1.) **How has appraising changed for you from three years ago?**

In the time frame you are talking about the Home Valuation Code of Conduct was put into place. Often referred to as the HVCC. The attorney general for the State of New York at the time forced Fannie Mae and Freddie Mac to settle out of court on a lawsuit. Part of the settlement was to put in place the HVCC. One of the major effects of this new set of rules was the requirement of another layer of separation between the lender and the appraiser. Under HVCC lenders cannot order appraisals directly from appraisers. Instead, they have to order them from appraisal management companies (AMC's) who then order them from appraisers. The fee the lender pays for the appraisal did not go up, but there is now another party involved in the order. As the AMC is in control, they feel that they deserve 30% to 50% of the fee for doling out the order.

The result:
-Appraisers make less money.
-In order to make the same money they have to do twice as many appraisals as they used to. If it takes 12 to 14 hours to complete an appraisal, how many can be done in a day?
-Appraisers are leaving the profession for something else which will pay them for the college education they are required to have.
-Few new appraisers are getting trained into the profession.
I am sure you will check my statements with the department of licensing. I know the number of appraisers in the state has declined. I don't know by how much.

Another change:
As a result of the HVCC appraisers now have more questions to answer. There are more required market statistics in an appraisal report. A new form called the 1004MC (for market conditions) was instituted. Here is the concept: If you are appraising a particular house or condo, you define what your neighborhood is, you define your subject property (such as a one level condo with 2 bedrooms and 2 baths) and then, using the NWMLS you find out how many other properties similar to your subject in your defined neighborhood have been Active, pending, expired, sold etc over the last year.
Research is completed for the number of similar properties which were bank owned or short sales as a percentage of all sold over the last year. The median sold and closed price for similar properties is shown. The trend is determined and the market direction is quantified. (How much did prices go down over the year?)

As you can see, this is very specific in terms of the subject property and the defined neighborhood.

Another change:
When we first started in the business allowable comparables could be as much as a year old. (Sold and closed within a year of the inspection of the subject property.)
Lenders now want comparables to be within 90 days. As fewer properties are selling this is sometimes tough to do.

Another change:
Appraisers are now required to find out what the concessions were for each comparable in the report.
We are required to contact someone knowledgeable about each transaction and find out if the seller paid any of the buyer's closing costs or fees.

2.) **With more properties coming on the market as short sales and bank owned, how does that change the way you appraise?**

Fannie Mae Guidelines state that the best comparable for a house in a plat or a unit in condominium is a recent sale in that plat or the sale of a unit in that condo.
However, let's go to your next question:

3.) **We are seeing a split value between the short sale/ bank owned and the non-distressed properties, how do you reconcile them if you have half of the comps selling for a lower price and half of the comps selling at a higher price. (Eg. Subject property is listed at $490,000, short sales/bank owned comps are around $450,000's and non-distressed comps are selling around $525,000's).**

Your question speaks directly to the definition of market value:

Definition of Market Value
The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale,

The buyer and seller, each acting prudently, knowledgeably and assuming the price is **not affected by undue stimulus**.
Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

A.) **Buyer and seller are typically motivated**

B.) Both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;

C.) A reasonable time is allowed for exposure in the open market;

D.) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Take a look at the bolded and underlined parts above. The sellers of bank owned and short sale properties are NOT typically motivated. There is undue stimulus. They have a completely different agenda than your average home seller who is moving because of his job or downsizing now that the kids have left.

If at all possible, I avoid using short sale properties and foreclosed properties as comparables. My report will state how many short sales and foreclosed sales happened in the complex. It should be noted that I will also do what the client asks me to do. If the client (the lender) wants short sales or foreclosed sales in the report I will put them in. They are the client.

If there are no other sales in a neighborhood or complex other than short sales and foreclosed sales, then they are the market and they will be all that is available for the appraisal report.

4.) What other things should owners know when it comes to appraisal of their condo?
Appraisers have to contact the management company to get information regarding the complex, verify dues and special assessments, find out how many of the units are rented, which utilities are included in the HOA dues, verify parking space number(s) and similar data.

Some management companies think of appraisers as a revenue source. They refuse to answer questions until a fee is paid. This is certainly not always the case and there are plenty of great management companies out there who are more than happy to talk to appraisers. But… every once in a while … Don't be surprised if your appraiser asks you to contact your management company yourself and ask a list of questions. When I run into one of these management companies that doesn't want to answer questions without a fee being paid I wonder about it. The homeowner's association pays its management company to manage the complex. Doesn't managing the complex include answering questions? Isn't it in the best interest of the HOA to make the transition from one owner to another owner of a unit go smoothly? Or if it is a refinance, won't the owner of the unit be paying dues after the refinance just as they did before the refinance? The management company has already been paid to do their job when the appraiser calls.

Final thoughts:
Don't be surprised if the number of appraisers continues to decrease. There is no incentive to become an appraiser as the pay is now cut in half from what it was. The people who have been appraisers for years are looking for other ways to make a living. A significant percentage of appraisers have already left the business.

At some point in the future there will be another boom in the real estate business. When it happens, lenders will require appraisers to complete reports so that loans can go through.
How long will it take to get an appraisal done? Who will do them now that the amount of work has been increased through government intervention (HVCC and Uniform Appraisal Dataset [UAD]) at the same time the income has been cut?

How long will it take to get a report completed with all of the new requirements? Just one of the new requirements adds a minimum of one day to the report: The concessions. We live in an age in which everyone carries a fancy new phone which receives calls and sends and receives emails. When an appraiser calls or emails asking about concessions in a transaction it should be easy enough to answer within an hour, or half a day, depending on the situation. However, it is not unusual for it to take a week for an agent to reply. I bet they would move faster if it was their transaction and therefore their check they were holding up.

Well, I have been ranting and railing here for quite a while. If you are reading this line you are a brave soul to have made it this far. I hope you have more of an understanding of an appraiser's lot in life.

Contributed by an anonymous appraiser with 20 years of experience.