

Opinion Piece: Appraiser Shortages in Colorado

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8 Opinion Piece: Appraiser Shortages in Colorado

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Recently, local REALTORS® have expressed interest in learning more about the perceived shortage of appraisers in Colorado, which could be contributing to an increase in the cost for appraisals and longer wait times for appraisals to be conducted. So, REcolorado has asked with local appraisers to provide their opinions. In this post, appraiser Warren Boizot shares his thought.

I wasn't the Homecoming King at my high school, but I now know what it must have felt like. Being an appraiser in Denver, Colorado these days can make one feel like the "Bell of the Ball" (finally!). Realtors, Lenders, homeowners, buyers and sellers are all now realizing how important the appraisal function is in the home buying process. I know that many understood it in the past to be a necessary part of the process, but because it is typically the last piece of the home buying puzzle, many are scrambling to get their appraisal done "yesterday". And willing to pay for it. Where many see this as a problem, I only offer that this is a function of a busy market where not having enough people in a certain part of the process only illustrates how busy our market is! A good thing right? I often find that many involved in the process don't understand why this is happening usually can trace their time in the "real estate game" to about 2010. These folks did not experience the other side of the coin in 2009-2010, post housing bubble burst. It is much easier to give perspective on the appraiser shortage issue to those that survived 2008.

Any appraiser still in the trenches knows that we contemplated our Plan B career in about Q1 2009 (mine was personal training!). I use the term "survive" because when the housing crisis occurred, the powers that be needed to place blame somewhere. In my humble opinion, appraisers got burdened with a bit more of that blame than deserved. Some of it yes, but not the blame that caused what I feel is one of three of the major causes of the appraiser shortage today:

BARRIERS TO ENTRY

As of 1/1/15, to be a licensed appraiser in the State of Colorado, one must now have a 2-year Associate's degree. This is very misleading because given the ruthless and competitive world of AMC's (Appraisal Management Companies), the "licensed appraiser" is becoming obsolete as well. In order for one AMC to stand out to their clients over another, many vow to use only Certified Appraisers to complete their appraisal work. To be Certified in the State of Colorado, one must have a four-year college degree. If things don't change, I truly see a future where the "licensed appraiser" is simply not able to find clients to do work for. You have many experienced, wonderful licensed appraisers out there that have been appraising for 30 years that now

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have a tough time finding a consistent clientele. Think about it, the person in the real estate transaction climbing over bushes with a tape measure needs to have the college degree! Not the Realtor, not the title representative, not the mortgage lender.....the appraiser. Beyond that, in order to stand out amongst their peers, many appraisers chose to further their career by earning their SRA (residential) or MAI (commercial) designation. This allows the appraiser to do many other diverse types of appraisal work outside the lending world, (divorce, Eminent Domain, Expert Witness testimony, Estate creation, etc.). I have many lawyer and doctor friends that when I explain the process of getting these advanced designations, tell me that it mirrors the effort, time and COST experienced in their fields. For fun, (and because I am clearly a masochist), I once calculated the cost of my required education given the travel, classwork, testing, opportunity cost of lost work and it approached \$200,000.

So now you have your college degree and want to be an appraiser. You now have to find a Certified Appraiser (prior to 2015 this only needed to be a Licensed Appraiser), to agree to take you on as an apprentice. Not an easy task when everyone is so busy! The irony is that many appraisers out there are so busy and need help, but are too busy to train someone! The apprenticeship is 2,500 hours that must be completed in no LESS than 24 months! From my experience 20 years ago in this process, this was a FULL TIME job shadowing an appraiser and making little to no money in the process. Meanwhile, 200 hours of class work and two state tests need to be passed as well. A log of all of your work under the mentor is submitted to the state to obtain a license. Are you now starting to see why a student enrolled in a Real Estate concentration at many large universities chooses the glamorous "Realtor" path rather than the appraiser path? Again, these barriers to entry is one reason you are seeing an appraiser shortage.

WE AIN'T GETTING ANY YOUNGER

I am 46 years old. 2016 marks my 20th year of being an appraiser and I can assure you that I feel sometimes like the "young whipper snapper" when in a room full of appraisers! There simply isn't an influx of "new blood" in our industry and as the older generation of appraisers gets even older and retires, the problem will only get worse before it gets better. Being an appraiser is traditionally a job where if you meet one, you will find that their father, uncle, mother, grandfather was also an appraiser. It is a very familial trade made of many that grew up in an appraiser family. As this older generation of appraisers retires, there simply isn't anyone there to follow in their footsteps. Keep in mind that older appraisers not interested in working the long and late hours necessary rather than retiring outright, simply slow down the volume of properties they appraise. Many of the older appraisers currently keeping their licenses active are simply not out there doing many appraisals, proving that the reduced number of appraisers reported is actually worse than we probably know.

