

# APPRAISAL TODAY

## Fannie Mae Appraisal Messaging "Hard stops" to begin in January, 2013. How to get ready for the changes.

Last month I wrote about the Fannie Mae Messaging Warnings. Fannie plans on issuing "hard stops" starting January, 2013. The exact date is not available.

*Hard stops mean that Fannie will not accept the appraisal until the corrections are made.*

### How the system works

Here are the steps:

1. Appraiser writes up appraisal report and runs it through their forms software's "UAD" checker and through the Appraisal Messaging warnings. Note: forms vendors use different terms for this. Be sure you have all your automatic checking turned on.

**DO NOT TURN OFF YOUR AUTO CHECKING. FIX ANY ERRORS SO YOU WILL BE READY JANUARY 2013. DO NOT TURN OFF YOUR COMPLIANCE CHECKING IN YOUR FORMS SOFTWARE. You need to learn how to use it. UPDATE YOUR FORMS SOFTWARE FREQUENTLY. AT LEAST ONCE PER WEEK IS BEST.**

Forms software vendors have been working with Fannie to set up UAD warnings that include the new com-

pliance requirement.

2. Appraiser submits report to portal, such as etrac, fnc, AMC portal, lender portal, etc.

3. Portal receives appraisal report and may run additional checks, such as conformance to lender-specific requirements, appraisal scoring, not related to Fannie Mae UAD and appraisal warnings.

4. Lender/AMC submits appraisal report to Fannie's UCDP (Uniform Collateral Data) portal.

4. Lender or AMC receives appraisal warnings back from UCDP. Most allow Automatic Manual Override. However, some require that the PDF copy of the appraisal report must be opened and read.

**TO MAKE IT EASIER FOR THE UNDERWRITER TO DO MANUAL OVERRIDES, I STRONGLY RECOMMEND REFERENCING WHERE YOUR COMMENTS ARE IN YOUR REPORT. THE LOCATION OF THESE COMMENTS IS NOT**

### STANDARDIZED.

Underwriters must open the PDF newsletter and find your comments.

Entering this on the top of the first page is a good idea, in a comments box, which is not part of the UAD. For example, the lender/AMC receives a warning message: "Number of line adjustments appears excessive for comparable 1." The subject is not a tract home, in a rural area, unusual home, etc. You already know they will receive this message because you have explained it in your report.

You need to make it easier to find in your PDF appraisal. Telling a caller to "look in the report" does not help anyone.

Instead, put on the first page of your report, "See the addendum on Page 7 for comments on XXX (whatever is exceeding guidelines and must be manual-

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- ly overridden by the underwriter.
- Underwriter does manual overrides on warnings.
  - The appraisal has a "hard stop" and is rejected by UCDP.

### **UAD vs. UCDP vs. appraisal messaging warnings**

Here is what Fannie says:

"Fannie Mae has developed proprietary appraisal rules and messaging to offer feedback to lenders on the quality of the appraisal data submitted to the Uniform Collateral Data Portal (UCDP).

The messages are designed to help lenders detect data inconsistencies and in turn improve the reasonableness and quality of appraisal data.

These rules are in addition to the Uniform Appraisal Dataset (UAD) and UCDP messages that you receive today.

Unlike the UAD compliance edits which focus on data completeness and formatting, these messages focus on data reasonableness, policy compliance, and property eligibility.

### **What's the difference between a warning and a hard stop?**

Warnings are optional. Hard stops do not allow the lender/AMC to upload the appraisal to the UCDP and the loan cannot be completed until this is corrected.

### **What are the criteria for the 149 warnings?**

Per Fannie: tolerances are proprietary and they have no plans to share them with anyone.

### **What are the criteria for hard stops?**

Per Fannie, there is a "short list" of hard stops. No information is available from Fannie on the criteria.

### **How is the appraisal PDF used?**

Per Fannie, "The PDF version of the appraisal report remains the official document of record."

The PDF copy is used for manual

overrides of most of the warnings. However, the underwriter must look in the appraisal. See above. Why spend time responding to requests for information you have already provided. Telling a caller to "look in the report" does not help anyone.

### **If there are a lot of warnings, does this mean it is a "bad" appraisal?**

No, per Fannie. The warnings are not a replacement for an appraisal review.

No lender should put an appraiser on a "black list" because of the messages. They "don't speak to" appraiser quality.

Per Fannie, "The Fannie Mae Proprietary messaging covers the following categories: data reasonableness, adjustments, comparables, policy compliance and property eligibility. These messages help the reviewer identify significant outliers and certain policy or property issues."

"The appearance of a message does not currently affect the "Status" within UCDP and does not necessarily mean that an appraisal is unacceptable. In fact, the appearance of a message may indicate that the appraiser is appropriately adjusting for a given comparable or it may highlight key information (for example, appraisal is "subject to".

It is important to note that the absence of messages does not indicate or imply Fannie Mae's acceptance of the appraisal.

Lenders continue to be responsible for the accuracy of the appraisal and all representations and warranties associated with delivering the loan to Fannie Mae."

Hopefully, lenders will understand this!! Fannie Mae is working on appraiser scoring, using the data to analyze appraisers overall performance, not just one appraisal.

### **What about rural properties?**

Per Fannie, they tried not to be unfair to rural properties, but they can

have more messages. For example, if the subject has a 15 acre parcel, you should not see the messages increasing.

