ATTN: Valuation Review
3046 Brecksville Road, Suite D
Richfield, OH 44286
Tel: (330) 659-6101
Fax: (330) 659-6102
Email: contactus@octoberresearch.com

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A LETTER FROM OUR SPONSOR

To All Appraisers,

The Landy Agency is pleased to continue our sponsorship of the Voice of Appraiser survey for 2018. Your participation in, and contributions to the survey help increase the awareness of issues most important to appraisers and enhance the professionalism of the industry. Over the several years that Landy has sponsored this survey, many things affecting the appraisal profession have occurred, from the housing and economic crash of 10 years ago and the law suit happy environment it created for valuation professionals, to the encroachment of AVMs to the diminishment of appraisal requirements for certain types of sales, and more. In the past year, the subject of hybrid appraisals has gained dominance, with appraisers taking strong positions for and against. Ultimately, these and other influences add to the daily challenges faced by appraisers, impacting income and opportunity while increasing potential risk.

This is where the Landy Agency comes in. We continue to support your profession by putting our money where our mouth is. We sponsor your coalitions, associations, publications and events. We provide risk management education by participating in panel discussions, seminars, webinars and providing editorial content. And, by the way, we offer a very good insurance program!

We our proud of our insurance services to you. They represent our core belief that coverage needs to be strong and solidly backed by an insurance carrier, is affordable, easy to obtain and when you have questions or need assistance, we provide assistance in a prompt and professional manner. Appraisers need to be appraising and earning an income, not hassling over insurance. Lawsuits and disciplinary complaints are an on going reality, and the results are not always as hoped for, but we remain committed to protecting and defending you and your profession to our best capabilities.

Thank you again for allowing us to participate in this important survey effort. We encourage your participation as well – in the survey, with your local coalitions and associations and in the betterment of your fellow appraisers. At this time next year, maybe we will not be talking about hybrids, but about a whole new issue. In any event, the Landy Agency will be there to provide you excellent insurance coverage and acting to support your efforts. We look forward to hearing from you.

Respectfully,

LANDYInsurance

John L. Torvi
Vice President of Marketing & Sales
The Herbert H. Landy Insurance Agency, Inc.

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Appraisers stand up to be counted in eighth annual survey

One cannot argue that the appraisal profession brings yearly changes to those whose who have the responsibility of determining value to properties. The appraiser always can count on new regulations, federal laws, legal court decisions and requirements from appraisal management companies to further add to the responsibility of completing assignments in both a timely and compliant fashion. An appraiser's reactions to these requirements, or demands, can mean the difference between success and failure in this profession.

Valuation Review's 2018 "Voice of the Appraiser" survey revealed the sentiments of those in the industry, in addition to some interesting data and opinions based on the questions we posed to our audience.

There were many topics discussed in our eighth annual survey but one subject that brought a lot of fire into the conversation was the actual time it takes appraisers to complete assignments. Appraisers said it takes far too long to complete these assignments, with the main culprit being the need to do so many unnecessary things as required by the appraisal management companies (AMCs).

Our survey continues to provide appraisers with the opportunity to be heard on the subject matters most important to them, while allowing them to share industry concerns.

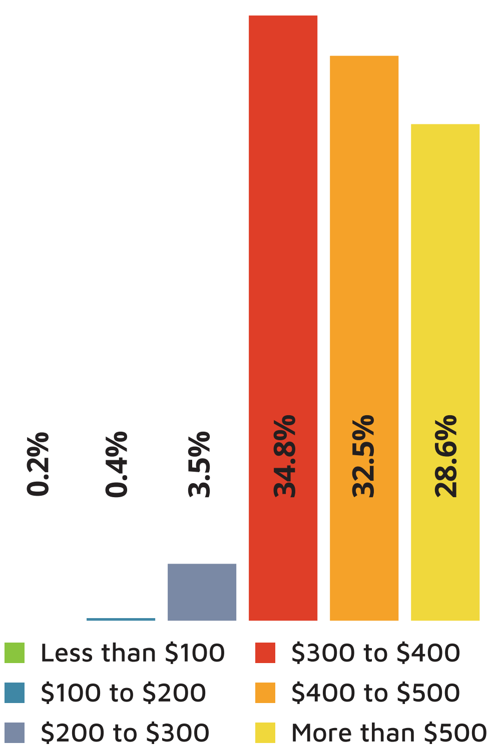
Many have serious thoughts about the state of the industry as a whole, and while all of the profession's problems cannot be solved within the contents of one special report, it is important to listen to those with concerns for the purpose of starting conversations that can hopefully lead to a more stable career all appraisers can enjoy and look forward to.

The voices speaking to try and improve one's livelihood should be respected and heard with an open mind. Our report again shows the appraisal profession being an aging industry but many respondents have offered solutions to the perceived problems, as opposed to merely stating the obvious.

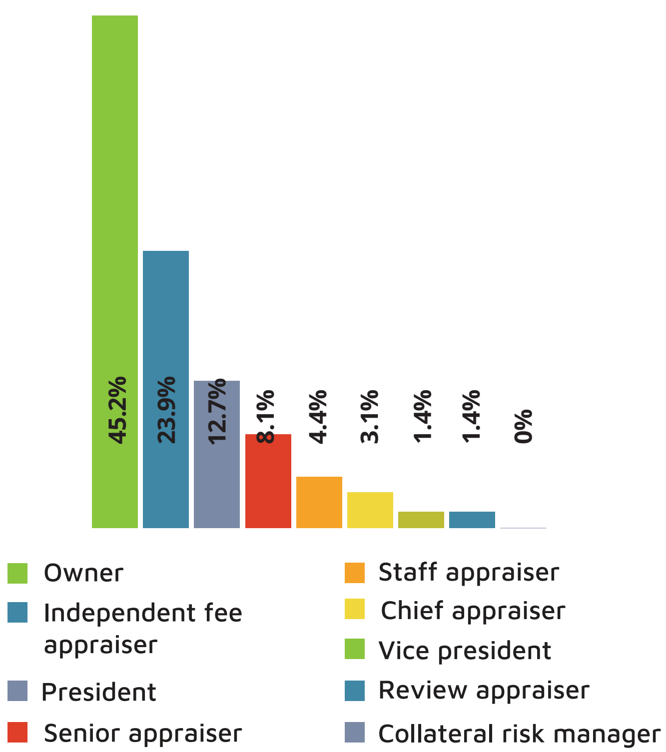
The intent behind this 2018 special report/survey is to foster positive relationships with the appraiser and the lender in a way that can generate such suggested conversations so as to better the industry. The overall state of the profession, and what the future potentially can hold, are additional topics this report will illustrate to the reader.

We'll again explore some individual changes that have taken

What is your typical appraisal fee?



What is your title?



place over the past year, including those seeking other methods and areas of appraising to make their living and earn their keep. Our survey shows selected risks surrounding the appraisal profession and concerns the lender has by contrast and in comparison to the appraiser. This year, our survey had more than 1,000 respondents from at least 49 states and Puerto Rico.

As always, we appreciate everyone's participation in our annual survey recognizing that this report cannot be produced without your time, effort, interest and cooperation. We extend our thanks to everyone who participated in our 2018 edition and we're proud to reveal the lessons and insights from our eighth annual Voice of the Appraiser survey.

Making a living

For appraisers, the professional battle continues in trying to earn a competitive wage so as to not only enhance their businesses, but to hopefully remain in that business of determining property values. Our annual survey for 2018 shows a similar war waging where appraisers keep fighting the good fight for a worthwhile income.

An appraiser's typical fee and how they would rate that fee saw percentage increases regarding annual fee earnings exceeding $500.

Two years ago, appraisers said those earning more than $500 as their typical appraisal fee was at 20.5 percent. In 2017, the percentage of appraisers earning more than $500 in fees per assignment climbed to 30.1 percent, while an additional 33 percent of those responding said their typical fee ranged between $400 and $500.

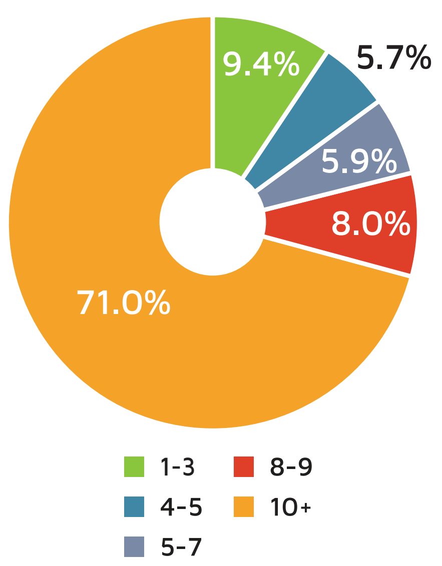
This year's survey revealed 28.6 who said they were collecting fees over $500. More than a third (34.8 percent) said they were collecting $300 to $400 in fees per assignment, while 32.5 percent of those responding said their typical fee was between $400 and $500.

Appraisers rated their typical fee paid as average (43.7 percent), low (27.8 percent), above average (20.5 percent) and customary and reasonable (8 percent).

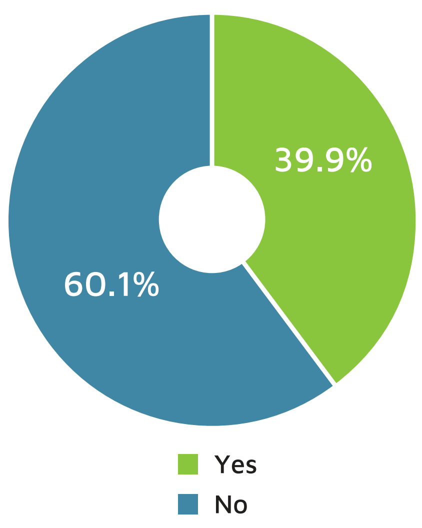
Our audience also saw an increase from last year's numbers, as more than 60 percent of appraisers said they have not seen a change in fees regarding C&R.

