

ASFMRA speaks to more appraiser issues-Part II

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Appraiser News



Exclusive

Monday, April 23, 2018

The American Society of Farm Managers and Rural Appraisers (ASFMRA) reached out to *Valuation Review*, after reading a story about appraiser shortages, and wanted to offer its views with in-depth analysis offering some reasons as to why there is a perceived shortage of qualified appraisers.

The Appraiser Qualifications Board (AQB) recently adopted some revisions to what an appraiser will need.

"The impact of the AQB changes will be interesting to follow. I don't think more should be done at this point. Allow this to play out and see if more enter the profession, or move up to a higher level of license," Stalcup Agricultural Services partner Dennis Reyman said. "I do think the profession should make a strong effort to engage college students or departments to the AQB changes and the potential of the profession.

"Raising the de minimis for commercial transactions will probably lower the demand for some appraisals in that realm, but I still think lenders will order an appraisal on sub-de minimis transactions depending on the strength of the borrower's position. Lenders will still want solid backup for their lending decision for some of these loans," Reyman added. "The appraisal profession has changed licensing requirements during the past 25 years, but I wouldn't call it a constant change. I'm not convinced that more requirements have produced better appraisers. The recent AQB changes will widen the gateway a little. Now the focus needs to be on best educational and mentorship opportunities."

"I am looking forward to following the AQB revisions and their impact. Much of the pressure for lowering the timeframes were coming from suburban and urban areas though, so there is no assurance that this will impact the rural areas the same," ASFMRA President David GaNun said. "A reasonable amount of work with reasonable fees needs to be available to attract incoming appraisers to the rural sector. As to whether the Board has done enough, I think we need to see how these changes impact the profession before we look to change even more.

"While the requirements for general certification, as well as residential appraisal work have changed over the past twenty-five years, it has not been constant," GaNun added. "I hope that the recent AQB changes will attract more trainees into the profession."

Training is another “eye sore,” in the minds of some veteran appraisers but the ASFMRA president says his experience in training new appraisers has been a win-win.

“As someone who has trained a good number of appraisers over the years, it has been a rewarding part of my working career. It does not work for all, particularly the small businesses, which are quite prevalent in the rural sector,” GaNun said. “Again, it is a matter of economics. If there is work and good fees for that work, trainees can be employed. I work in the Farm Credit System. We have a very good record when it comes to training new appraisers for rural America.”

“I do think many members of the ASFMRA recognize the need to train a new crop of appraisers, and some have active programs to do that. However, many ag appraisers work as one-man or very small shops, which makes it hard to undertake training a new appraiser,” Reyman said. “We do see some next-generation appraisers coming in, being trained by Dad or another older relative. That’s a positive sign which wouldn’t happen if the profession hadn’t been satisfying to Dad.”

Reyman stressed that it is absolutely critical that all stakeholders are involved in bringing new blood into the appraisal profession. Organizations need to recruit new members or they will die. Regulators recognize the need for new blood, as evidenced by the AQB changes. In ASFMRA, he is encouraged by the young membership, both nationally and in the Iowa Chapter.

With regards to what specifically is a rural farm appraiser, GaNun says that would be answered differently in every part of the country. In some areas, he says, it would be mostly land valuation, in other areas there would be very high valued structural improvements, in other areas there would be significant value from permanent plantings, and in some there would be a combination of all.

In GaNun’s world, he typically sees greenhouses, horse farms and facilities, nurseries, fruit and vegetable operations, and suburban influences can impact them all. But is there a high demand for rural appraisers?

“Having traveled throughout the U.S. with ASFMRA, the demand appears to be very good,” GaNun says. “We are certainly hearing from many of ‘the shortage’. This should speak to the demand to some extent.

“It helps to have an agricultural background although I grew up in the suburbs of New York City with no real agricultural background and I am now the president of ASFMRA,” he added. “I did receive an agriculturally related degree. Every appraiser I know is inquisitive and not afraid to ask multiples of questions. This is how I gained my experience. My educational training after college was through ASFMRA, which aided me considerably. Analysis of land is so important in agricultural appraisal work. Dirt is not dirt; there are numerous quality issues that need to be examined. Good mentors, as in any profession, are essential to the learning process.”

“There is good demand for ag appraisers, and there is good demand for new blood. However, that does not mean that all established appraisers are itching to add people,” Reyman said. “Most ag

appraisers I know are willing to work an extraordinary number of hours and with impressive intensity to accommodate demand. It can be financially and professionally rewarding in that way, so one trait that is helpful is strong work ethic.

"I believe it is helpful to have an ag background when entering the ag appraisal field; however, I know appraisers who did not and have become excellent appraisers," Reyman added. "It adds another layer of education which must be obtained in some way and again, that requires determination and strong work ethic. An educational background in agriculture is helpful but not entirely necessary if the appraiser has gained ag knowledge in other ways. A strong understanding of economic principals is needed, and an understanding of psychology is helpful. Understanding what makes buyers and sellers tick can be very useful in verifying and analyzing sales. Basically, an appraiser should be a curious analyst with enough personality to engage with the public as needed."

Comparing rural work with residential work or commercial work, GaNun says the same economic principals apply but the analysis can be more complex and more time consuming. The fact that he enjoys the outdoors and the interaction with the farmers and land owners helps.

"Ag appraisal may require more outdoor work than residential or commercial. That is definitely seen as a plus by most of us," Reyman said. "There are not many 'cookie-cutter' appraisals in agriculture. If you're an appraiser who thinks land is land, you should not be appraising ag land. "Most residential appraisal requires a need to churn through a number of assignments per week. Commercial and ag appraisals have more varied time requirements, ranging from several days to several months or more for complex assignments.

"Ag appraisers generally face different issues or restrictions in the field, but similar issues regarding licensing. One restriction that ag appraisers specifically deal with is the difficulty in gaining access to important farm records at county USDA offices," Reyman added. "This includes the ability to verify acres certified to crop production, crop bases, contracts including CRP and any potential restrictions. This information can be gained from USDA with specific written permission from your appraisal client (provided the local office recognizes them as having signature authority for the property), but verifying similar information on comparable sales can be difficult to impossible. Sometimes that makes little difference to the valuation process; other times it makes it very difficult to complete thorough analysis and comparison."

Many appraisers seem to love the flexible working hours that comes with the job.

"Flexibility, particularly for the independent appraiser is one of the bonuses," GaNun said. "That being said, the work needs to get done in a timely basis so no one should think we are off every other week. The career involves long hours and life-long learning. I have found it to be most rewarding."

"I would say that flexibility is above average for ag appraisals," Reyman said. "When working for a lender, the time frame may be less than 30 days, but sometimes up to 60 days lead time is available.

For estate settlement appraisals, the IRS time frame after date of death begins ticking so if the family or their attorney contacts the appraiser with plenty of lead time, it may allow good flexibility for the appraisers schedule. Flexibility does not mean that the appraiser is headed to the Bahamas, but that they can arrange their travel schedule for property inspections for the best work efficiency.”

Reyman also noted that there is a lot of appraisal work that occurs outside the lending world. Appraisals for estate settlement and estate planning are a sizable part of our appraisal business, but those normally are not as time-sensitive as an appraisal for lending purposes.

With lengthy lists of appraisal work on the books and a request for an appraisal for lending purposes on a tight time frame comes in, the fee we'll require may not fit what the lender will agree to.

“Generally speaking, higher fees may find that the ‘shortage’ becomes less of a shortage,” Reyman said. “We like to remind some of the old saying: ‘Good, Fast or Cheap’. You can have two but not all three.”