Fannie expects the underwriter to understand.

### **SSR (Submission Summary Reports) the lender receives on each appraisal submitted to the UCDP**

These SSR reports are sent to the lender or AMC, NOT to the appraiser.

Fannie Mae UCDP sends a report for each appraisal submitted that includes lists of the Findings, which are the proprietary messaging warnings and hard stops. Hopefully, most of the warnings were resolved in your forms software.

Sections include:

- UCDP Basic Edit Checks - for example: unknown subject address and UAD compliance failure
- UAD Compliance Findings. For example: Effective date of data source must be provided in mm/dd/yyyy format, Net adjustment percent is not consistent with the net adjustment percent calculated using net adjustment amount for comparable 1.

### **How will lenders/AMCs use the SSR report?**

Per Fannie:

"All lenders or agents will need to decide how to consume and utilize these messages in their business process.

For example, a lender may choose to focus on appraisals with a large number of messages (greater than ten or fifteen).

Other lenders may choose to focus on the critical Fannie Mae messages that impact eligibility as a start.

Lenders may want to delegate the review of the messages on an appraisal-level to their agents while retaining the ability to assess aggregate management reporting on a monthly basis.

Other lenders may choose to retain the ability to receive the messages for their own QC efforts."

Examples are: lacks 3 closed sales and sales over 1 year old.

### **Aggregated monthly reports will be available to Fannie sellers**

These reports are available on the 5th of the month for the previous month.

- Report 1: Overview of Fannie Mae Proprietary Messages on Active Appraisals
- Report 2: Fannie Mae Proprietary Appraisal Message Trending Summary by Seller/Service - trending from prior month
- Report 3: Summary Report for Active Appraisals - summary of messages for the month, including UCDP Basic Messages (i.e., unknown subject address), UDCP messages with automatic approval and manual approval, and Count of Fannie Mae Proprietary Messages.

These reports are statistical summaries of the previous month's appraisal reports submitted by the lender, plus benchmarks from all other lenders, so they can see how they compare. The report also includes a list of the "most frequently fired" Fannie Mae Proprietary Messages.

### **There are 12 Policy compliance messages that are the most critical, such as:**

- Seller is not indicated as owner of public record.
- Concession adjustment for comp #() is greater than zero.
- The subject property is in a condominium project that may be ineligible for delivery to Fannie Mae.

Per Fannie, the policy compliance messages are infrequent, about 1.2% of the messages.

Report 1 includes the number of

appraisals with 1-5 messages, 6-10 messages, etc.

### **How many messages are there typically?**

Per Fannie, 30-40% of the appraisals they tested returned no messages. For appraisals with at least one message, the average number of messages is between 3 and 4.

- Percent of different message types:
- 48% data reasonableness
  - 29% adjustments
  - 8% property eligibility
  - 9% policy compliance
  - 6% comparables

Fannie is looking for very significant outliers, such as unusual properties.

### **What is the role of appraisal forms software vendors?**

For appraisers, their forms software provide the interface that is used to comply with UAD and Appraisal messaging. Fannie has been working with appraisal forms software vendors for many months to get this set up.

Fannie is using 20 primary companies to advise appraisers on the editing/corrections that are needed to comply with Fannie Mae guidelines. Most appraisal forms software companies are in this group. Forms software companies not in the group of 20 can partner with one of them to get the info from Fannie.

Every forms software company handles this differently. Some handle all the warnings without any problems, others are less accurate. The software interfaces also vary widely.

For example, when your software detects a warning is needed, it should also tell you what specific Fannie

Mae Appraisal Guideline it refers to. Otherwise, you will have to look for it yourself. For example, what the message "Subject property's year built is outside the expected range" refers to in the Fannie Mae Guidelines. Without that information, you cannot respond.

### **What lenders are doing now**

Some lenders have been requiring that the warnings be corrected, if it is not done by the appraiser before submitting to the lender/AMC.

Others are not doing much of anything until January 2013.

### **Where to get more information**

I have the links to Fannie Mae Seller Guidelines, the Appraisal Messaging overview - and the List of Fannie Mae Appraisal Messages posted on my home page at [www.appraisalstoday.com](http://www.appraisalstoday.com). They are also posted on the Paid Subscriber Web Page.

### **What does this mean for you?**

More conformity. Hopefully, fewer "stips" and other calls and emails for "corrections". No one incorrectly saying you did not conform with Fannie Mae guidelines.

Another step towards the "science" of appraising, where the art is being left behind. Put all appraisals into the box of conforming tract homes. Less and less concern with location, location, location as the primary factor in real estate.

# The best places to connect with other appraisers online

**R**emember what it was like pre-Internet for appraisal-related news, such as new FHA requirements? Often, appraisers were the last to find out. Now, the information is on the Internet, often within minutes.

When you have a business questions, such as a collection problem, you can get advice quickly. When you have general appraisal questions, you can get feedback.

Many appraisers are in one-appraiser firms, or have only a few appraisers in their offices. Communicating with other appraisers can be very valuable. Discussed below are active appraiser chat boards and email discussion lists.

## What to discuss

What would you want to discuss? Here are just a few of the topics discussed on appraiser mailing lists and chat boards.