"Too many appraisers and too few appraisals have resulted in lower appraisal fees," one respondent said, while another respondent said, "fees are high in my opinion, with fees for desk

What is the typical number of full appraisal assignments you complete each month?



Have you seen an increase in your appraisal fees since "customary and reasonable"?



reviews being outrageous. Most AMCs are working with the same contractors unless they have their own employees, and even then, those employees are using contractors, so there isn't a big difference to the lender. Everything, right now, is price driven."

Cost-plus models still seem to be a model for the future. Only 16 percent of appraisers said their lenders and/or AMCs moved to that model, down from 23 percent of respondents last year.

"The AMC business model will not be satisfied until appraisers are paying for the privilege of doing the work. They will resort to anything for $5 with no consideration for any other criteria to assign an order," one respondent said.

Another stated: "Deregulation creates a market response that drives experienced, qualified appraisers from the profession to be replaced by less qualified appraisers that conform to the requests of lenders and AMCs to avoid being removed from work opportunities. Customary and reasonable fees are not provided to appraisers. In my market AMCs will charge $500 - $600, and more for a conventional 1004 appraisal, and will provide $280 to $400 to the appraiser. Again, the work is assigned to the lowest bidding appraiser, not the qualified appraiser."

The number of full appraisal assignments completed each month by appraisers stayed about the same this year at 71 percent completing 10 or more full appraisals per month.

In 2017, all of the respondents said it took more than four days to complete a full appraisal report of a residential assignment.

This year, the numbers were less than unanimous, with 62.7 percent of the respondents saying the average turnaround time to complete a full appraisal report of a residential assignment was four or more days.

In the first Voice of the Appraiser report in 2011, 51 percent of the appraisers polled said it took four or more days for turn time for a full residential appraisal report. That number was similar in 2016, with 59 percent of appraisers saying it took four or more days.

A third of the respondents this year said it took them two to three days to complete such assignments, while some expressed some skepticism in completing these assignments in just a short period of time.

"Please, a full appraisal report in four days, you're kidding, right," one respondent said.

Another commented that "the need for explaining 'every adjustment' is adding on to the turnaround time," while one respondent said it might take 30 to 45 days to complete a full appraisal report regarding a residential assignment, possibly longer.

The typical reports, one respondent communicated, have become so detailed and narrative, they are hardly "summaries" anymore, and they take forever to complete.

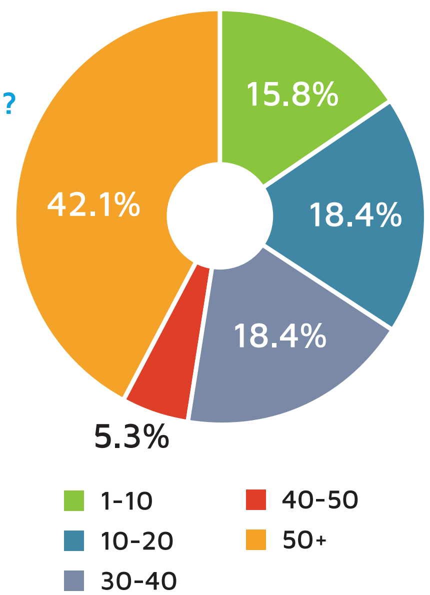
The question was asked whether or not all of this was necessary because it's burning out the appraiser. "I love what I do but I need a life," one respondent said. "I work all the time."

Another said: "On the residential side, the lack of emphasis on firms and the acceptance of the use of trainees by most lenders and AMCs has forced residential appraisers on an island with lack of resources, access to education and industry news/guidelines. The lowering of license requirements will further flood the field with unqualified appraisers and diminishing public trust."

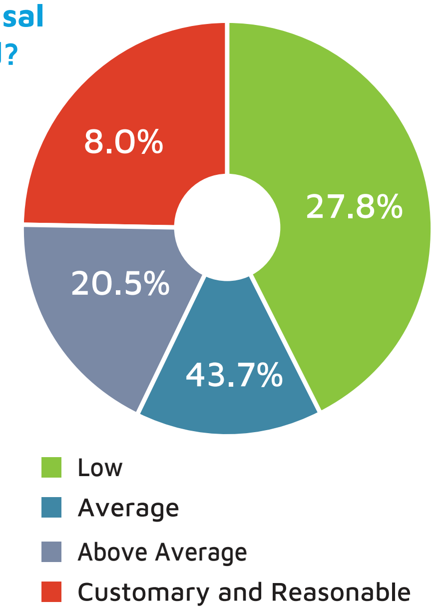
"Yes, I believe that we are being asked to do things which are not value related," another respondent said.

"Like climbing in attics — to the point many are dangerous. Taking photos of everything in a home — I feel this is invasive to the borrower, and lord help you if you forget something. I see the push towards computer generated values and not only disagree with the push, especially for something that has value to a person's assets, and I see things weekly which a bunch of extracted numbers will totally change one's value. I think homes are way too important to the economy, as evidenced in 2008."

What is the typical number of full appraisal assignments you order each month?



As an appraiser, how would you rate the typical appraisal fee you are paid?



Business practices

Most veterans in the appraisal profession, when speaking at various conferences, aren't bashful about rejecting the notion that appraisers cannot prosper. Appraisers are reminded that they are in control of how successful they can be, and that they alone are in charge of how profitable their businesses become. They also deliver the message to those who continue to focus on the negative will only find negative results.

In short, if an appraiser isn't willing to see the glass half full, and if they are not willing to be proactive and make things happen, chances are, nothing will happen.

The appraisal profession, like most career choices, provides many doors of opportunity – one, though, has to knock on that door to see the possibilities. Appraisers who choose to wait for business to come to them probably will be sitting alone for a long period of time. The demanding regulations appraisers constantly refer to as preventing them from doing their job is seen by many experts as excuses. or crutches. When deciding whether or not they want to invest the extra time to be productive, appraisers might want to recall an old adage in "if not NOW, then WHEN?"

When appraisers choose to knock on those doors, challenges usually answer by way of new opportunities. Those could come in commercial appraising, while new work also can be found in other areas of appraising, such as rural and government property. Our survey again asked respondents whether or not there has been an interest in evaluating commercial work.

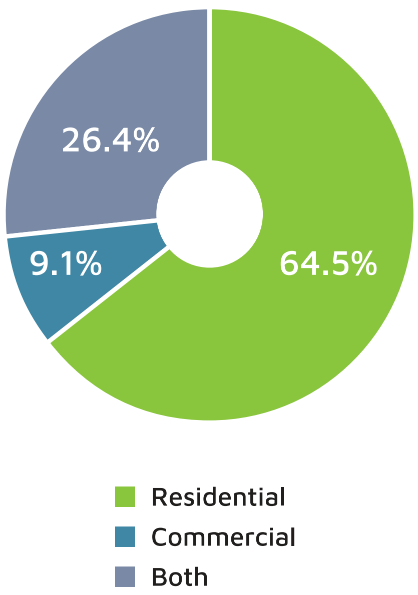
The response to those questions showed similar results over the past three years of our survey. In 2018, 64 percent of respondents said they were doing residential work, down slightly from last year's figure of 65 percent. In 2016, residential appraising checked in at 66 percent, while in each of the past three years, about 9 percent of respondents said they only did commercial work.

As far as appraisers handling both residential and commercial assignments this year, more than a quarter said they were doing both — the highest figure in the eight years of the Voice of the Appraiser survey. Last year, 25 percent of those polled said they were doing both types of appraisals while in 2016, just shy of a quarter of the respondents said they were working in both arenas of appraising.

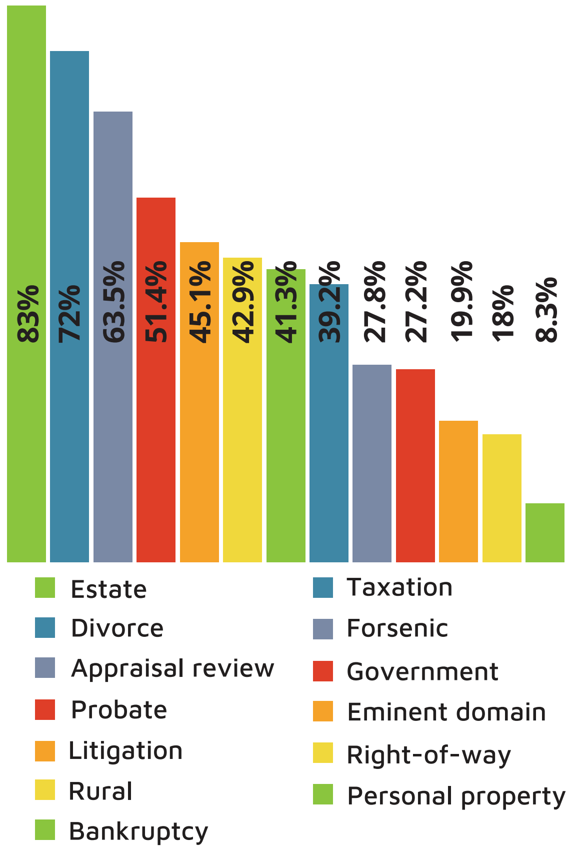
Combined with the 9.1 percent of commercial-only appraisers, more than 35 percent of respondents are doing some commercial appraising work. That's the sixth year in a row the figure has increased, and again it is at the highest level since the survey began.

