

## **‘Best’ vs. ‘Right’—How to Choose Your Appraiser**

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*Once, long ago, in an age before the interest rate hikes of the early 1980s, a scholarly group of appraisers who specialized in relocation dealt with all relocation appraising matters. Now, a market similar to those days of yore has reappeared, but appraisers specializing in relocation seem to be sparse. Taking a look back to prepare for the days ahead, Headrick lays out the tough questions that need to be asked when finding the best “right” appraiser for a relocation*

By Robert Headrick, SRA, SCRIP

Prior to skyrocketing interest rates in the early 1980s, the relocation industry tightly controlled and monitored which appraisers were approved to complete relocation assignments. Third-party relocation companies and corporate America maintained their own lists of qualified appraisers who understood the nuances of the relocation appraisal. Terms like “direct homeselling costs” and “loss on sale” not only were part of the client’s vocabulary, but common day-to-day language of the professional relocation appraiser. Relocation appraising was a specialization within the residential appraisal profession.

Understanding issues relating to forecasting, décor, market change, buy downs, cash equivalency, and listing competition were (and continue to be) a specialization within the relocation appraisal community. Some third-party clients met face-to-face with appraisers as often as monthly to discuss assigned sales and changing inventory levels. The cost to replace carpet and remove wallpaper and paint were common topics. The relocation appraiser was well-informed and educated to clearly understand the workings of his or her markets and what it took to sell housing in very complex markets.

However, as a result of very difficult times for transferring employees in selling their homes, as was evident by increasing inventory levels, trust in the process became questioned. Transferees reported that the relocation process was unfairly offering lower values for their properties and perhaps making a profit at their expense—of course, in reality the opposite was true, as the subject property was entering an already oversupplied market and the client then hoping to “minimize resale loss.”

### **Sound Familiar?**

Well, if this all sounds familiar—it should. The last year has seen many real estate markets across the country become oversupplied while inventory levels have risen. But one major difference today is that seldom, if ever, does the third-party or corporate client choose a qualified relocation appraiser.

As a result of 1980s real estate markets, corporate and third-party clients succumbed to their transferring employees’ complaints and began the process of transferee choice—the objective being to help remove the suspicion that their employers were unfairly offering

lower than “fair market value” for their homes. Of course, the issue of anticipated sales price versus market value is an entirely different subject that has left even clients confused at times. The saving grace of that time was that clients had to choose from an “approved list” of qualified appraisers.

Now let us jump from 1985 to 2005. During that time period, some strong real estate markets made it possible for the relocation industry to further modify policy. When markets grew hotter and housing sold in hours rather than months, companies decided to hold off on ordering appraisals. Some replaced appraisals with the alternatives of using only a broker’s price opinion (BPO) or broker’s market analysis (BMA). In general, the demand for relocation appraisals diminished and many of those individuals left the profession or found alternatives to the relocation appraisal by redirecting their talent to litigation, eminent domain, or commercial appraisals.

### **Where Have All the Relocation Appraisers Gone?**

The year 2006 brought back memories of the early 1980s. But there was a major difference—a noticeable inverse relationship in the supply of housing compared to the supply of appraisers. While there certainly was no shortage of appraisers in general—that industry grew because of the demand that resulted from historically low-interest rates during the last several years—the professional relocation appraiser diminished.

Training that, at one time, had been plentiful had become nearly non-existent. Clients looked more to groups like Relocation Appraisers and Consultants (RAC) to bring back some of the training that was missing. Unfortunately, the commitment to relocation appraising as a specialization virtually is gone. Appraisers have been forced to make a business decision as they were dictated to by their relocation clients to make the appraisals better, faster, and cheaper, and they subsequently diversified their businesses so as to expand the opportunities for their success in the long term.

Without this specialization by most of the appraisal industry, clients are hard-pressed to fill their lists with quality appraisers who understand the relocation process, as well as the relocation appraisal. Many provide their transferees with a list of questions to help them choose who they perceive to be the “best” appraiser. But having been on the other side of this interview, it is clear that a large percentage of these employees truly are naïve as to how to pick the “right” appraiser.

The definition of the “best” or “right” appraiser will differ for the transferee, as well as for the corporate client. The transferees are looking for the appraiser who will give them the highest value, while the corporate client needs an appraiser who will provide the most accurate value. If they can find accurate appraisers who are professional in their knowledge of the entire relocation process and present themselves in a professional manner, they have a winner.

### **Choosing the Best ‘Right’ Appraiser**

Ideally, taking the appraiser choice back away from the transferee and giving it back to the relocation professional is the obvious answer. However, too many corporations are apprehensive and are unlikely to take this drastic step, although it is a good business decision. Therefore, identifying appraisers with the knowledge and training is a critical step in developing lists of qualified appraisers.