- \* AMCs - a very popular topic
- \* How to appraise an unusual property and many other appraisal questions.
- \* Whether a prospective client pays promptly.
- \* USPAP issues.
- \* How to get more business.

## Yahoo, Facebook and Web chat type groups are very different

The most active web-based chat group is [www.appraisersforum.com](http://www.appraisersforum.com). Unfortunately, you have to scroll through the personal chit-chat. Also, there is some acrimonious discussion. There is a wide range of appraisal expertise, so you have to sort through the postings and identify those that appear to be accurate. This is very common in these types of chat groups.

In contrast, email style groups such

as Yahoo and LinkedIn are private. You can configure the interface to show just a subject line, and sort in different ways.

Facebook pages can be are only visible to Facebook members and can require permission to join.

## Which groups are the most active and which are the oldest?

AppraisersForum.com is the most active and began in 2000. Since then, 64,019 people have registered as members and there are 114,490 threads and a total of 1,536,438 posts. Average number of new posts per week is several thousand. This is as of 11/27/12.

To find out how active a group is, you need to look mostly at how many messages are posted per month over time.

Most groups have this information available. For example, the yahoo group [InlandCAAppraisersForum](http://InlandCAAppraisersForum), started in 2006, has 699 members with postings over the past two years of about 500 to 1,200 per month. The information is at the bottom of the Description of the group page.

In contrast, the [Total200usersgroup](http://Total200usersgroup) was started in 1999 and has 3,580 members. But, the peak month was 1/07 when there were 1,629 postings. Activity has been declining, with 2012 monthly postings from about 250-500.

For yahoo groups, the number of members is listed.

Finding out about other groups, not Web based, is not easy. When you join, sometimes you get access to group member lists and old postings. An old list manager called Mailman does this.

Or, you can just sign up and see what happens.

## What about unsubscribing?

All the email mailing lists have an unsubscribe link at the bottom of each email. Web based lists have a way on their Web site to unsubscribe.

## What if you get too many emails?

When you join an active group and you get emails of postings, be **MUST** separate email filtering folders for them in your email software. This is the best way to handle them. Otherwise you will go crazy deleting postings.

I don't subscribe to daily emails from most of my yahoo groups. Instead, I check their Web page. You can usually get daily or weekly digest emails. For me, the digests are too much of a hassle, especially if I want to reply to a message.

## Using Yahoo Groups

Many of the appraiser email chats are done through Yahoo Groups.

Go to <http://groups.yahoo.com/> or go to [www.yahoo.com](http://www.yahoo.com) and look for the Groups link on the left side of the page. Search for appraiser, appraisal, or real estate appraiser. There are many groups.

Visit the groups you're interested in to see what topics are discussed and how many messages are sent each day. You can choose to have all the emails sent to you, you can read them on the web site, or both.

Archived messages and the ability to group by topics is a significant advantage, as compared with email-only lists where finding a specific email can be tough.

Setting up a group for a specialized topic is very easy using Yahoo Groups.

Tips on using Yahoo Groups.  
- Finding a group can be difficult. Try searching under different names. I

searched for "real estate appraisers" and found many groups. See which ones are active (how many recent postings) and how many members there are. Some require moderator approval.

- Sort the list by topic so you can find related emails easier.

### **Yahoo groups I belong to**

You can check these out to see what you like. I like yahoo groups as I can check all the groups I am in, including lots of personal groups, on the same page. I don't subscribe to emails for most of them. I just check them periodically.

I belong to REAAForum on yahoo groups. It focuses on Northern California appraisers, but most of the activity is from the Sacramento area appraisers.

Another group, InlandCAAppraisersForum, is very active and focuses on Southern California, but also has information about national issues such as USPAP changes.

Another group, Total2000UsersGroup, was started for a la mode users. It is now less active, but still has useful postings.

### **Facebook groups**

I follow two active appraiser facebook pages. Facebook is different than the other groups as every posting is on the same page, so following the posting histories is difficult.

Both groups don't have any chit-chat or "fights" but focus on residential issues - crummy AMCs, clueless underwriters, good AMCs, etc.

They are:

- Appraisers - open only to licensed and certified appraisers, verified through asc.gov - 326 members
- I am a Real Estate Appraiser- The National Appraisal Coalition 1,729 members

### **Public vs. private postings**

When you post on web-based groups, such as www.aiforum.com your postings will be indexed on search engines so they are "public".

Yahoo, linkedin, and googlegroups are private. Only group members can view the postings.

Facebook can be private or public to Facebook users.

### **If you say something negative about a client, will you get into trouble?**

Appraiser clients are members of some of the appraisal groups. Appraisersforum.com is regularly checked by clients and appraiser vendors such as software companies.

The Facebook group, Appraisers, requires that members be currently licensed or certified appraisers. But, there are appraisers that are employees of lenders or AMCs.

Of course, if you can use an anonymous name, it will be harder to figure out who you are.

### **Why would you not want to be anonymous?**

To get a little bit of fame or notoriety!!! Or, to let others know more about you, including other appraisers or clients.

### **Are the postings moderated to remove inappropriate postings?**

All the groups are moderated, to varying degrees. A few approve every posting. I don't advise this as it definitely cuts down on the number of postings.

Most appraisal groups are moderated by removing postings that the moderator feels are inappropriate. For example, appraisersforum.com does not like political postings.