"I'm doing more residential than commercial but looking for a better balance between the two," one respondent said, while another commented that "we have a very good mix of both. Volume-wise, I do more residential than commercial but

Residential or commercial? Or both?



What other types of work assignments do you routinely accept?



income-wise, the numbers are similar."

One respondent said that he does mostly agricultural assignments and rural residential in eminent domain, while another respondent said, "I do high end custom homes, waterfront properties, multi-family complexes, small warehouses and strip retail."

Residential and commercial properties are not the only assignments keeping appraisers busy these days.

With regards to appraisers determining value in other areas, estate work remained the frontrunner with 83 percent of those polled handling those types of appraisal assignments, slightly up from last year. The other areas that finished second and third, respectively, in 2018 were divorce and appraisal review.

One respondent said 90 percent of his work is for HUD-insured mortgages, while another listed manufactured homes and modular homes as his method of additional assignments.

Conservation easements, pre-listing trusts, purchase price allocations, mortgage loan originations, home equity and loan servicing also were listed as alternative routes.

One comment was very clear regarding the choice to assign value in other areas of appraising.

"I do not accept any work outside of the duties of my office," one respondent said, not specifying how widespread his office capabilities might be.

The subject of whether or not appraisers are using trainees, or are willing to train others themselves drew some significant responses this year. In 2017, more than three-quarters of appraisers said they were not working with trainees, or training appraisers. In 2016, those not working with trainees or training appraisers came in at a very elevated number of 81 percent.

The idea of training a future appraiser wasn't received that well again this year, as three-quarters of those polled said they were not working with a trainee or training someone.

Many respondents indicated that there is not enough money to hire trainees and it is very time confining.

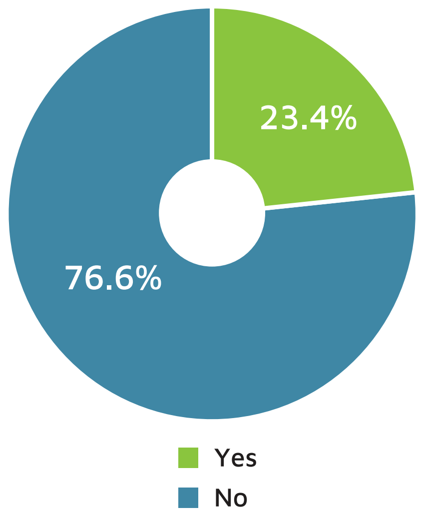
Some said they would love to train a new appraiser, but it would take too much time with no benefit to them. Also, the liability is too great now and too many risks involved in taking on a trainee.

Others said that it just isn't feasible with the majority of lenders not willing to accept results from trainees.

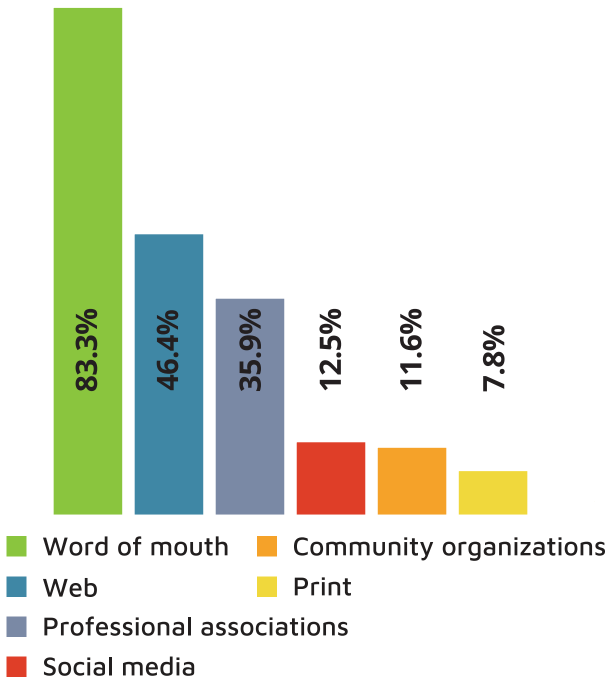
"We have a trainee in our office and he is under one of the older appraisers," one respondent said. "I may take over his supervision at a later date, but I hesitate to do so since a lot of AMCs don't want trainees providing or working on their assignments. I have heard of some appraisers being removed from AMC rotations because they took on a trainee."

Another said: "My clients won't take trainee work; most require three years fully licensed so I have nothing I can give trainees for the most part. Every trainee I've started with in the past

Are you working with or training a future appraiser?



How do you typically market your services?



took many hours of my time and produced poor quality work and needed extensive training; need to improve the 'hands on' portion of schooling and produce trainees more able to work independently with minimal guidance, as there is no financial incentive to hire trainees when they virtually need everything, take extra time and a lot of the fee and still aren't ready to add anything back for a very long time. Once they can, they leave and work on their own. It's a huge drain on an appraisal firm."

One respondent spoke to the notion of trainees and training future appraisers as another major flaw to the system.

"First, when I entered this profession, I thought it would be run more like a Realtor's office. A broker hires 'agents' and they are virtually 'unlimited' in terms of the number of agents and the tasks they can perform," the respondent said. "Well, a few years later, Texas said 'no ... you can only now have three trainees.' I thought 'Wow that will certainly limit my potential and dream of having an office of 10-to-15 appraisers working for me.' Still, I hung on to the possibility that I might be able to work with three. Then, a few years after that … a Texas appraiser and attorney … said and I quote 'If you have a trainee you will no longer be subject to the possibility of an audit. You will be audited by the state, and if they find any violations on any of your reports, you could be subject to serious penalties and could even lose your license.'

"Why would I ever subject myself to an audit that will happen no matter what?" the respondent added. "When I was being trained, it was only a 'possibility' and of course, there were never any audits during this time in the early 2000s. Now, it is not just a possibility – it will happen. As a supervisor, you will be under fire for this. Never will I subject myself and my license to this kind of scrutiny to someone sitting on some board while they pass judgment on what could be innocent mistakes. This is a real problem. There's literally no incentive to ever work with a trainee."

Although strong opinions about training appraisers were expressed, there are many myths that can be dispelled about training appraisers, as well as benefits of going through the process for the trainer and the trainee. Many of those were detailed in *Valuation Review*'s Training for Future Growth special report, available only for subscribers.

Earlier, we talked about appraisers being in control of their successes and failures. One way to be proactive in trying to accumulate more business and retaining more clients is to properly market. Appraisers are utilizing any number of marketing methods or tools to "get the word out" about their services and skills.

In the previous two years, our survey has shown that appraisers prefer to market their services by word of mouth, with 80 percent to 85 percent of the respondents feeling that way. This year, nothing has really changed, as word of mouth is the preferred marketing method again. Appraisers also showed that publicizing their appraisal services via the web is a viable method of market, with nearly half of those polled choosing that route. Using professional associations of some type was third amongst the marketing choices.

"Most lenders and AMCs find me from seeing my work. I also respond to emails and inquiries for clients who ask for me via referrals," one respondent said.

Another offered: "I have worked hard to build my reputation and now don't need to market myself. Agents refer me, homeowners refer me and other appraisers refer me."

One respondent utilized electronic media and broadcast over the airwaves to get work.

"I occasionally advertise on the radio that covers the areas that I work in," the respondent said.

Some said they get on as many AMC lists as they can, and just wait for the orders to come in, while others get out to meet-and-greet potential clients, stating that the personal approach sends a message of professionalism and is the best way to go.

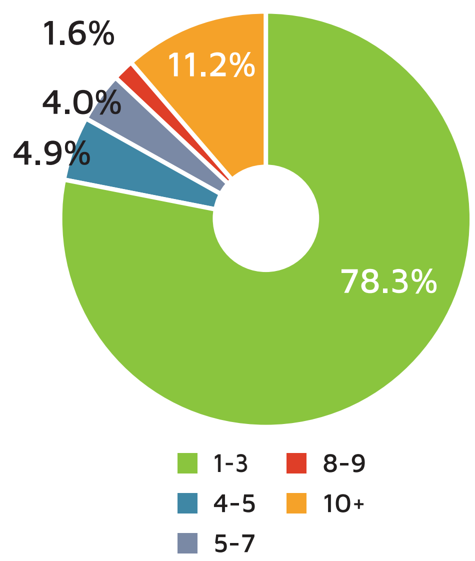
Still, others find marketing a waste of time.

"I don't market my services," one respondent said. "I have more work than I can handle." Another simply said, "if you do good work, people will ask for you, but good luck trying to get on panels."

We also asked respondents to give us their thoughts on the number of other valuation assignments they typically complete each month. Last year, the survey showed nearly four-fifths of respondents taking on one to three assignments a month, and 12 percent doing 10 or more of those assignments each month. In 2016, we found that three-quarters did one to three additional valuations each month, and 6.1 percent did 10 or more.

This year, one to three assignments topped out again amongst the respondents with 78 percent in that category, while just under 12 percent said they do 10 or more.

How many other valuation assignments (BPOs, CRVs, STATS, RER, etc.) do you typically complete each month?



State of the industry

Amongst the many pressures appraisers say they face on a daily basis, the one that probably tops the list would deal with time, as in not having enough of it to complete assignments. Appraisers still are struggling with those above them in supervisory positions continuing to accept the notion of quantity over quality. And to really top things off as to what aggravates the appraiser, it seems to matter not how well an appraisal is done, but just that it gets done so as to take on more work.

Are the turnaround times to complete full appraisal reports getting any faster as the years go by?

The respondents in our survey were quick to alert us to the fact that as they see it, turnaround times are not any quicker this year in relationship to what was said in the last two reports. In 2018, nearly 60 percent of those responding to the survey said turnaround times are not any quicker.

