

Reprinted with permission of the Employee Relocation Council from October 1994 issue of MOBILITY magazine.

Appraising: Selection How to Select a Relocation Appraiser

October 1994

By Jeffrey M. Barta, CRP

When presented with this topic, the first thing I asked myself was, "Who is the audience?" In fact, that question confronts relocation appraisers daily. The trend of the industry has been to let transferees select appraisers from a list provided by the relocation management company or corporation. Many times, transferees are allowed to choose "off-list" appraisers.

This development in our industry has left appraisers wondering where their marketing efforts are best spent. I concluded, therefore, that this topic requires a twofold approach. The first will deal with the selection process from the transferee's viewpoint, while the second will deal with the relocation management company's or corporation's viewpoint.

Transferees have been afforded the opportunity to choose appraisers because it is thought to give them an opportunity to be "involved" in the process. ERC's 1992 "Relocation Assistance: Transferred Employees" report indicated that 98 percent of relocation management companies and 86 percent of in-house programs supply a list of appraisers to transferees. Some transferees take this portion of the process lightly and simply choose two names from the list; most others perform varying degrees of research.

One of the primary sources of information for the transferee is the real estate brokerage community. Transferees often ask brokers for appraisal referrals. Appraisers spend time cultivating broker relationships for this reason. Appraisers know that future referrals depend, in part, on their standing with the relocation brokers in their markets. The transferee, however, should take the process a step further by asking the broker to discuss the reasons behind the recommendation. If the broker's explanations make sense, then that should suffice; if not, further probing may be necessary.

Asking the broker about previous encounters can be an effective method of obtaining more relevant information. Appropriate questions may include: How often does this appraiser call you to verify information on your sales? What appraisers bother you most for information? Is this appraiser proficient in this marketplace? Who else is? Does this appraiser specialize in relocation?

Transferees also ask other recently relocated employees for appraiser recommendations. It is not uncommon for a prospective transferee to consult with other recently transferred employees to determine the most "favorable" appraiser or to eliminate a "low" appraiser. This phenomenon has created a problem in the quest for controlling escalating costs in the relocation process. By using this network of former transferees, the employee increases the probability of a higher buy-out figure by culling the "low" appraisers.

This development in the process has not been overlooked among appraisers, and it can influence their behavior in an undesirable manner. While most appraisers attempt to maintain their independence, this phenomenon is in conflict with the premise that the appraiser is an unbiased third party.

The easy way out for the appraiser is to avoid "low" appraisals if they want future business. The alternative is to offer better service. Unfortunately, human nature generally follows the path of least

resistance.

The third avenue for the transferee is to "interview" the appraisers. Transferees are using this approach more and more. The problem with this approach is that the transferee rarely has the expertise required to make an informed decision concerning the selection of the appraiser. Very often, transferees stumble through this process with no idea of what they should be asking. Instead of offering an opportunity to be involved in the process, it can offer the opportunity to be frustrated by the process. If the proper questions are asked, however, the interview process can be an extremely useful tool in appraiser selection.

Transferees should be comfortable with the appraiser they choose. There are several ways to build this comfort level by asking the right questions. The transferee should ask the appraiser how long he or she has been involved in relocation appraisals and what percentage of time he or she devotes to relocation. The experience levels and time devoted to relocation provide a good unit of comparison between appraisers. Possession of credible designations also should be a selection criterion explored by the transferee. Designations demonstrate the appraiser's commitment to the industry and ability to perform well above minimum standards. State certifications and licenses denote minimum competency and, therefore, are of limited use in selecting a relocation appraiser. ERC's CRP™ designation indicates that the appraiser has a solid foundation of knowledge concerning the relocation industry.

Other pertinent information includes the appraiser's familiarity with the employee's neighborhood. Questions regarding the subdivision, school system, and community may offer insight into the appraiser's familiarity with the area. It certainly is appropriate for transferees to ask, "How many appraisals have you conducted in this subdivision (or community) in the past six months (or year)?"

Another reasonable question is, "Who will actually do the appraisal, the appraiser being interviewed or an associate?" If an associate is performing the appraisal, an interview with the associate may be worthwhile.

A common question concerns timing. The time constraints place on the transferee are great. The transferee should ask about typical turnaround times. A longer turnaround should not be an automatic reason for elimination; however, if most appraisers are indicating longer turnaround times, then how realistic is the shorter estimate? Good appraisers generally are in high demand and, therefore, may have a larger workload. It might be worth the wait to get the more qualified appraiser.