### **Who can join the groups?**

Most are open to anyone, but some groups require that new members be approved. For example, the Facebook group "Appraisers" verifies that prospective members are license or certified appraisers.

### **Joining as an "anonymous" member**

Most groups do not require your "real" name, so you can use whatever you want.

For many years, www.appraisersforum.com required that you use your "real" name. That requirement was dropped.

This keeps your name off any postings, but does not allow anyone to know who you are.

I prefer to use my "real" name, so everyone knows who I am. Others prefer to be anonymous.

Over time, other group members may learn your "real" name.

### **Are they helpful with issues you are having with a specific appraisal?**

Since most groups include appraisers from a wide geographic area, the responses may or may not help, if they are specific to your location.

Personally, I think it is really sad that many appraisers do not have any local appraisers to call for advice on local issues. Unfortunately, some of the responses are not helpful at all as the person posting does not know the local issues.

There are some local groups, which are very helpful as they do appraisals in your area.

### **How to find or start a local group**

Search yahoo and google groups, the most widely used places for local groups.

Starting a local group is easy. I recommend yahoo groups as it is much older with more users than google-groups.

Keeping the group active is more difficult. Look at other local groups and see what they do. Groups can die very quickly. You will also have to get group members, usually by emailing appraisers you know or making an announcement through a local appraisal group. You will probably need to do most of the posting when you first start the group.

Search yahoo groups and see what

their local appraiser groups look like. Is there much activity? How long ago was it started.

### **One-way emails**

My free appraiser email newsletters are one-way. You can reply, but no one sees them, but me.

Other emails are notifications, such as by a local MLS or other organization.

### **Good linkedin groups I follow:**

- USPAP, Uniform Standards of Professional Appraisal Practice
- Valuation Review
- Appraisal Group
- Real Estate Appraiser Connection
- Real Estate Expert Witness Group

Linkedin is for people looking for a job, so some of the groups have job postings which can be annoying. But, there are some very interesting and informative discussions.

There are many appraisal linkedin groups. Search for them.

### **"One way" appraiser email lists I subscribe to**

- My email is "one way": I send it out and you receive it. There are no discussions. To sign up, go to [www.appraisalstoday.com](http://www.appraisalstoday.com).
- Appraisal Buzz: [www.appraisal-buzz.com](http://www.appraisal-buzz.com)
- FHA (notices of changes, meetings, and lots of other info): [www.hud.gov/offices/hsg/sfh/ref/hsgregst.cfm](http://www.hud.gov/offices/hsg/sfh/ref/hsgregst.cfm)
- Appraisal News Online (Appraisal Institute) summaries of news stories, mostly related to Washington DC and commercial appraisal news - <http://www.appraisalinstitute.org/about/newsletter/>

### **Software email chat groups**

See if your forms software company has a chat email or web posting site.

These can be very helpful, especially if "candid" comments from users are allowed and the company

quickly responds to questions.

### **Blogs**

Many blogs allow readers to post comments. Newspapers also allow comments. They allow feedback and a "community" feeling. Most have a way to get notified if there are new posts.

Most of them allow you to sign up for email notifications when there are new postings, so you don't have to keep checking the blog.

There are too many to keep track of. Here are a few of the more active blogs I regularly visit:

- [www.Appraisalscoop.com](http://www.Appraisalscoop.com) - all types of appraisal issues from many contributors. Lots of comments
- [www.appraiserlawblog.com/](http://www.appraiserlawblog.com/) No comments, but very good info from Peter Christensen of Liability Insurance Administrators.
- <http://appraiseractive.blogspot.com/> Occasionally postings by Frank Gregoire. Some good postings for Florida appraisers.
- Appraiser Talkback Blog - good tips on deadbeat AMCs - lots of comments <http://www.orep.org/wordpress-2.7/wordpress/>
- [www.mortgagefraudblog.com](http://www.mortgagefraudblog.com) - Mortgage Fraud Blog - "the" source of mortgage fraud info. Few comments.

I just started AppraisalTodayBlog, so appraisers can leave their comments on what I am write in my free weekly email newsletters. I monitor the postings if I am writing about controversial topics.

For example, I got lots of hate mail when I refused to be "against" AMCs. Some were way too vitriolic for a public forum. I would leave some there, but take out the most offensive. I have a very thick skin, but many would not like to read them all.

### **Appraisal email lists and chat**

### **groups change over time**

Many email lists and chat groups change over time. For example, the wintotal yahoo group used to be very active, but is now much less active.

The very best email discussion group was the aiforum, sponsored by the Appraisal Institute. Unfortunately, they quit hosting the group in the few years. There has been no group that replaced this most excellent group. Getting members to migrate to a new group is very, very difficult and is seldom very successful.

### **Appraisal association chat groups**

Some appraisal associations have private (members only) chat boards, such as the Appraisal Institute.

If you're a member of an appraisal association, check out your association's Web site. I haven't seen many postings on these sites, but they are worth checking out.

I don't visit them very often as they are password protected with few comments posted.

### **Commercial appraiser online tips:**

- Most participants in the email lists and chat boards above are residential appraisers, as the vast majority of appraisers are residential.
- The best list for getting advice/info on a difficult assignment or comps was the Appraisal Institute mailing list. It has been discontinued by the AI
- For info on computer topics, all the lists are fairly good. Just post a message and someone will be able to help you.

