



# VALUATION REVIEW

There is no comparable

## Your View: Chief appraiser offers reasons for shortage in profession

**Greg Stephens**, chief appraiser, Senior Vice President compliance with Metro-West Appraisal Company, LLC, is a recognized subject matter expert when it comes to appraisal regulations and standards. *Valuation Review* reached out to Stephens in this installment of "Your View" for his assessment on why the number of appraisers is low and what can be done to remedy this. With more than 35 years in the industry, Stephens is more than qualified to speak on this topic, and a variety of others.

Is there really a shortage of appraisers working within the industry? For some, that appears to be food for thought not easily digested. As for residential appraisers, where there are reported shortages, Stephens offered the following as to reasons why appraiser numbers may be low.

"In regards to the residential valuation sector, there appears to be mixed messages relating to a shortage of appraisers," Stephens told *Valuation Review*. "Some regulators believe there are a sufficient number of appraisers, while other regulators and market participants, including lenders and Appraisal Management Companies (AMCs) report actual shortages within specific states and markets such as

North Dakota, South Dakota, Colorado and Texas. Shortages are being reported in rural areas where lenders and AMCs indicate difficulty placing orders or experiencing extended turnaround times, and appraisers expanding their coverage areas due to the diminishing supply of appraisers in some rural areas."



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Stephens believes that the No. 1 reason for the reported shortage is the increasing imbalance between the number of appraisers leaving the industry and those entering the profession to replace them. This creates a multi-faceted problem:

- The diminution of appraisal fees within the residential mortgage lending industry creating a disincentive to either remain in the industry

or gain initial entrance.

- The Federal Housing Administration (FHA) revision to their appraisal panel requirements accepting only certified appraisers on their rosters.
- Restrictive federal and state regulations with the evidence being indisputable that an unintended consequence of the Home Valuation Code of Conduct (HVCC) was the proliferation of AMCs, followed by an immediate diminution of fees paid to appraisers.

"With AMCs responsible for the fulfillment of more than 80 percent of mortgage-related valuations, the alternatives to working for an AMC and remaining in the mortgage-lending industry are limited," Stephens said. "The result has been an exodus of practicing appraisers into non-mortgage lending-related segments of the valuation profession, retiring early or leaving the industry altogether. This has also diminished the incentive for someone considering real property appraising for mortgage lending as a profession and the incentive for a certified appraiser to take on the task of mentoring a trainee."



As to what is being done or what can be done to steer people in a direction towards the appraisal industry, Stephens wasn't able to paint a very pretty portrait.

"Unfortunately, as an industry, the appraisal profession is very fragmented," he said. "There is no single voice or universal message being communicated to the users of appraisal services, the regulators with oversight over appraisal practices or the general public. This has been exacerbated by the openly public sparring between the Appraisal

Institute and The Appraisal Foundation, demonstrating a further division within industry leadership."

Economics still plays a pivotal role as to why people want to enter the appraisal profession as does the fact that certified appraisers don't want to take on the added responsibility to train someone to be an appraiser. Lender and investor restrictions negatively impact the idea of using trainees.

Stephens emphasizes that the current practice

of lenders prohibiting the use of trainees in the development of an appraisal, not allowing trainees to independently inspect properties and not allowing trainees to sign an appraisal report has to stop.

"The problem goes beyond just trainees and supervisors," Stephens said. "Many lenders/AMCs require a minimum of five years of experience so even when a trainee does succeed through all of the regulatory hurdles and become certified, they are still unable to get on lender/AMC panels."



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