

12 Questions To Ask Before Letting The Appraiser In The Door

by Richard Hagar SRA and P. E Turner Jr. SRA/SRPA

Have you experienced an “appraisal failure”? Allow us to provide you with some insight and twelve simple questions that will help you avoid the next failure. From our point of view, the largest banks don’t appear to be hiring the best and brightest appraisers, they appear to be hiring based on fast and cheap. The “cheapest” appraisers often do not have adequate knowledge or experience and as a result, produce poor quality appraisals that harm everyone. We have seen appraisers traveling 150 miles from their office to your home then spend 15 minutes walking around before disappearing. Their reports often “kill the deal” which is why you are likely reading this article.

In our experience, appraisers traveling 150 miles from their office is an indicator that the appraiser is likely not geographically competent. This appraiser likely does not have access to the proper MLS, a necessary tool for producing a valid appraisal. An appraiser traveling great distances isn’t the only issue, it’s simply an indicator of area knowledge and competency. (In our experience -- excluding appraisals of VERY unusual properties -- the odds of a competent, knowledgeable appraiser knowing any market area, diminishes with distance from their office).

Hiring competent appraisers is in everybody’s interest. Federal and state laws clearly indicate that no one may attempt to influence the appraiser - NO ONE! So how do you increase the odds of a competent appraiser producing a good appraisal without crossing the line?

Qualify the bank and who they hire.

Lenders and their subsidiary appraisal management companies (AMC) should hire qualified appraisers, not the cheapest. Borrowers and real estate agents should ask lenders about their process for hiring an appraiser. If you ask the questions up front, it can’t be considered influencing the appraiser, it’s due diligence on the bank. It’s likely that a bank that hires the cheapest and fastest will have numerous other internal failures that will impact your loan and interest rate. *(Mortgage brokers - you have a fiduciary relationship with your client. Are you helping them understand the ramifications of a bad lender?)*

If the bank loan officer can’t answer the basic questions below, could this indicate a lack of knowledge and experience by the bank? If for some reason you are forced to use a particular bank, then perform the next step.

Pre-screen the appraiser.

Borrowers and real estate agents should pre-screen the appraiser BEFORE allowing the appraiser access to the property. Again, this isn’t an attempt to influence the appraiser, it’s an attempt to obtain the services of a competent appraiser. Borrowers and real estate agents should ask the appraiser questions about their area knowledge and experience as a method of screening for competency.

We have prepared a list of questions that banks, AMCs, borrowers or real estate agents should ask the appraiser before hiring or allowing them into a borrowers home. There are always exceptions to every rule, however these questions should help you weed out the fast and cheap, geographically incompetent appraisers **before** they mess up your loan or sale.

These questions are neither insulting nor intimidating. They are strictly to benefit the owner, seller, real estate agent, lender or, borrower, and ensure that they will receive an appraisal commensurate with the fees paid.


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Questions For The Appraiser

Reason for the Question

#1 What is your name and telephone number?	Simple, straightforward and you'll need to write this down for future reference. Why? We have examples where the assigned appraiser sends an inexperienced, non-licensed person to inspect a property. Why would they do that? The appraisal company/AMC maybe cutting corners. Since you, or your clients, are paying a fee for this service, make sure you get the best which increases your chances for a good appraisal.
#2 What is your license (or certification) number?	This question can be intimidating to an appraiser who is beginning to realize you are serious about the appraiser's qualifications. If they don't know the answer, maybe they are not certified. Warning flag that should trigger more questions.
#3 Where is your office located?	<p>You are trying to get a sense for the appraiser's experience in your area; In the appraisal world this is called "geographic competency."</p> <p>We often find that the appraisers who are providing bad appraisals do not understand your corner of the world. So if their office is distant, start asking the appraiser questions about your general neighborhood. Ask until you feel comfortable with the appraisers knowledge about your area.</p> <p>Our company stays focused on three counties, however we will go further but only when it involves complex properties that others can not appraise.</p>
#4 Do you work out of your home or a professional office?	<p>If they work out of their house it is an indicator of a one-man operation. We find appraisers that work out of a professional office share experiences, knowledge and methods. Appraisers that work as professionals produce a higher quality product. After all that is what is expected and required in federal law.</p> <p>A one person office isn't a deal killer, but you should ask questions until you feel comfortable with their knowledge.</p>
#5 How long have you been appraising?	We recommend a minimum of 5 years of experience for simple properties and 10 years for complex and unusual homes, waterfront, large acreage or view properties.
#6 Have you ever been disciplined before?	If the appraiser has been disciplined you likely have an indicator that the appraiser cuts corners, or worse.
#7 Are you a full time appraiser?	<p>Appraising is complex and requires focus. Part time "form-fillers" are of no benefit to you, the borrower, real estate agent or lender. [I have no idea why AMCs hire them.]</p> <p>If the person is part-time, ask the lender to send someone else.</p>

#8 Are you licensed or certified?