### **How to manage the emails**

I don't get many emails for Yahoo groups as I check the postings online. For linkedin, I have daily messages summarizing new postings for each group. "One way" email lists, such as mine, require that you get every email. I only send 1-3 emails per week, so there are not many. But, lists such as appraisal buzz send out

many, many messages every day.

I am notified by email for blog postings, but there are only a few every week, so I just filter them into mailboxes.

There are two commonly used methods

1. Set up a separate free email account for subscribing to the groups.
2. Use your own account and filter the messages into folders. This is how I handle all the emails. It is very easy to set up.

### **What about spam?**

I don't worry much about spam as I have no control over it. Since I set up my web site in 1998, my email address has been on every page of my 200+ pages.

But, "harvesting" email addresses has been made much more difficult by the companies that manage the Internet chat groups. Plus, most require a password, such as yahoo and google groups.

### **What about the social side of chat groups?**

Today, most appraisers work at home and don't see or speak regularly with other appraisers every day.

All groups have a social side, especially if you post regularly.

Even if you don't post much, you become familiar with regular posters and feel like you know them. That is human nature.

Appraiser "war stories" and photos of weird properties are lots of fun.

### **Should you communicate with appraisers online?**

I monitor all the email and Web posting sites for this newsletter. Some I like more than others. See what you like.

Positive: Keep up with the latest news, post your own opinion, be part of a group, ask questions, etc.

Negative: too many chatty, off topic posts, too much negativity, too much time. These negatives are common in almost all email and chat boards unless they are very heavily monitored and all postings must be approved by the moderator.

### **Where to get more information**

Just Do It. Join a few groups and see if you like it.

# What are AMCs paying now? Fees have been going up for awhile, but some appraisers are still working for low fees.

**C**oming in future articles: lots more info on AMC fees, such as what factors appraisers use in declining an appraisal and what factors AMCs use to determine the fee for a specific property and specific appraiser.

The recently published Texas AMC fee survey got me interested in analyzing the results of the survey and comparing it with other surveys.

There are definitely different opinions in the Texas survey between what AMCs say they are paying and what appraisers say they are getting.

In 1993, my survey found that the average national fee was \$288, with a range of \$240 to \$450. Texas average fees were \$312.

I used several surveys for this article. The Texas Appraisers and Appraisal Management Company Survey is by far the most rigorous and was done by three universities, and was requested by a committee of the Texas State Senate. The survey was done in 8/12 and the report was available in 11/12. See the end of this article for more information on the surveys.

The Customary & Reasonable fiasco since HVCC in 5/09 has resulted in a much wider range of fees for appraisers for the very first time in history.

I keep hearing about appraisers working AMCs for under \$250, or even \$200 today, but I have never been able to speak to these appraisers.

Prior to HVCC, fees were typically within a narrow range in a local area, or even a state. For example, a typical fee of \$350, with a range of \$325

to \$375 for a "typical" property.

In my area, the typical fee when I started my business in 1986 was \$200 and increased to \$325 by 1993. Now it is around \$400 for lender appraisals. So, fees have gone up for non-AMC appraisals, at least in my area.

Fee appraisers had very steady fees, varying very little over time. Even in severe appraisal downturns, with very little work, offering lower fees did not make much difference. Lenders set their own fees. Mortgage brokers mostly used appraisers' standard fees. They were making lots of money on loans. The difference between \$300 and \$350 was a minimal amount. Fees varied little for the same property.

## **What has changed since HVCC 5/09?**

Now, with AMCs doing about 80% of appraisal ordering, fees can vary widely for the same property, particularly in populated areas. Before the significant volume increase this year, fees could vary from \$175 to \$325, depending on which AMC is requesting the order. When "broadcast" orders are sent out, obviously the lowest fee wins, assuming the AMC sees all the appraisers as the same and does not use appraiser ratings.

The 1004 form is the most commonly used, and has the most information available.

With the recent significant increases in loan volume, and the shortage of appraisers, AMCs are having difficulty finding appraisers. I am hearing about appraisers turning down 10 orders (or more) a day.

However, some appraisers are still

working for low fees, such as \$200 in an area where other appraisers are getting \$350 for the same appraisals.

## **What will happen to AMC fees when business slows down?**

Maybe fees will stay the same if AMCs decide to still offer the same fees, which is what happened before HVCC - very little changes in fees that I know of.

Maybe AMCs will decide to make more money and lower their fees, or shop for the lowest fee.

AMCs work for lenders. AMCs have been competing on fees. Maybe lenders will not use fees any more and will go to a "cost plus" model, where the appraisal fee is set and the lender and AMC negotiate over fees for other services. Lenders decide.

No one knows.

## **Why are fees for individual appraisers not going up more with the increase in demand? Fear and greed.**

Fear and greed. The same reasons that any business has. Fear - won't get any more orders. Greed - take a lot of orders whatever the fee.

Residential appraisers have only had about 3 years of experience with varying fees for the same assignment. Many are afraid to try to get higher fees or turn down work. It takes time to figure out how to handle this.