Another pertinent question would be, "When was your last relocation seminar?" A serious and responsible relocation appraiser keeps up on the ever-changing industry and should have attendance of recent seminars to his or her credit. The fact that an appraiser devotes time to ERC or to relocation management company panels indicates a commitment to the field that is necessary for excellence and should be rewarded.

The problems facing relocation management companies or corporations are not totally different from those of transferees, although their ultimate goals may differ. The transferee is predisposed toward obtaining the highest buy-out amount while the relocation management company seeks accurate appraisals that will result in a fair buy-out figure.

Relocation management companies and corporations generally attempt to include only qualified appraisers on the lists they provide to the transferee. One problem relocation management companies and corporations face is that once they give the list to the employee, they lose control of the selection process. Appraisers on the lists usually have varying degrees of experience, education, and expertise, but when the list is presented to the transferee, each appraiser appears equal.

One of the quandaries of the industry lies in this process. Appraisers are encouraged to educate themselves and strive for excellence, but the process counteracts that goal by not distinguishing

individual professional backgrounds.

A major problem facing corporations in the battle to control costs is the selection of off-list appraisers. ERC's 1992 "Relocation Assistance: Transferred Employees" report noted that 47 percent of relocation management companies and 53 percent of in-house programs allow the selection of off-list appraisers.

The problems with this arrangement are obvious. Approximately 50 percent of the companies allow their quality control of the appraisal function to be circumvented by the transferee. The off-list appraiser may not be experienced in relocation, may not be familiar with the area, or may be a friend of the transferee. In any event, the relocation management company or corporation loses control of an integral portion of the process. The selection of off-list appraisers must stop if meaningful control of the appraisal process is to be achieved by the relocation industry.

The relocation management company or corporation examines designations, involvement in ERC, and past performance in selecting appraisers for their appraisal lists. The reward for an appraiser is repeat business. If the lists provided to transferees are too long, then the appraisers in that area will tend to be less motivated to keep up with relocation appraising because the economics simply are not there. By paring the lists, the relocation portion of an appraiser's business will become more important to the appraiser, who, in turn, will devote more time and resources to maintaining that business.

Some would argue that timing will suffer due to a decrease in the size of the appraisal pool. This is not necessarily so. If the appraiser can obtain a consistent flow of appraisal assignments from any source, he or she will adapt to ensure that source will continue. One of the problems facing relocation appraisers is that in most markets they must rely on other appraisal assignments to make a living. If the inflow of relocation assignments increases, most relocation appraisers can divert their other less demanding appraisal assignments to their associates.

By providing a higher volume of relocation appraisal work more consistently, the relocation management company or corporation forces the appraiser to devote more time and resources to that portion of his or her business. The market is competitive enough that it should be relatively easy to maintain, if not improve, appraisal turnaround times by rewarding highly qualified relocation appraisers with more work.

The reduction of the number of "on-list" appraisers also would increase the quality control of the relocation management company or corporation. While it is likely that transferees will continue to be allowed to choose appraisers, the shorter list will provide the reassurance that the best appraisal talent is being used. By providing a more consistent workload to the appraiser, the relocation management company or corporation also will command more attention from the appraiser, out of the need to maintain that business relationship.

A lot of attention has been paid lately to statistical variances of appraisers. While statistics can be useful tools in selecting an appraiser, they need to be used as a tool and not as an absolute measurement of the appraiser's performance. Since marketing the property is out of the appraiser's hands, the variances can be skewed.

The transfer situation does not involve a typical seller in the marketplace. As a result, many scenarios can occur that will affect the appraiser's statistics, which must then be properly interpreted by the relocation management company or corporation. These scenarios include overpriced homes, underpriced homes, uncooperative showings, recommended improvements not performed, poorly marketed properties, and changes in market conditions

. As with most professions, not all appraisers are operating on the same level. The selection of the appraiser can make or break the appraisal process for a relocation transaction. It is imperative that

those selecting the appraiser be willing to do their "homework" to maintain quality and control costs. Observations and suggestions discussed in this article could make the process more efficient and effective.

Jeffrey M. Barta, CRP, Barta Appraisal Service, Inc., Waukesha, WI, currently is treasurer and a board member of the Relocation Appraisers Consortium (RAC).