

Appraiser News

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ASFMRA addresses shortages, rural appraising

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The argument continues within the appraisal profession as to whether or not there is an appraiser shortage, and how such a shortage should be clearly defined with specific parameters.

The American Society of Farm Managers and Rural Appraisers (ASFMRA) reached out to *Valuation Review*, after reading a story about appraiser shortages, and offered an in-depth analysis why there is a perceived shortage of qualified appraisers.

"I am not certain there is a current shortage of appraisers. The number of appraisers nationwide has not declined that much in the last 10 years," ASFMRA President David GaNun told us. "I know the profession has gone through some greying, but ASFMRA has been growing over the past five years. If we cannot attract new blood in the next 10 years, we probably will have a shortage coming. I think a good part of the 'shortage' currently being discussed is due to low fees that have been offered for some work with quick turn-around times and no one is willing to work for less than professional wages.

"This is particularly true in the lending field and a reason why many appraisers have moved away from completing appraisals for lending," GaNun added. "If you have to travel three hours to see the subject property and then find comparable sales in that area, analyze them and put a report together, the time has to be compensated for. You cannot get professionals to work for fees that are sub-par. Like anyone else, it needs to make economic sense."

Stalcup Agriculture Services partner Dennis Reyman, an active ASFMRA member who has appraised over 2,000 agricultural properties throughout Northwest Iowa and surrounding states, indicates that the term "shortage," when it comes to appraisers, needs a bit more clarification.

"Is it a shortage of qualified bodies, or is it a shortage of appraisers who can respond within the time and cost frames demanded by the lender?" Reyman asks. "The number of appraisers in our segment of the industry includes many younger members, many of whom are employed by the Farm Credit system. Obviously the interest is there, but income potential to enter the private sector must be commensurate with the licensing requirements and degree of expertise required."

“Established appraisers must be willing to invest the time to train new appraisers, Reyman added “Some feel they can’t afford to take time for this, and some feel they’d be training a future competitor. Right or wrong, that attitude is one of the barriers to entry.”

Reyman thinks the perceived shortage of appraisers in rural areas comes about from the need for appraisals of rural residential properties. He doesn’t think the perceived shortage of rural appraisers is a shortage of appraisers for farmland properties.

Additionally, he believes rural residential appraisals are a completely different type of assignment from farmland. Rural residential appraisals take a lot of time, and may take an inordinate amount of travel time to inspect the subject property, then find and inspect sufficient comparable sales.

“The problem is fee,” Reyman said. “Appraisers need to be paid for the time involved with these appraisals. Fees that are paid for urban residential appraisals just don’t cut it. A rural residential appraisal can require over 100 miles of travel, sometimes much more. Comparable sales which are researched, verified, and analyzed may only be used one, or hopefully two times. Urban residential comps might be used numerous times, thereby averaging down the time cost to the appraiser to a very low amount.

“In fact, some rural areas may require a trip to several courthouses, if the property is near the county line and the courthouses do not post sufficient property information online. MLS information is simply not available in some rural areas,” Reyman added.

As to any significant decrease in the number of rural appraisers, GaNun is aware, by way of traveling across the country, of some places where there are a limited number of appraisers in rural areas. This is due, he says, to the limited work in these areas.

If fees for work needed are in the right range, qualified appraisers can be found. If one is looking for an unreasonable turn-around time or a low fee in an area where there are limited appraisers, then that is another topic. Again, it must be economical for all involved, GaNun says.

But there is the understanding that in some rural areas, the turn time on appraisals takes a bit longer than one would like.

“Most good appraisers I know have a steady stream of work. There is often a month to two month backlog,” GaNun said. “A typical report is not turned out in a day or less. I really don’t think this is that different in the rural sector than in the non-rural sector. There may be more appraisers in the suburban and urban areas due to economic conditions, but most are not sitting around waiting for work.

“As to the recent raising of thresholds for commercially-related transactions and its effect on any shortages, anytime we talk about raising the de minimis standards, we need to all recognize why they are set where they are and how changes might impact the safety and soundness of the economy and the public trust,” GaNun added. “If you are holding these loans in your portfolio I would expect that

stockholders would want to have assurances that their investments are safe. Proper appraisals completed by competent, qualified appraisers provide this assurance. It is imperative that all stakeholders be involved in any problem solving process. ASFMRA has been actively engaged in speaking with the American Bankers Association (ABA), The Appraisal Foundation (TAF), Appraisal Institute (AI) and the American Society of Appraisers (ASA), as well as congress in regards to these issues.”

Reyman again looks for more clarification of terms. What is “a long turn time?”

“The lenders I’ve asked about time frames say they can usually work with 30-45 days on land loans, sometimes longer,” he said. “If they need quick turn-around, we do our best to accommodate that. Sometimes, they need to seek another appraiser who can meet a specific deadline.”

Educational requirements can also weigh heavily on the number of veteran appraisers still looking to stay in the game but who don’t want to deal with any additional schooling, or possible new appraisers who also think appraiser educational regulations may not be for them.