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Appraising: Destination Services The Appraiser as Consultant-Reviving a 'Lost Skill'

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In Brief...

Although destination appraisals have shortcomings, appraisers in the destination location can serve an important role in helping transferring families make wise home purchase decisions.

Destination appraisal services have been the topic of much debate in the past several years. It appears that destination appraisal programs have been adopted in reaction to poor purchasing decisions by transferees. As a result, destination appraisals have failed to become an industry standard. At first glance, destination appraisals appear to be a natural progression for the relocation industry. On closer examination, however, the limitations to their usefulness are clear. While those separate services have not been a failure, they have not fulfilled their intended purpose. Among those limitations are:

1. Transferring employees and their families are allowed limited househunting time. Once transferees have made a home purchase decision, they have little, if any, additional time to negotiate the purchase of a different home if the results of the destination appraisal cause the initial contract to be negated.
2. Most times, the destination appraisal cannot be used as the appraisal for financing, especially if it was not completed on the appropriate form or by the lender's approved appraiser. This leads to additional contingencies in the sales contract, extended approval time, and overall frustration for all parties involved.
3. Not readily apparent to those parties involved is the fact that appraisers receive relocation appraisal orders largely as the result of referrals from real estate agents involved in these transactions. A value below the sales contract price does not further those relationships; it actually can become an adverse business decision for the appraiser to complete a destination appraisal when a property oversells. Even buyer brokers, who not only should encourage use of a destination appraisal, but should receive and comprehend the results of that report in a positive manner, sometimes feel as though their own professional consultation has been overridden.
4. Unfortunately, the lender's appraiser is even more likely to conclude that the contract price reflects the market value for fear that by not doing so, he or she risks losing that lender's future business. Thus, the usefulness of that appraisal is negated. When the mortgage appraisal supports the sales price and the destination appraisal does not, the problem is further compounded. The transferring employee is left confused and with little confidence in the appraisal process.
5. In a sellers' market, a seller is less likely to accept the transferee's destination appraisal contingency, as there are other potential buyers without those restrictions.

Often, then, destination appraisals create a "no win" situation for all parties involved. To eliminate many of these problems, many appraisers are qualified to offer a seldom-used benefit during the

infant stages of the relocation process-consultation.

At the 1995 Relocation Appraisers Consortium conference, an "A-team" concept that would involve the broker and appraiser actually working together to determine the marketing strategy for selling the transferee's home was suggested. The idea was rejected for fear of the appearance of collusion in setting price.

However, use of a similar concept on the destination end would help educate and prepare the transferee to make a wise home purchase decision. John Carril, SCRIP, senior vice president of client relations and operations, Boatmen's Relocation Management, St. Louis, MO, has tested the program and believes it is superior to the pre-purchase appraisal. Boatmen's has found this program to be proactive in helping transferees to make the right purchase decision. Carril said, "The initial reaction of transferees exposed to this program has been extremely positive."

The A-team consists of the consulting appraiser, broker, and possibly a destination services consultant (if applicable). The following example is a general guide to the consulting concept:

1. When the employee accepts a transfer offer, he or she completes a family needs analysis to provide a preliminary overview of the transferee's needs and lifestyle. This is provided to the consulting appraiser, who then prepares for a telephone interview with the transferee.
2. Within 24 to 48 hours (pending the transferee's schedule), the consulting appraiser will counsel the transferee over the phone about recent market trends, typical marketing times, supply and demand factors, sales to list price ratios, and appreciation or depreciation rates. Typical market concessions, inclusions, and local nuances also will be relayed to the employee. The impact of new construction and/or foreclosed properties on the market will be discussed when appropriate. In addition, the transferee will be given a list of questions he or she can ask the real estate agent that will assist him or her when visiting the marketplace. Rather than being at a disadvantage, the employee actually may be better equipped to deal with the market than the local buyer.
3. A follow-up letter will give a synopsis of the interview and provide the transferee with a reminder as to the information covered in the interview. The letter will serve two additional purposes. It will satisfy the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP). As most appraisers are state-certified, they need to adhere to USPAP when providing professional services to the public. It also will provide the relocation management company and/or corporation with a tangible product and paper trail for the services provided by the consulting appraiser to the transferee.
4. The employee will be asked to evaluate the service provided by the consulting appraiser. This will provide a means to quantify the benefits of the program. In addition, it will help to identify the most productive and reliable consulting appraisers for future assignments. The consulting appraiser will receive a copy of the evaluation to allow him or her to improve his or her future destination consulting services.

Once the consultation has been completed, a broker becomes a part of the A-team, serving as the buyer broker, helping the transferee use the information he or she now possesses. Rather than complicating the home purchase process, the consulting appraiser has helped the transferee become a well-informed buyer.

One of the components defining "market value" is that the buyer is "well-informed" or "well-advised." With employees being transferred worldwide, it is unrealistic to expect transferred buyers to be well-informed without assistance.

Appraisal consulting actually is not a new concept. Knowledgeable transferees always have long sought the advice of appraisers respected by brokers, corporations, relocation management companies, or friends.

The consulting appraiser's intent is not to provide transferees with specific listing information, but to inform and educate them on those issues in specific markets that will allow a more informed decision.

An employee who is unhappy due to a poor homebuying decision will perform ineffectively in the new job. Assistance in making a proper home purchase decision will benefit the transferee and family, and, ultimately, the employer by providing for a more productive employee.

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