One appraiser attributed the continued lack of turn time changes to too few appraisers available to do the work, while it remains difficult to get new appraisers licensed because of the length of time it takes to get that license.

Those that believe turn times have gotten faster say that is because appraisers are practicing better communication and follow-up skills, while one respondent said appraisers have the ability to pick their businesses and choose who to work with, to make sure reports can be completed in a timely fashion.

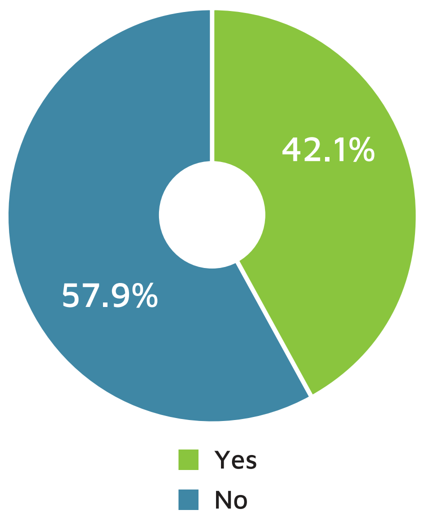
This year, more than 60 percent of the respondents confirmed that the expected turnaround time for a full appraisal report of a residential appraisal assignment would take four or more days, with some expressing turn times that reflected anywhere from one week to a month.

"It seems that the demand is for faster and cheaper appraisals, as driven by large lenders and AMCs," one respondent said. "I work primarily for local lenders who don't use AMCs and they generally allow turn-around times of 7-10 business days and pay nice fees. In order to achieve faster turn-around times and lower fees, large lenders will push for more AVM style appraisals or hybrids. In my opinion, this is not in the best interest of the public or the mortgage/real estate markets."

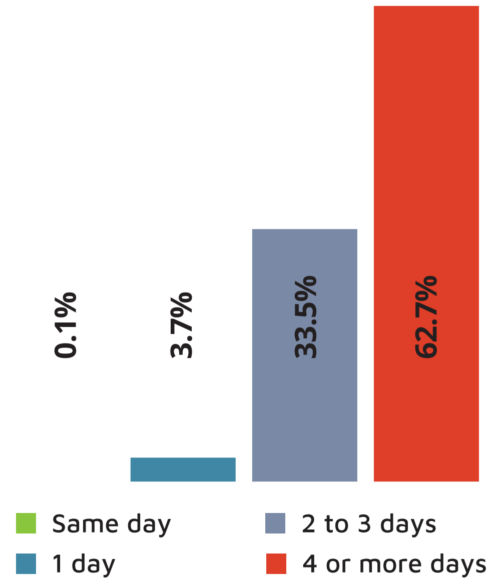
Another respondent said: "It is really hard to get work, and then the timeliness of payment always takes way too long. Everyone wants a quick turnaround, then they ding you if you have to make corrections or additions. It's a shame that we all have to be ranked by AMCs (just as if we worked in the private sector) by their criteria, which determines how much work we get, or if we get work. No other profession is so highly scrutinized and 'ranked.' There are so many hoops to jump through anymore."

Among the major concerns appraisers cited in 2017 was low fees, a lack of loyalty and providing work. The same can be said for this year's survey.

Has the turnaround time quickened in the last few years?

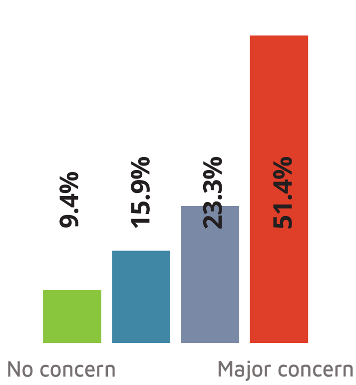


What is the average turnaround time for a full appraisal report of a residential appraisal assignment?

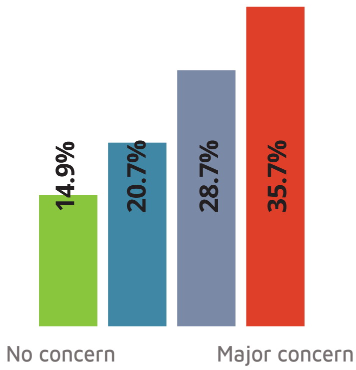


As an appraiser, rank the following from major concern to no concern:

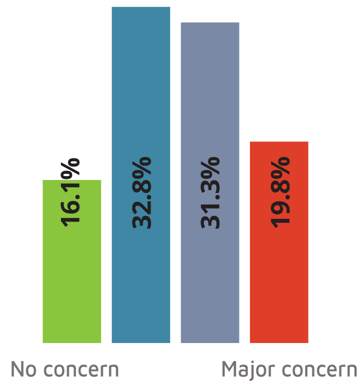
Low fees



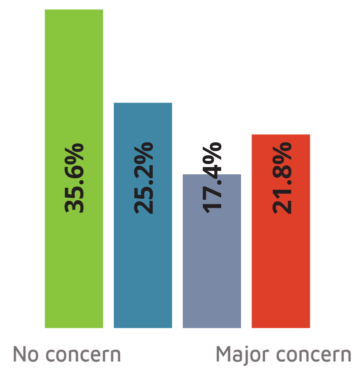
Lack of loyalty/work to us



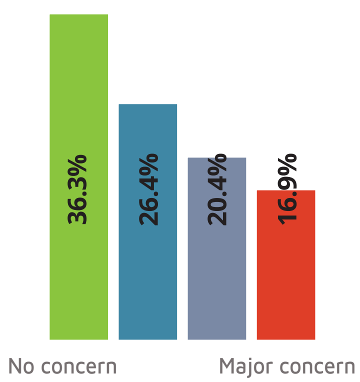
Scheduling conflicts (short notice, turn around times, etc.)



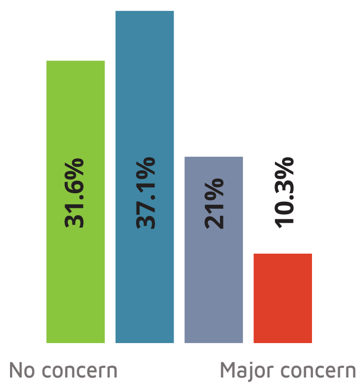
Blacklisting



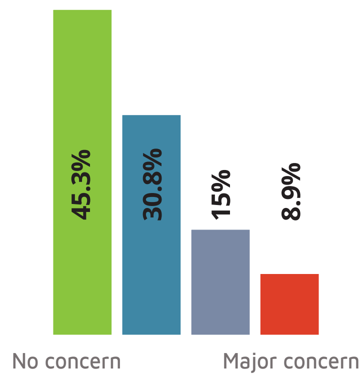
Don't know who to talk to with a problem



Appraisal reviews conflict

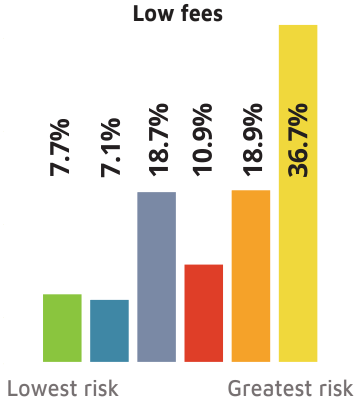


Send orders then cancels frequently

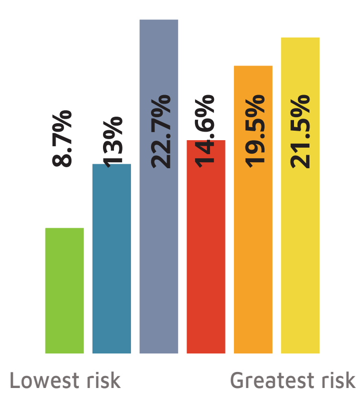


What is the greatest risk facing your business today?

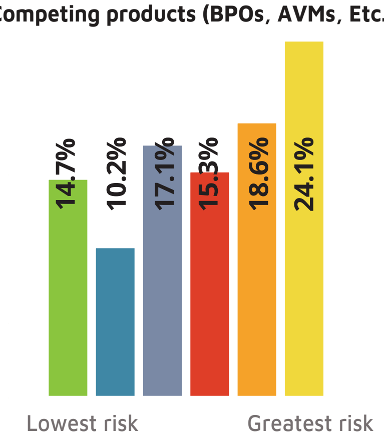
Low fees



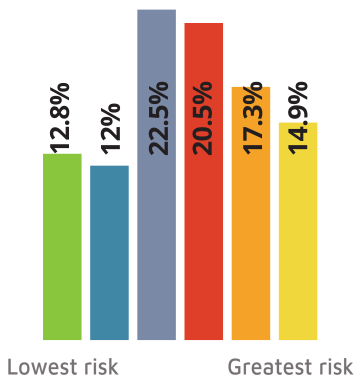
Legislations and regulations



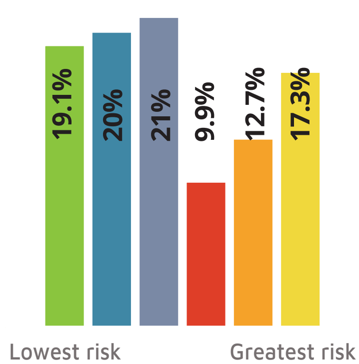
Competing products (BPOs, AVMs, Etc.)



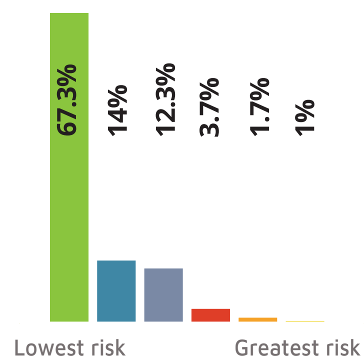
Scope creep



Lack of work



Meeting appraiser educational requirements



More than half of respondents said low fees were a major concern, while more than a third cited a lack of loyalty/work provided to appraisers as a major concern.