I have found it very interesting in the last 2 years or so since this issue has really started to take hold that people forget their college Economics course, (oh wait, I forget, we are the ones that have to have the degree). The fees that you have seen steadily rise are simply a function of supply and demand. When there are only a few out there able to perform a certain needed service will drive up the fee. A simple concept, but to illustrate and analogy I like to use the dentist. If you woke up tomorrow with a toothache and called the dentist would you be able to get in that day? Most likely not. They may offer you a spot 2, maybe 3 weeks down the road. And if you DEMAND that you get in right away, making your dentist work overtime or on a Sunday, guess what, THE FEE GOES UP! I very often am quietly offended when a Realtor suggests I move their appraisal up in my schedule to meet a contract deadline, knowing I already have a full schedule (including the weekend), and then gasp when I tell them the increased fee to accomplish this! Please don't misconstrue this as complaining because I choose to be this busy. The memory of post-2008 fuels me and many fellow appraisers. I am thankful to be this busy and can turn down work at my choosing. But with the extreme shortage of appraisers, I choose to be one that works CONSTANTLY! But for that, I am a bit offended by those that try to put a price on my personal time. I can think of no more annoying trait than those that begrudge others a living. To those agents complaining loudly that fees are "out of control", I ask one question: In 2009, when I was struggling to make a living, contemplating a career change, doing 13 appraisals a month (no exaggeration - Feb 2009 - 13 appraisals), were you just as angry that your trusted appraisers were doing work for 1/3 the fee that they were doing it for only one year before because there was no supply? At that time these same AMC's now GLADLY paying "rush" fees to finish meet their closing deadlines were SLASHING the fee passed onto the appraiser simply because they could. Did you complain on my behalf that fees were "out of control" at that time? I doubt it. It goes both ways. SUPPLY. AND. DEMAND.

I have heard a few anecdotal incidents where a fellow appraiser, taking advantage of a desperate situation, demanded last minute "rush" fees after a lower fee had already been agreed upon. If this is happening, I can only guarantee that those of us appraisers that have integrity and value the word of our promise to meet an agreed upon deadline, vehemently oppose these kind of tactics. There is a very big difference between a rush fee being demanded by an appraiser, and a lender offering it. The latter is what I am seeing on a daily basis. Lenders are gladly offering additional fees to have already booked and busy appraisers add yet ANOTHER order to their jam packed dockets. Am I wrong to accept this offer? Am I being unethical? Or am I a smart business person?

Another point, semi-"off topic". I hear often from agents that current appraiser fees are exceeding "typical standard fees". In my two decades in the real estate game I have always hated that an appraiser fee was ever thought to be "standard" or "typical". If you call a moving company to engage in the services of moving your belongings you would have ask, "How much is it to move?". If you did, you would have many follow up questions like, "How big is your house....where are you moving.....only the furniture, or the boxes too....do you live on ground level or the 45th floor?". The same should go when engaging an



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appraiser. How large is the home? Where is the home? Is the home on a typical tract home suburban lot or a 40 acre parcel? What is the purpose of the appraisal? WHEN DO YOU NEED IT? (the most important and fee determining factor in our market today). And incidentally, NEVER should the anticipated appraised value or sales contract price be a factor in determining an appraisal fee. NEVER! All of these questions help an appraiser to determine a fee for the service. To think that you could ever just apply a "standard fee" to appraising a house was a foreign concept to me.

REGISTERED APPRAISER? WHAT IS THAT?

When I began as an appraiser, there was a licensure level in Colorado known as a "Registered Appraiser". This license, as I remember, was granted after a certain amount of your classwork was taken and a state exam was passed. This no longer exists in Colorado. It used to be that when the mentor of the apprentice that held a Registered License felt comfortable enough with the RA's ability to physically inspect a home, (measurements, floor plan, pictures, etc.), the mentor could send this RA out on appraisal inspections which would free up time for the busy appraiser. My mentor would never allow me to inspect a home solo, (a tradition I continued with my many apprentices over the years). Regardless of my Registered Appraiser license at the time, he was not comfortable signing a report that he personally had not inspected. Many know that there is a section of the appraisal report that states, "Supervisory Appraiser did NOT inspect this property", which some lenders do allow. However, because this licensure level is no longer available in Colorado, the mentor appraiser can't send an apprentice on an inspection alone. Herein lies the issue: We are extremely busy people right now given this busy Denver real estate market. The purpose of hiring help is to be able to be more efficient and save time right? Well if I hire an apprentice and I can't send them out on an appraisal alone, where is the time saved? Now I am paying someone to do work that I already am forced to complete myself anyway? So even with the college degree, class work started (or even completed – 75 hours), state exams passed, the hurdle of finding an appraiser that will take on an apprentice to shadow them for 2,500 hours in nearly impossible. Many appraisers are also leery of an apprentice simply "using them" to get trained so that they can get their license and hang their own appraisal shingle! One day your employee, the next day your competition!

Not all appraisers feel this way and have a different perspective, however. Many of us feel the "duty" to our trade to train new, fresh, up and coming appraisers to make sure our industry thrives. To give back to an industry that has given so much to us. What many don't understand, and trust me, we appraisers do, is that if the industry isn't getting what they need in a timely manner it WILL find an alternative. The banking and lending side could possibly amend rules and regulations to bypass appraisers, or create computer based valuation models or whatever it takes to alleviate the issue. Those of us appraisers that understand that, feel it is our job to help find a solution to this problem.

Despite the tough barriers to entry we appraisers must find a way to get an influx of new blood. At many appraiser gatherings this topic is discussed ad nauseam. We feel like we are doing the best we can given the hurdles, but ultimately a hot market gone cool will change these issues immediately. Even someone that has been in the real estate industry for 40 years can't say that they have EVER seen anything like what we are experiencing in Colorado. Peaks and valleys, high and lows, slow times and busy times are part of the game, but nobody has experienced what we have going on right now in Denver. Nobody could have predicted the issues that the perfect storm of record low inventory and overwhelming demand given the influx of people moving to our region would cause.