**What AMCs say they are paying appraisers vs. what appraisers say they are getting (Fannie Form 1004) - 8/12 Texas survey**

Received from AMCs by appraisers	Paid by AMCs to appraisers	Non-AMC fees received by appraisers	
Under \$150 1%	Under \$150 0%	Under \$150	0%
\$151-\$200 3%	\$151-\$200 0%	\$151-\$200	0%
\$201-\$250 7%	\$201-\$250 0%	\$201-\$250	0%
\$251-\$300 13%	\$251-\$300 15%	\$251-\$300	1%
\$301-\$350 25%	\$301-\$350 27%	\$301-\$350	13%
\$351-\$400 23%	\$351-\$400 29%	\$351-\$400	32%
\$401-\$450 9%	\$401-\$450 4%	\$401-\$450	15%
\$451-\$500 2%	\$451-\$500 4%	\$451-\$500	2%
\$501-\$550 0%	\$501-\$550 1%	\$501-\$550	1%
\$551-\$600 0%	\$501-\$550 0%	\$551-\$600	0%
\$601+ 0%	\$601+ 0%	\$601+ 1%	
No Answer 14%	No Answer 13%	No Answer	28%
Refused 4%	Refused 15%	Refused	6%

Definitely difference of opinions between what AMCs say they are paying and what appraisers say they are receiving from AMCs! I tried to contacted several people involved with the survey. One said he did not know. The other did not return my phone calls and emails.

I also do not know why so many appraisers did not answer or refused to answer what they are receiving for non-AMC appraisals.

**How do Texas fees compare with the rest of the country?**

Texas is a large state, with both urban and rural areas. In the past (see my 1993 survey below) the fees were similar to other western states, higher than the Midwest.

For comparative purposes, Texas was probably a good example.

**Results of 2011 Valuation Review survey - AMCs fees vs. appraisers fees from all sources**

Results from 2011 Valuation Review survey for typical appraisal fee. Questions asked: As an appraiser, what is your typical appraisal fee? As an AMC or lender, what is your typical appraisal fee.

	Appraisers	AMCs
\$100-\$200	3%	0%
- \$200-\$300	27%	17%
- \$300-\$400	46%	58%
- \$400-\$500	17%	17%
- Over \$500	6%	4%

Note: unfortunately this poll is not set up correctly. Respondents reporting \$300 could report in the \$200-\$300 range or the \$300-\$400 range, but it probably indicates that fees are going up.

This survey was taken in late 2011 and does not ask appraisers what they get from AMCs. But it does compare with the more recent Texas survey above, which asked for the same data. Another indication that fees have increased in 2012.

Unfortunately, I was not able to obtain the number of AMCs who were sampled. The number of appraisers was about 1,000. The survey did not ask for 1004 fees, only "typical" fees.

**Changes in fees**

**Change in fees paid By AMC over the past 2 years (Texas appraiser survey)**

Decreased	2%
The same	18%
Increased	73%
Refused	2%
Don't know	5%

Of course, this is for Texas only, but it is very surprising that none pay under \$252. Texas appraisers dispute this figure. Whether or not appraisers are still working for low fees (well under \$300) in Texas was not available.

Some AMCs have set fees for specific appraisers for typical properties. For example, you work for an AMC that is not a lot of hassle, pays promptly, and gives you a good volume. The appraiser accepts their \$300 fee.

**Changes in AMC fees - AppraisalPort poll in 1/12 - some fees going up**

Question: Have you noticed any recent change in the average fee paid by AMCs for any reason (possible lack of appraisers in some areas starting to kick in)?

Yes - an increase of less than \$25.	204 votes	4%
Yes - an increase of \$25-\$50.	518 votes	10%
Yes - an increase of \$51-\$100.	162 votes	3%
Yes - an increase of more than \$100.	61 votes	11%
No increase noted.	3,695 votes	68%
Some decrease actually noted in my area.	474 votes	9%
Not sure.	316 votes	6%
Total Votes: 5,430		

**Fees paid to appraisers by all clients combined going up - Appraisal Review polls 2011 and 2012**

What do appraisers say they are getting paid? (-from all clients, combined)

Fees from Appraisal Review fee surveys in 2011 and 2012

	2012	2011
Less than \$100	0%	0%
\$100 to \$200	4%	3%
\$200 to \$300	22%	27%
\$300 to \$400	52%	46%
\$400 to \$500	16%	16%
Over \$500	6%	6%

Note: unfortunately this poll is not set up correctly. Respondents reporting \$300 could report in the \$200-\$300 range or the \$300-\$400 range, but it probably indicates that fees are going up.

**A look at the past Fees paid to appraisers in 2010, non-AMCs (source: a la mode)**

Unfortunately, I was unable to get permission to report every state by my deadline, so I just reported a few.

This was compiled from Mercury Network and reported as "Appraisal Fee Reference" when C/R was a controversial topic. The analysis was well done as the data was actual fees with a large sample.

These were observed fees for 1004/URAR fees and not a survey. None of the states had under \$300. Fees were median fees between appraisers and non-AMCs

Here are a few states:

- Texas	\$350
- California	\$375
- Michigan	\$300
- New York	\$325

**Fees in 1993 by state - how do they compare with your fees today?**

There have been some increases in fees over the past 19 years, but not much.

I did this survey in late 1993. Customary and reasonable fee surveys have had similar results, with a typical national range of \$300 to \$400 in 2010, when C/R was a big issue. Washington and Oregon continued to have higher fees, over \$400.

My survey was taken by only my paid subscribers.