The questions are: Are there adequate appraisers in a given market to complete the list with the client required number of appraisals? And, if not, how can transferees identify the “right” appraiser so as to feel comfortable with their choice and allow the ultimate client to be assured that the appraiser is accurately reflecting the anticipated sales price as defined by Worldwide ERC®?

Certainly, organizations such as RAC are a starting point, but few appraisers maintain the requirements for membership to an organization of this caliber. State licensing and certification lumps all appraisers into two categories—residential and commercial—depending on their individual state classifications. They do not allow the public to identify specializations with experience or education. Professional designations can be beneficial but, again, the public at-large does not understand which ones require more intense education and experience.

### **Tough Questions**

Many third-party companies attempt to give the transferees questions to allow them a level of comfort and help identify which appraisers have the most experience and knowledge of their market. But this methodology may be flawed, as many of these questions are superficial and do not allow the employee to truly understand the qualifications of the appraisers and their knowledge of appraising.

Typical questions (and my thoughts about them) include:

- 1.** How long have you been appraising? (Is 10 years of quality better than 20 years of mediocrity?)
- 2.** Are you a full-time appraiser? (Why is a part-time appraiser on the list?)
- 3.** Are you familiar with my neighborhood? (Define familiar—do I know where it is or do I understand what makes any specific neighborhood desirable? Is that not part of the appraisal process in researching a market?)
- 4.** How many appraisals have you done in my area/neighborhood? (How many is enough? Is one appraisal done well better than 10 done poorly or perhaps as drive-bys?)
- 5.** What is your opinion of my market? (An inappropriate question that could border on a violation of USPAP if any predetermined opinion is rendered prior to completion of an appraisal.)

**6.** How long will it take to complete the appraisal? (Tough one. Answer it at all and the appraiser's client is upset; avoid it and the transferee thinks you are too busy to get the value in 48 hours—is that not when he or she wants it back? Maybe defer to Worldwide ERC® or client guidelines. To be properly answered requires a very professional appraiser who thoroughly understands the relocation appraisal process.)

**7.** How soon can you be out to our house? (Finally, an easy one!)

### **Better Questions**

From these questions, a transferee may establish a comfort level with the appraiser, but does he or she really know which appraiser is the “right” appraiser? The transferee probably will hear the same answers from most every appraiser he or she talks with. It probably comes down to which one he or she “hits it off with.”

Are there better questions that will allow the transferee to better understand the relocation appraisal process and get a better feel for which appraiser clearly has the qualifications to complete an accurate and timely appraisal on his or her house?

The answer is yes. Consider the following:

- 1.** Are you familiar with the Worldwide ERC® relocation appraisal report? What version are you using?
- 2.** How much experience do you have with this report?
- 3.** What other type of appraisals do you complete?
- 4.** How do these different types of appraisals differ from each other? Can the value vary? Why?
- 5.** Are you a designated appraiser with a professional appraisal organization? What are the criteria to be a member and does membership require continuing education?
- 6.** Do you have any other credentials that are indicative of your professional relocation experience?
- 7.** Are you comfortable with appraising my neighborhood? Have you completed any recent appraisals in my neighborhood? If so, what kind? If not, what would be the process to assure your accuracy when appraising my house?
- 8.** Can you explain the relocation appraisal process?
- 9.** How long will the actual inspection take and what is the time frame to complete the appraisal report?

**10.** What can I (the employee) do to be a part of this process (i.e., survey, title policy, list of improvements, comparable data, and the like.)?

**11.** Does your current workload allow you time to complete the appraisal assignment within Worldwide ERC®/client guidelines (transferee should know what those guidelines are prior to the phone call)?

**12.** What is the industry standard for appraiser accuracy? Is there any way that you are able to track your accuracy? If so, what do recent reports show your accuracy to be?

These questions are much more detailed and allow the employee a clearer understanding of not only the appraisal process, but of how well the appraiser understands that process. The ultimate goal is to provide the employee with a fair value for his or her property and limit the exposure to the client for potential loss of sale.

### **The First Step**

More education clearly is needed in this industry to bring it back to the levels experienced in years past. But identifying professional appraisers is the first step to addressing the concerns being voiced by the relocation industry today. Appraisers are not a commodity. Understanding what differentiates one appraiser from the next is a difficult process, but one worth the effort for all parties involved.

**Robert Headrick, SRA, SCRCP**, is President of Robert E. Headrick & Associates, Inc, Naperville, IL. He can be reached at +1 630 355 2323 or e-mail [bob@rheadrick.com](mailto:bob@rheadrick.com)