Other top concerns were scheduling conflicts and blacklisting. Blacklisting was fourth out of seven choices, despite more than a third of respondents saying the issue was not a concern.

"There is no loyalty, the fees are extremely low, there are disturbing email blasts for orders with less than 10 seconds to reply and/or accept and no live person to talk to at AMC's to discuss any issues," one respondent said, referring to a concern of his.

On the subject of blacklisting, one respondent said: "Good reasons are lacking to blacklist someone. For example, 'just because' is not a good reason and 'not making the value' is not a good reason. The reasons are arbitrary, not fact-based."

One appraiser addressed reviews as an area of concern.

"My biggest problem is with the quality of the reviews," one respondent said. "Since a lot of my work involves the federal government and the reviewer demands something that is inappropriate or in violation of USPAP that I refuse to comply with, my reports are rejected. I attempted to file a complaint with the state in which the reviewer was licensed and they refused to investigate. Even the executive director for the state in which I am licensed spoke with the attorneys for the Appraisal Subcommittee about this matter, and they will not touch it.

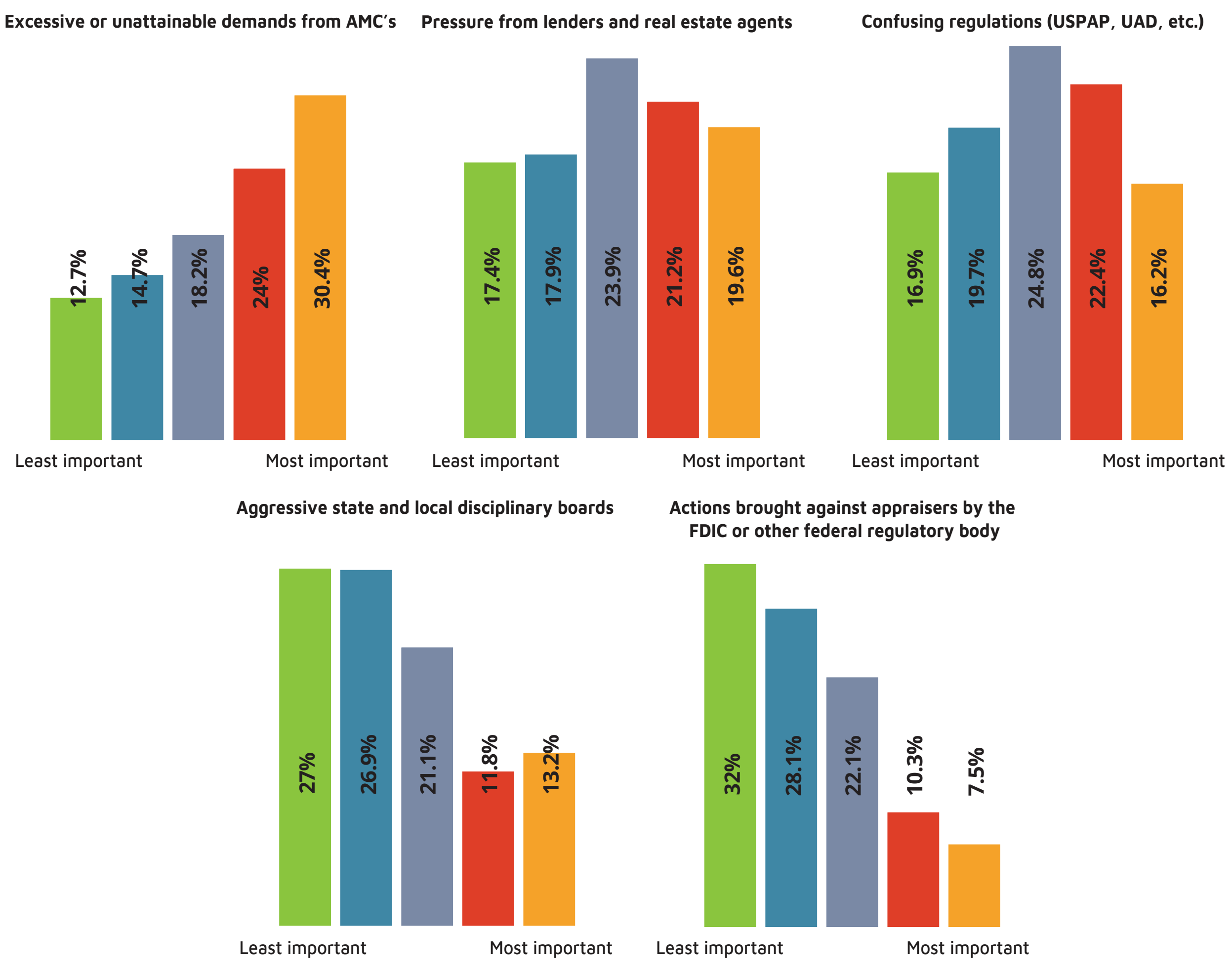
"For over two years, I fought this battle, and the end result was that reviewers and appraisers employed by the federal government are unaccountable to the state licensing authority of the state in which they are licensed. Currently, one federal agency located in my state has three reviewers and none of them are licensed in the state in which they are living and working."

This year's survey also showed many respondents questioning the validity and the necessity of AMCs. Many appraisers are still under the impression these companies get in the way of people trying to do their jobs, and are taking too much of the fees.

One appraiser said: "AMCs seem to be trying to set lower fees than what is customary. It is sad when a homeowner tells you that they are being charged $700 for an appraiser, and you are only receiving a $400 fee for that assignment. What's worse is you have to keep that information to yourself. I know a lot of states are beginning to require disclosure of fees paid to the appraiser in the report, but my state is not one of them."

"If AMCs were not a formidable part of the process and appraisers were compensated adequately, the quality of

What do you feel are the biggest liability issues facing appraisers today?



product (if appraisers were held accountable) would significantly improve," one respondent said.

Another appraiser commented: "It seems like there are less experienced people working for the AMCs and some of the lenders. They don't understand what our job is and they just want to check a box and move on to the next file. It's very difficult when the square peg does not fit in the round hole. There is no way to determine what a 'good' appraisal is. My concerns of what is a good report is, is very different from their opinion."

One respondent shared a concern regarding AMCs in that these management companies are driving independent appraisers towards the direction of training new appraisers. Still, the question of who are making key decisions in the assignment process is still present in the minds of many of those answering our survey.

"Most of my work comes from AMCs. The account reps and review people in these companies have little or no experience or qualifications to direct or manage the appraisal process. We need more professionals in these positions," one respondent said.

Another appraiser said: "AMCs take fees that should belong the appraiser. Then they want everything in 24 to 48 hours, which jeopardizes the quality of the work. They go for the lowest fee and fastest turn time, which is a huge disservice to the public and jeopardizes the housing market and the financial system."

The 2018 survey again asked appraisers if AMCs and/or lenders were choosing to move to a cost-plus pricing model. More than 80 percent said they were not, a similar response to this question from last year.

Appraisers that we asked in this year's survey still believe set fees for AMC services need to be established, and now. Without a predetermined fee, appraisers feel AMCs will simply hire the first person to come along to complete an appraisal, and the chances are fairly good that such a person will surely come cheap. This leads to a very ill-advised scenario that can only bring less-than-desirable results.

That could become an issue, however, as the Federal Trade Commission's (FTC) lawsuit against Louisiana's enforcement of its customary and reasonable fee rules has states across the country questioning how to compliantly set standards for customary and reasonable fees. Those issues were addressed in-depth in the recent Compliant Customary and Reasonable special report, which is available today to *Valuation Review* subscribers.

Given the feeling from appraisers about fee schedules from AMCs, is it even realistic to believe there are those who would engage in business with an AMC? Here is what we discovered from some of our 2018 respondents.

"AMCs are simply a necessary evil at this point; they do little to stem unwarranted pressure or unrealistic demands on appraiser," one respondent said. "Furthermore, they are barely regulated and seem to be very good at making up their own rules as they go along."

However, some appraisers demonstrated confidence in utilizing the services of selected AMCs.

"I only accept assignments at full fee from (one AMC). I have fired all of the other ones. If (that AMC) doesn't pay me my full fee then I don't accept the assignment, and they have passed me over for numerous assignments due to fee. If you don't offer Customary and Reasonable fees, then I won't accept the assignment. Lenders are waiting longer than they need to due to many appraisers like me, who have cut off AMCs altogether."

Appraisers also shared their thoughts as to how they feel about their profession. Have there been any changes in 2018 that they can identify with that would conjure up positive thoughts? Is there evidence this year that organizations continue to look to better the industry?

One appraiser outlined a specific challenge.

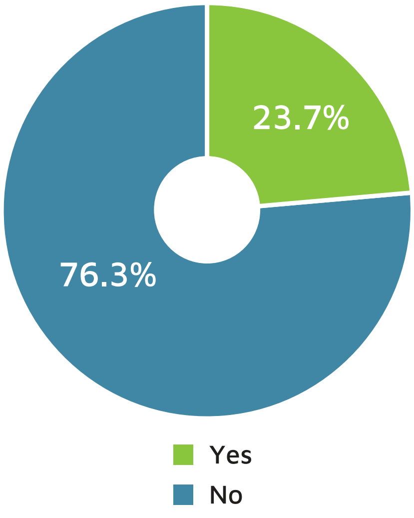
"The challenges are coming from the GSEs that are depending on Big Data to make loans, using the taxpayer as a back-up if the banks fail again," one respondent said. "There is a place for Big Data as a tool; however, there is no replacement for the human local appraiser to get a good view of the health of the real estate market."