In 1993, The national average fee was \$288, with a range of \$240 to \$450.

Until AMCs took over, western states had the highest fees and mid-western states had the lowest fees. I don't know why they varied so much.

I don't know if this has changed. I do know that some AMC fees don't change much by geographic area.

Fees below show a wide range in some states. This may be due to rural vs. suburban and location within a state.

For example, southern California fees are typically lower than Northern

California fees, which lack large tracts of conforming homes.

Business was very strong in 1993.

Note: I only got one or two responses for some states, so I did not include those results.

	Fee	Range
Arizona	\$275	\$275
California	\$306	\$275-\$370
Connecticut	\$256	\$225-\$487
Florida	\$246	\$200-\$275
Georgia	\$288	\$250-\$325
Hawaii	\$436	\$385-\$475
Illinois	\$242	\$200-\$280
Indiana	\$237	\$225-\$250
Maryland	\$285	\$275-\$300
Mass.	\$250	\$250-\$250
N. Carolina	\$254	\$225-\$300
New Jersey	\$241	\$225-\$300
Nevada	\$312	\$300-\$325
New York	\$253	\$200-\$300
Ohio	\$218	\$200-\$275
Pennsylvania	\$225	\$225-\$225
Oregon	\$416	\$300-\$325
Texas	\$312	\$300-\$325
Virginia	\$295	\$250-\$350
Vermont	\$275	\$250-\$300
Washington	\$400	\$375-\$450
Wisconsin	\$222	\$220-\$225

**What appraisers have always had C/R fees?**

Some appraisers have always had reasonable fees, close to pre-HVCC fees, say \$350 to \$400, that have not changed much. Often, they work for mortgage companies or credit unions that outsource to AMCs on a cost plus basis. Cost of the appraisal plus a fee to the AMC.

Or, the client uses a la mode's Mercury Network or AppraisalPort to process the orders and does not use a "traditional" AMC.

Of course, if the appraiser loses one of these clients, they often have to accept lower fees from other AMCs.

**What about scope creep and fees?**

Prior to HVCC in 5/09, scope creep was not an issue. Some lenders were more picky on reviews than others, but most did not change their requirements much.

Now, lenders are very paranoid about loan buybacks. Some keep increasing their appraisal requirements.

I don't know if AMC's working for lenders with lots of requirements pay higher fees, but I doubt it.

There is no information on this, but lender requirements have been increasing.

A future newsletter will have an article on this important topic.

For appraisers, this is a major factor on deciding which AMC's to work for. For example, you have two AMC's paying the same fee. One occasionally requires changes. The other has

lots and lots of requirements that means an hour or more of extra work for appraisers.

**What about status calls, hassles, etc. and fees?**

For appraisers, this is a major factor on deciding which AMC's to work for. For example, you have two AMC's paying the same fee. One occasionally calls if an appraisal is late. The other starts calling within a few hours of placing the order.

Who would you work for?

**Appraisers say they are less worried now about low fees**

In the 2012 Valuation Review survey, 58% of respondents said "low fees" was their "greatest risk", with 26% saying "high risk".

In the 2011 survey, "low fees" at "greatest risk" was higher at 65%", with 26% saying "high risk".

**AMC's vs. appraisers - are fees reasonable?**

This was the only survey I could find on this topic.

From the 2011 "Voice of the

appraiser" by Valuation Review.

- Appraiser question - How would you rate the typical appraisal fees you receive.

- Lender question - How would you rate the typical appraisal fees you typically pay the appraiser?

	Appraisers	AMC
Unlivable	12%	8%
Low	53%	13%
Above avg.	10%	17%
Cust/Reas	25%	63%

**Appraiser satisfaction with fees and their business?**

In 1993, 48% of appraisers complained about low fees and 60% complained about lender hassles. But, 77% were satisfied with their businesses.

Of course, today many appraisers want to quit the business and most would not recommend appraising to their children.

**About the Texas survey results that are used in this article**

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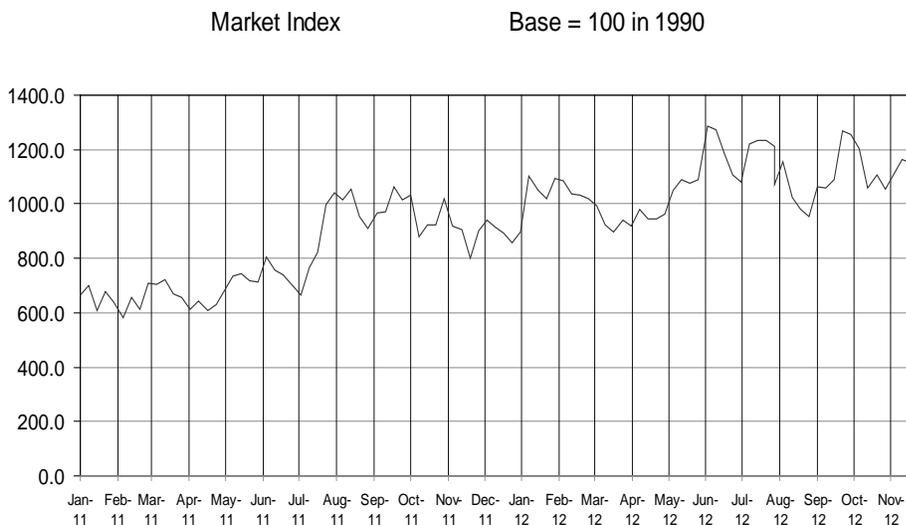
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**AS YOU CAN SEE IN THE GRAPH BELOW, BUSINESS PICKED UP SUBSTANTIALLY IN 2012!!**

**MBA Loan Volume Application Index – 1/11 to 12/12**



Company Survey was requested by the state of Texas Real Estate Commission (TREC) and is the most sophisticated rigorous survey available as it was done by three university-affiliated companies, including Texas A&M, University of Houston, and University of Chicago. The survey results are dated October, 2012 and were released in November, 2012.

