

Geographic Competency

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It has been brought to my attention that some Appraisal Management Companies (AMC) assign appraisal orders the following way:

1. Order is received from lender
2. Order is sent out to several appraisers who say they cover that county
3. The first appraiser to accept the assignment gets to complete it or...
4. Out of all the appraisers that accept it, the one with the lowest fee is approved by the AMC to complete the order

Often times, the lowest fee or the first appraiser to accept the assignment is located 75 miles from the city - a city that likely has several qualified appraisers that live and work there.

That being said, here is what several in the industry fail to understand. Just because you live a block away from the subject property does not mean that you are a good appraiser. And just because you live 75 miles from a property does not make you a bad appraiser. In all my years of reviewing appraisals I have seen several superior appraisals completed by appraisers from outside the immediate county. An unbiased opinion is often the best opinion.



However, I do agree that if you have several qualified appraisers working and living near the subject property, one of them should be selected for the assignment. This is often easier said than done. Many times the qualified appraisers within the area are NOT on the lender's or AMC's approved panel. Maybe they simply choose not to work for them. Or maybe their fees are not market rate and the AMC cannot send them the order. Or the appraiser simply declines the order stating he is already too busy, or the property is too complex for the fee, or the appraiser is going on a vacation and cannot meet the turntime expectations of the client. Who said management companies had it easy?

At Kirchmeyer & Associates (KA), we assign work to the best available appraiser. We heavily weight proximity, but we do consider other factors also such as the appraiser's average quality grade with us (our quality control team grades every appraisal), their communication grade, average turntime, availability, and lastly fee. We certainly cannot pay the appraiser more than what the lender is obligated to pay us based on any contracted fee schedule, unless of course we have a complex assignment that requires a quote.

The lender may have a panel of approved appraisers that receive a certain percentage of volume in a particular county. In that case, we already know that the appraisers on that panel have the experience necessary to complete the majority of

the assignments and if they don't, per USPAP they are required to disclose that up front, prior to accepting the assignment. Or we remove them from our panel and the lender's rotation.

The Home Valuation Code of Conduct, or HVCC, has indirectly brought this matter to the attention of the industry. The Appraisal Institute has recently alerted lenders with a letter from their President Jim Amarin, MAI, SRA, dated Aug 18, 2009. In the message, Jim states: The Home Valuation Code of Conduct has raised public concerns about residential appraisal procurement systems used by some lenders and third party appraisal management companies (AMCs). Some AMCs use "broadcast" ordering systems, which send appraisal requests (with the terms of engagement) to multiple bidders, contracting with the first appraiser that accepts the assignment. We believe increased use of this type of system may explain the apparent increase and visibility of "out-of-area" appraisers, who may lack the necessary geographic competency to perform the assignment adequately. This has been reported by several media outlets, real estate agents, home builders and many real estate appraisers.

While we question the usefulness of such systems, particularly their ability to retain a highly qualified real estate appraiser, their use also raises many questions about ethics requirements for appraisers. Real estate appraisers have responsibilities to the public to accept only assignments they have the knowledge and experience to complete competently, to disclose any lack of competency to clients and to take all necessary steps to achieve such competency prior to completing the assignment.

I applaud the Appraisal Institute's concern and involvement in this matter. I have been a member of the Appraisal Institute since 1994 and not once have I thought they were not trying to do what's best for the consumer. Ultimately, after the lender, isn't it their interests we are paid to protect?

KA's system has the ability to see exactly how far from the subject property all of our approved appraisers are located. We even try and track where the appraiser lives and has a home office, in relationship to where their employer's office is located. Business locations may be misleading if the appraiser works from home, which many appraisers do. Our assigning team views the location maps on most orders so they know who is closer, and then factor in all of the other criteria mentioned above that is used to select the best appraiser. We do value the proximity issue, but we also know that geographic competency is not black and white.

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