Other appraisers noted regulation and scrutiny as challenges affecting the profession, while another gave a detailed answer as to how the appraisal profession can see better days.

"The increased scrutiny seems to be a result of internal audits and programs similar to CU (Collateral Underwriter from Fannie Mae). Several times I have been asked to consider data from an AVM or similar product. In each case the data was not truly comparable," one respondent said.

Another commented: "Overall reviews are well accepted and best for the business in general. Too many outsourced reviewers are not really reviewing the report just to get them off their

In your experience, are lenders and/or AMCs moving to a cost-plus pricing model?



desk. A staff sent back a response to very ridiculous verification requests for a long list of items which were all contained within the report. The response was 'read the report for the answers,' if you read this response and email me, I will send you a check for $100.' The response was automatic: 'Thank you ... the file is now closed.' I have stopped working for this company."

One respondent contended that the problems may be coming from a different source.

"Problems may not be coming from lender clients, but the real estate agents," one appraiser said.
"They are the ones in our area that are causing the appraisers problems," a respondent said.

"They want to turn the appraisers in to the state if they don't make value on the properties, and are stating we don't know what we are doing. It has become a big problem in this area. I feel they need to be educated on the appraisal process and how we have to look at sales in the overall market.

"Just because you have buyers and sellers agreeing to a price above list price does not always make everything good, because in the market, you have seller-paid concessions rolled on top of that. If a home is worth all this and more, they why did they not list the property for that at the start of the process?"

From the lenders' point of view

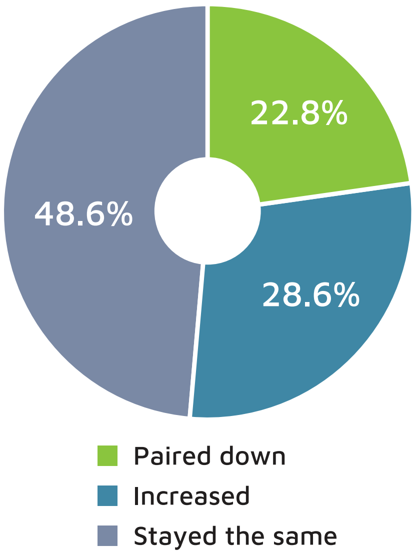
The valuation equation of appraisers plus lenders plus AMCs equaling success may still be a formula not yet readily seen. In a perfect appraising world, one hopes that those three components working together will add up to sound working relationships, compliance and profitability, but the reality is, such an end result is still a work in progress.

Our survey seeks input from lenders to evaluate their concerns, in addition to hearing what they have to say in terms of what is happening with the appraisal profession. A sense of equality may be difficult to achieve from the lenders, appraisers and AMCs, but compatibility is well within reach.

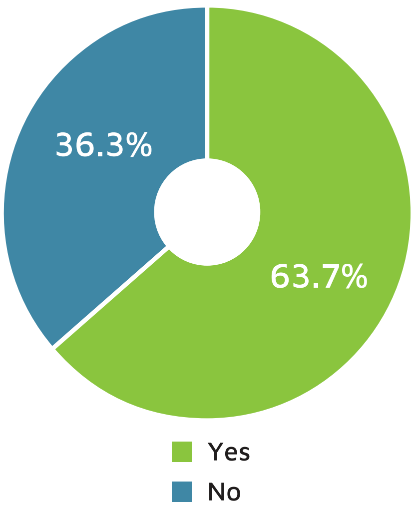
In 2018, lenders revealed less than half said they order 50 or more full appraisal assignments, as opposed to last year's survey revealing more than half of the lenders polled would order 50 or more full assignments. One respondent said he may order as many as 600 assignments, while another said he doesn't order, but he reviews 50-to-100 assignments a month.

Nearly 80 percent of lenders said the expected turnaround time for full reports of residential appraisal assignments was four or more days, down from a year ago, when all of the lender respondents said their turnaround time frame was four or more days.

Have you paired down or increased the number of appraisers you work with in the past year?



Are you a member of a professional organization?



Lenders pointed out that some assignments may take anywhere from 10 days to four weeks, depending upon the complexity.

One lender, echoing some of the criticisms of AMCs from appraisers, said: "I can't speak to residential. I do those assignments for private clients, usually along with commercial properties in a trust. But the national commercial appraisal firms have ruined this industry. They are now mills for assignments. Peek under the hood and see who's doing the work? It's not the partners, it's those at the bottom, chopping up assignments, 'accepting' low salaries as an entry to the business, but they may never even make it to five years. In fact, most won't, they will burn out from hours and $45,000 salaries, while the partners make money.

"The buck stops with quality, but lenders and partners need to demand quality. And when quality is demanded – truly supportable reports, not data pulled from unconfirmed databases – then appraisers will finally earn what they should get. I can't tell you how many bad reports I've seen from the big three or four groups, it's stunning. And sometimes these trainees leave and become the next generation of lousy appraisers. It's sad."

In 2018, nearly 50 percent of lenders said the number of appraisers they worked with within the past 12 months has stayed the same, while there was a slight increase in the of lenders who said they increased the pool of appraisers with whom they are working, up to 28 percent this year.

Two years ago, our survey revealed 60 percent of the lenders increased the number of appraisers with whom they worked.

"Lower appraisal request volumes allows use of only top-tier appraisers who understand the use and communicate appraisal results accordingly," one respondent said, while others made references to not having any choice in the matter, and the fact that there are more loans to close.

One respondent said "we increased the number of appraisers we worked with because we anticipated a higher volume of work."

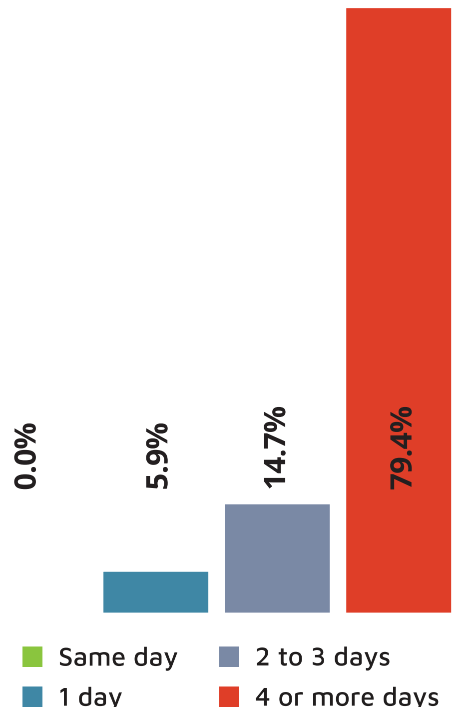
As for customary and reasonable fees, there remains a cloud of uncertainty hovering above the heads of lenders and appraisers as legal battles continue to surface in various courtrooms throughout selected states, such as Louisiana and North Carolina.

The idea of an established customary fee may be understood, but whether or not such fees are fair in terms of how much work is done by appraisers and lenders, that still remains an unanswered question.

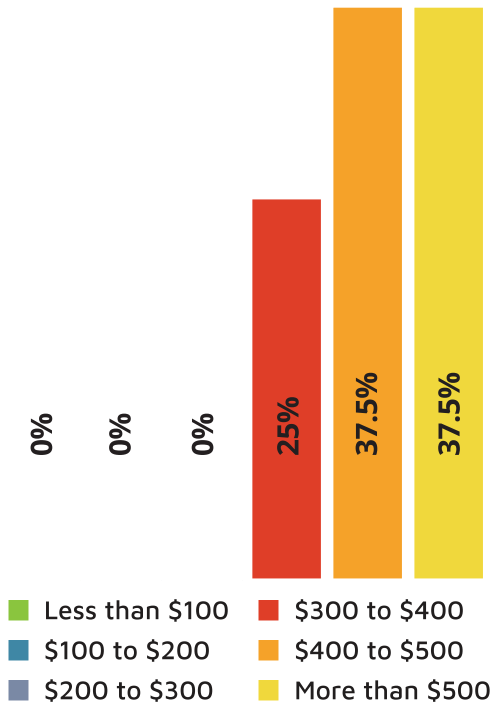
Last year, appraisers clearly stated that fees need to reflect the amount of work and liability involved with the assignment. One respondent said that one attitude still seems to be in place in that there is a higher demand for lower quality and higher fees, and that is very frustrating.

Specifically, one respondent said: "too many appraisers and too few appraisal requests have resulted in lower appraisal fees."

What is the expected turnaround time for a full appraisal report of a residential appraisal assignment?



What is your typical appraisal fee?



Working with lenders/AMCs

We again asked appraisers whether or not regulations and third-party inclusions from the Home Value Code of Conduct (HVCC) and the Dodd-Frank Act have hurt the industry. Two surveys ago, more than two-thirds of those responding said it has hurt the industry, compared with nearly three-quarters of respondents in 2015. Last year, the poll again showed two-thirds of appraisers saying that regulations and third-party inclusions from HVCC and Dodd-Frank is hurting the appraisal profession, slightly down from previous numbers.

This year, over 60 percent of the respondents said that these third-party inclusions are hurting the profession, with just under a quarter saying there's been no change in the profession from those regulations.

One respondent said: "They still don't read the reports, and most wouldn't know a well-written report from a bad one. Reports seem to go through only if all the boxes are checked. It is likely the lenders that use AMCs have no idea how little they actually review of the appraisals, which leads to why do we have AMCs"?

"Additional language is specifically needed and should be provided in the report – not only explain adjustments and which comp given most weight, they want each reason for use of each comparable explained thoroughly. It gets redundant," one respondent said.