There are 2 categories of **residential** appraisal licenses (Certified and Licensed). A **licensed** appraiser is the lowest level of authorization by a state. Typically these individuals are not allowed to appraise expensive or complex properties for lending purposes.

A **certified** appraiser is the highest level of authorization by a state. Certified appraisers are allowed to appraise any residential property, in any price range, of any size and complexity.

Appraisers that are only licensed, typically are not credentialed to do "complex appraisal assignments" for loan purposes. FHA does not accept appraisals from "licensed" individuals, only "certified" appraisers.

Now in some areas, like NW Arizona, the best appraiser in the area happens to be "licensed" and in other areas a licensed appraiser may be your only choice.

So again, ask questions until you feel comfortable with the appraiser's ability.

#9 Do you have a Designation, like an SRA or MAI?

Certified/Licensed appraisers have passed the government's **minimum** standard. A **Designated appraiser** indicates that this person has taken steps to become **better than the minimum**. As an SRA I have more than twice the education of Certified/Licensed appraisers. My work is reviewed by peers and I've passed additional tests for competency well before receiving the SRA designation. Fewer than 1% of residential appraisers have taken the time to obtain an SRA or MAI designation.

A designation **is not** the end-all be-all qualification but it is a reasonable gauge of professionalism.

Take a look at my resume, how does it compare against the person who was hired by the AMC to appraise your home?

For more information: www.peturnerltd.com OR
www.americanappraisals.com/sra_explained.htm

#10 Have you ever appraised properties of this type in this area?

An experienced appraiser would answer yes. If the answer is no, then start asking a lot more questions.

#11 Are you a member of the local multiple listing system (MLS)?

This is critical! The MLS is a database of the homes that are listed and sold in your area. MLS' are local, there is no nationwide system. So good appraisers have access to the local MLS for your area. Appraisers that do not have access are either incompetent or from distant areas.

For instance the MLS in Seattle is different from the MLS in Wenatchee. The MLS in Sedona is different than the one in Phoenix. Ask the appraiser if they have their own private access to the local MLS. **If they don't - yell for another appraiser and do not allow this one into your home!**

#12 What is your fee for completing this assignment?

Fees paid **by the borrower** are not necessarily the fees paid **to the appraiser**; The two can be very different. We find that the fees paid to the appraiser are indicative of appraiser quality.

Why is this important? All of the larger banks use a subsidiary appraisal management company (AMC) to hire and order appraisals. These AMCs are typically owned by the banks which appear to create a conflict of interest. The problem with AMCs? They appear to be hiring the fastest and cheapest appraisers, **not** the best appraisers, which is why you are likely experiencing problems.

AMCs often send “shotgun” emails out to dozens if not hundreds of appraisers and give the appraisal order to the first one that answers. On top of that these AMCs are skimming off upwards of 50% of the “appraisal fee” the borrower paid to the bank. So by asking about the fee, you the borrower or real estate agent, are attempting to see if your appraiser is properly paid. We find properly compensated appraisers provide a higher level of service.

Two more things:

- Ask your lender to disclose the “AMC fee” on a line separate from the “appraisal fee” on the HUD-1 form.
 - Why should you pay for the AMC service? What benefit did the borrower receive for this service? [We have no idea!]
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The goal is to reduce your “appraisal issues” before the appraiser arrives at your home, not after. We need to make sure you are not trying to influence the appraiser. Properly trained appraisers, geographically competent with your neighborhood, experienced and, capable of appraising complex properties is what you should demand. Remember that quality costs a bit more and someone skimming off a portion of the fee can reduce quality and may be the reason for the “appraisal problems” you’ve been hearing about.

About the Authors:

Richard Hagar SRA is a real estate agent, appraiser (with American Home Appraisals), an SRA with the Appraisal Institute and one of the Nation's leading experts in the field of real estate and mortgage fraud. Mr. Hagar helped write state AMC licensing laws and the Mortgage Brokers Practices Act. He’s an expert witness in criminal fraud cases and provides education to real estate professionals; he tries to help the hunted before they become the convicted.

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