Another offered: "Dodd-Frank, like most legislation, has issues. I do like having to deal with just a few people at the lending institution. One price does not fit all with appraisal fees. I try to educate the client but loan officer could care less about complex property assignment."

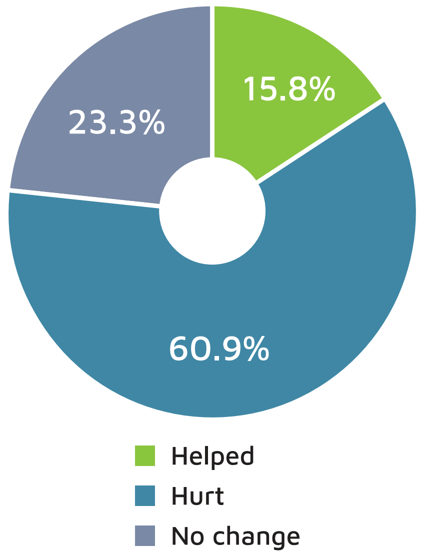
One appraiser commented: "More frivolous revision requests than usual. Occasionally one has merit, but 90 percent of the time, the information asked for was part of the original report."

We saw a difference of opinion from our respondents as to whether or not they felt any increased scrutiny from lender clients within the past year. Just less than half of appraisers said they have seen an increase in scrutiny in this year's survey. Last year's survey revealed more than 60 percent of appraisers said such increased scrutiny existed.

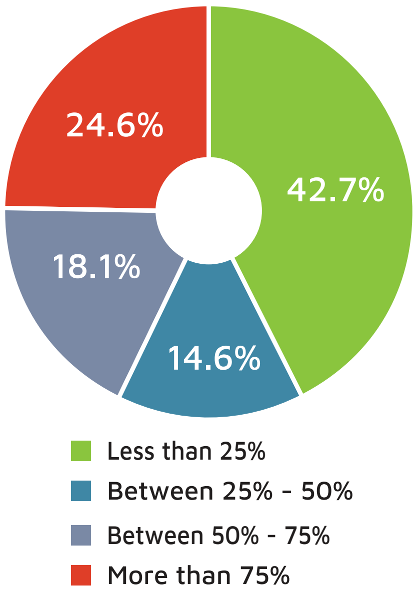
"The banks tend to receive the appraisals with the intention of finding mistakes rather than learn about the asset for underwriting purposes," one respondent said.

"Typically, I have found that scrutiny from the lender is directly related to the person borrowing the money, correlating to the credit rating reflecting an attitude of the lower the credit score,

How has the regulation and third-party inclusion stemming from the Home Value Code of Conduct (HVCC) and the Dodd-Frank Act affected the industry?



What percentage of work do you receive from AMCs?



the more they beat up the appraisal," one respondent said, while another appraiser had a more proactive approach saying, "scrutiny is good, it keeps us on our toes."

Lenders, for their part, are indicating that their belief of increased scrutiny or vetting on their appraisal vendors remains a slow and downward spiral. In 2016, 80 percent agreed that such scrutiny has been increased, while three years ago, three-quarters of lenders said there was more scrutiny. In 2017, that fell to 64 percent of lenders, while this year's numbers dropped to 60 percent.

Lenders, who replied yes to this survey question, shared some specifics with us as to why they believe such is the case. One said: "We use AMCs and run them through our full vendor management vetting process. We then go through that process every year."

Another indicated the use of a rotation list, and having an individual who is not an originator who is in charge of ordering the appraisals.

"We now require a quality control review of all appraisals by a qualified appraiser and we also review the appraisal internally," one respondent said.

Another commented, "We cut lists of appraisers who don't meet our turnaround times, or have issues with compliance."

Qualifications regarding an appraiser's competency and education were addressed in our survey this year. Are appraisers given the right assignment based on their knowledge and experience?

"Appraisers are required to have extensive education and experience, which is a good thing," one respondent said. "However, what is not good is that lenders and some brokers push for value and will blackball an appraiser if they don't agree. We are the professionals. I always encourage the lender or the broker to contact me if there is a concern and will certainly consider it; however, if the value remains the same, the pressure given and blackballing of work is simply not acceptable.

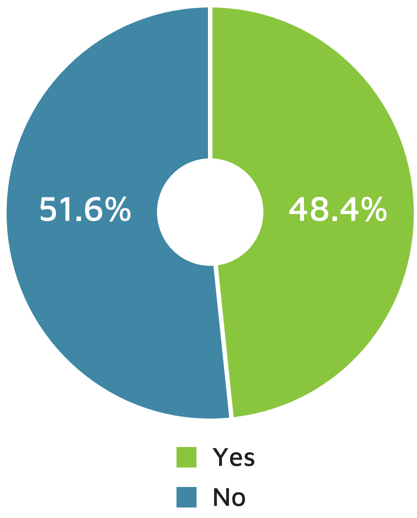
"The fees that appraisers are paid is pathetic. Everyone wants the appraiser to work for less and less however, the lender will doesn't reduce their fee, the title company does not reduce their fee, my E&O insurance does not reduce their fee and neither does my continuing education. An appraisal should be at least $450 to $500, which it is when the AMC takes a huge hunk out of our fee. This is a crime."

Conversely, one appraiser simply indicated that those working in the profession should, for lack of a better term, "grow up."

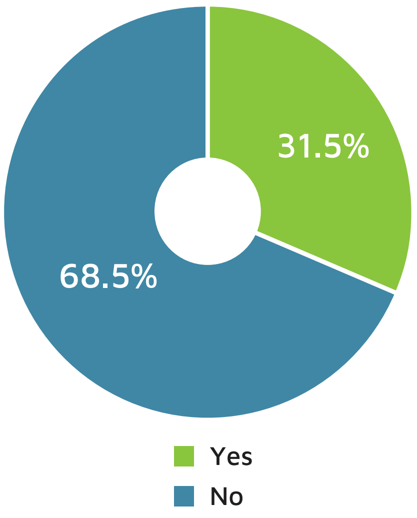
"Stop whining," one respondent said. "One of the appraisal principles is change. Get more education and change with the flow. Don't accept the order if they don't want to pay you what you are worth. Enjoy your business. Remember why you went into the crazy world of appraising property."

The writing and submitting of reports remained an issue with our respondents.

Have you felt any increased scrutiny from lender clients in the past year?



Have you seen an increase in appraisal work directly from lenders?



"Although we have due dates, if there is an issue, the only way to address it is on a website," one respondent said, "then it goes to someone who can answer the question, and then back to us taking a lot of time and sometimes causing the report to be late at which point we are blamed, even though it was not within our control."

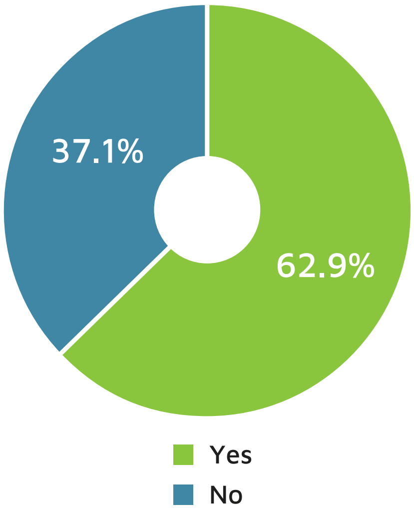
Another commented: "There are too many people who aren't appraisers reviewing reports with a checklist rather than knowledge of the business, and then there is pressure to make us conform to their checklist."

In 2017, appraiser background checks became mandatory. This year's survey revealed that just a little over 60 percent of appraisers polled said their lender/AMC did require a complete background check, nearly identical to the results from a year ago.

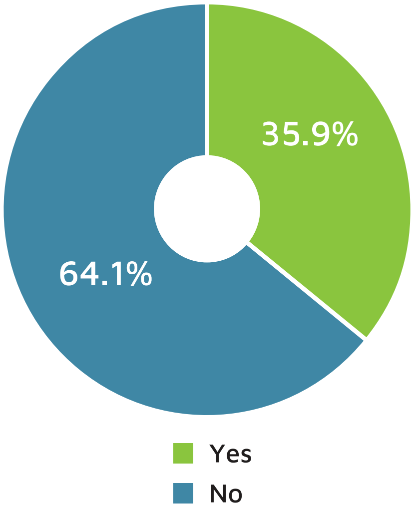
"The appraisal business no longer pays for itself. I am also a broker/owner and prepared myself for this day as the handwriting was on the wall with push button technology," one respondent said. "Last year I took early retirement and have decided to keep listing vacant land, homes and condos for sale. I will keep my appraiser license active, but know this profession is doomed by governmental over regulation.

"In the renewal process, appraiser backgrounds are checked through licensing. I no longer care or allow some other entity to do a background check for me to work for a bank or anyone. There are requests for background checks by three different banking firms and title companies cost me over $300-$400 per year, while no background check is needed for me to represent myself as a broker to clients. So I plan on listing and selling properties, which makes more economic sense today."

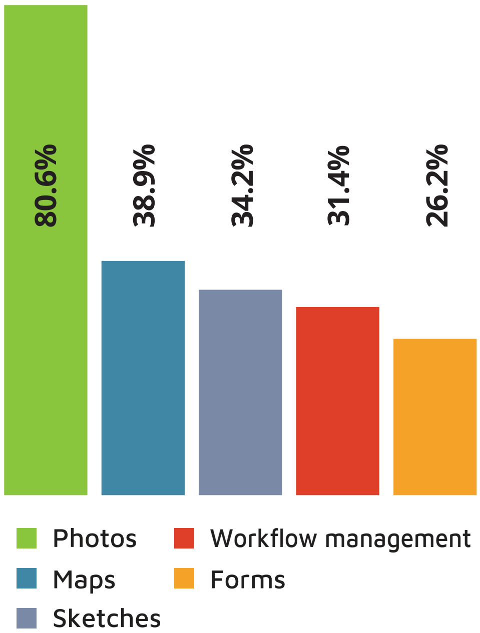
Has your lender/AMC required you to complete a background check?



Do you use any appraisal apps?



What appraisal functions do you perform on your mobile device?



Technology

If there is one phrase appraisers need to embrace with open arms, it is "technology is here to stay, it's not going anywhere."

Veteran appraisers and appraisal organizations stress to those in the valuation profession that acceptance of technological tools can surely grow your business, while the refusal to engage in such methods so as to provide invaluable assistance to get the job done efficiently, will stagnate one's abilities in a hurry.

Our survey tackles the subject of technology and the use of advanced tools and apps once again to get a pulse of just where appraisers stand on this subject. Are they being a bit more receptive to technology and new ideas, or are they content to remain in the old neighborhood and keeping the attitude of "well, this is the way I've always done things."

The comments reflected in this year's survey seem to lean towards appraisers standing pat when it comes to technology use. Complacency seemed to be a recurring theme from our respondents as far as branching out with new and better tools inside the appraiser's kit.

Our survey in 2018 showed an overwhelming number of respondents (70 percent) claiming they do not use a mobile device to enhance on-site appraisal assignments, the same result we saw from last year's survey. Many respondents indicated that the extent of their technological tool lies with iPads and iPhones, with one appraiser indicating that he has the ability to use such technology but would prefer to hand-write everything for a better focus and his own clarity. One respondent indicated that he hasn't attempted to take advantage of his software claiming he falls into that category of trying to "teach an old dog some new tricks."

Others are discovering the value of implementing technology. One respondent said, "I'm utilizing laser measurements and starting to use my tablet for the appraisal forms."

In this year's survey, appraisers said they use their mobile device for photos 80 percent of the time, an increase from last year. Maps, sketches and workflow management were all in the 31 percent to 38 percent range, as far as what the mobile devices are being used for.

One said his technology usage is moving along slowly but surely. "I use additional research in the field. I don't input the report on the iPad but I could. I'm still like working on my desktop," he said.

This year's survey showed just over a third of respondents claiming they don't have time to learn new technology, while 30 percent said carrying a technological device is too cumbersome.

By comparison, in 2017, more than a third of appraisers said they don't have time to learn new technology, while just over a quarter of the respondents said actually carrying a technological device would be too cumbersome.

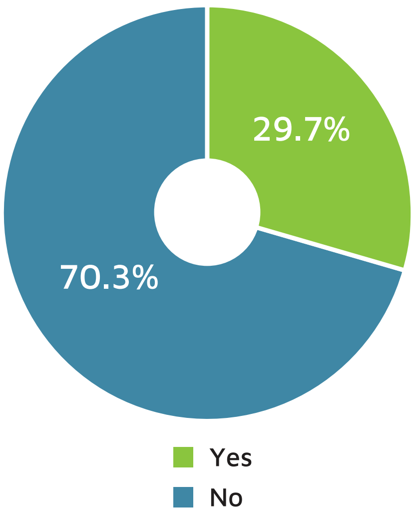
"I need hands-on learning, and my software doesn't provide that," one respondent said.

Another commented: "It is difficult to defend to clients, and electronic data is not always dependable. Data corruption is inevitable."

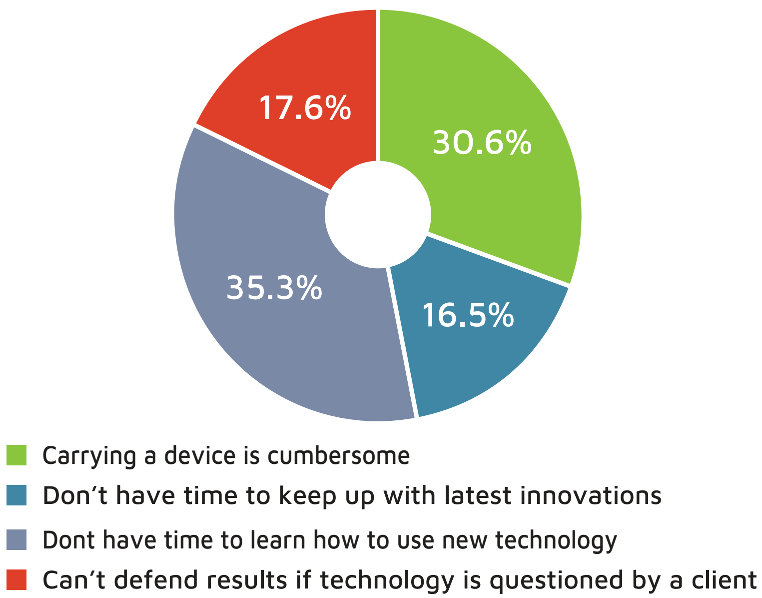
One respondent spoke to the economic feasibility of using technology in the field.

"There is no point in spending money to acquire more devices when there is not enough work available to secure a reasonable fee," he said.

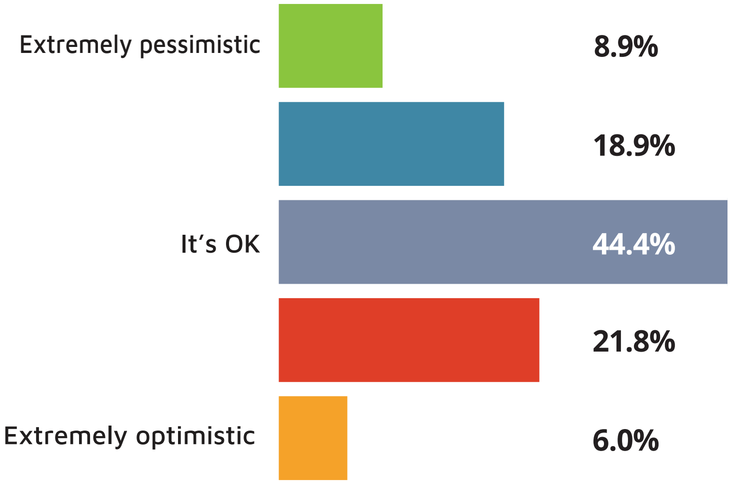
Do you use your mobile device to enhance on-site appraisal assignments?



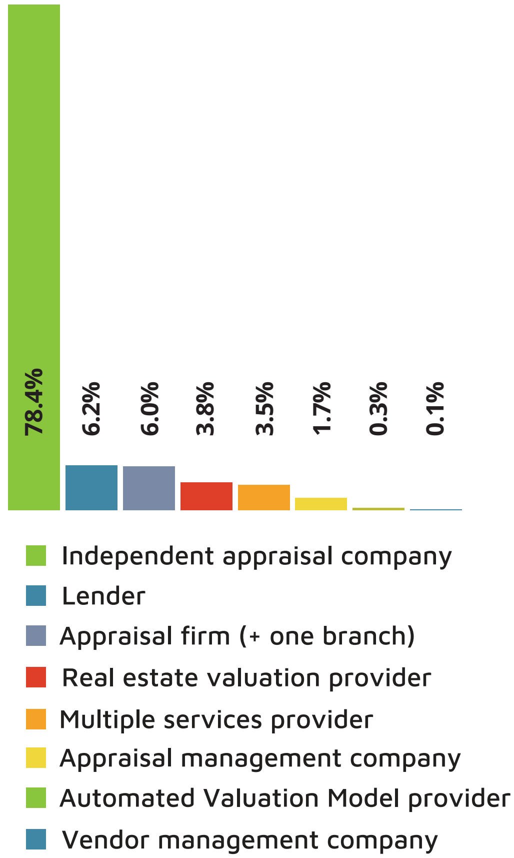
What, if anything, about technology do you feel is a hindrance to greater use?



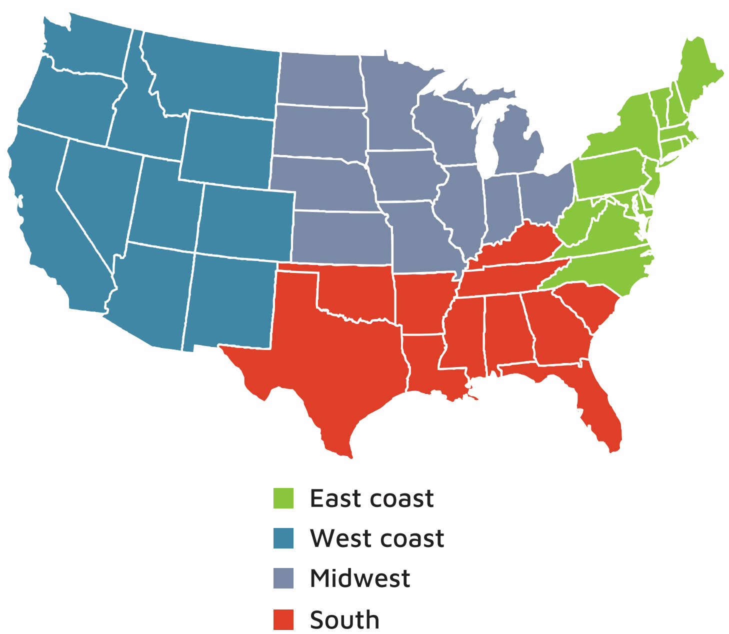
How do you feel about your business right now?



Please indicate which of the following best describes your business?



Where are you located in the U.S.?



What real estate valuation services do you provide?