In August, 2012, Survey surveyed a total of 1,584 appraisers and 55 appraisal management companies doing business in the state of Texas.

TREC provided a list of email addresses for 166 appraisal management companies registered in Texas. Of those, 9 were unusable because of non-working email addresses resulting in a population size of 157. There were 55 completed interviews received, 32 partial interviews, and no refusals. This survey's response rate is 54 percent. Its margin of error is +/- 10.69 points at the 95 percent confidence level.

The Appraiser survey was announced in the TREC quarterly newsletter prior to the start of the project. The first wave of invitation emails with identification access numbers included were sent on August 15. Two more waves of email followed a week apart, with the survey closing on August 28. The responses to the invitation emails consisted of 1,584 completed interviews, 192 partial interviews, and 127 refusals. Using the American Association for Public Opinion Research (AAPOR) Standard Definitions calculator, this survey's response rate is 26 percent. Its margin of sampling error is +/- 2.15 points at the 95 percent confidence level.

### **About the other surveys/polls used in this article**

The AppraisalPort and Appraisal Review surveys/polls asked their readers/users to respond.

The a la mode poll used data directly from their Mercury Network, without requiring filling out a survey, and is considered more reliable.

### **Where to get more information - links to surveys**

- Valuation Review - 2012 survey (registration is required)  
<http://www.valuationreview.com/VR/Voice-of-the-Appraiser-2012.asp>
- Valuation Review - 2011 survey (registration is required)  
<http://www.valuationreview.com/VR/SpecialReportsVR/Voice-of-the-Appraiser-162.aspx>
- Texas AMC Survey  
[www.talcb.state.tx.us/pdf/Texas\\_Appraiser\\_AMC\\_Survey\\_Report\\_2012.pdf](http://www.talcb.state.tx.us/pdf/Texas_Appraiser_AMC_Survey_Report_2012.pdf)
- AppraisalPort -  
[www.appraisalport.com](http://www.appraisalport.com)
- a la mode -  
<http://aaro.net/assets/pdfs/fall-appraisal/904-adam.pdf>

# 2012 year-end tax planning tips for appraisers

## What you can do now to save money!

The goal is to reduce taxes by deferring (or occasionally, accelerating) income to a year in which you are in a lower tax bracket, take advantage of tax credits and deductible expenses, and when legally allowable, earn income tax-free.

With the recent election, there is much speculation about tax rates, particularly for dividends, etc.

### Ways to defer income

If you are self-employed and on the cash basis of accounting, bill your clients near year end. They will probably pay you next year.

You can also wait until 2013 to make your business deposits. I don't know if this is technically "legal" but many businesses do it.

Of course, although you have deferred taxable income, you have also deferred receiving cash, so your income will be higher in 2013.

### Ways to increase expenses

Pay as many bills as you can by the end of the year.

Consider making charitable donations before the end of the year.

Credit card payments for business or charitable donations made by December 31 are deductible.

### Take advantage of all business deductions

Review your records and cancelled checks carefully to take advantage of all business deductions. If you have a business, these deductions benefit you more than itemized deductions. Business deductions are not subject to the itemized deduction phaseouts and they reduce your social security tax. Be sure your deductions are adequately supported by written records that indicate time, amount and busi-

ness purpose.

If you are on the cash basis of accounting and want to accelerate deductions pay your 2012 dues, subscriptions and similar annual bills before year end. If you charge expenses on your credit card, the credit card payment is considered the same as a cash payment.

### More ideas for reducing 2012 taxes

If your itemized deductions are close to the standard deduction, consider "bunching" your expenses every other year. Pay your fourth quarter state estimated tax payment in December instead of January every other year. Pay your January mortgage payment on December 31 every other year. Just be sure the bank reflects this extra payment in the annual mortgage interest paid form so that your deduction matches the information the bank sends the IRS.

Clean out your closets every other year and contribute your unwanted items to a charity for a deduction.

This year, medical expenses, which are deductible only to the extent they exceed 7 1/2% of AGI. Next year, the limit increases to 10%. Consider having any medical expenses done this year, such as dental work or minor procedures.

For the self-employed, 100% of health insurance premiums is deductible to reduce AGI rather than as an itemized deduction.

An appraiser can deduct home office expenses as long as the office is used regularly and exclusively to perform substantial administrative or management functions and there is no fixed space available at work locations. Be aware that if you have a computer in your home office, it also must be used exclusively for business

in order for the home office to be deducted.

Standard mileage deductions for 2012:

- 55.5 cents per mile for business miles driven
- 23 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

### SEP-IRA contributions are not taxable until withdrawn

For 2013, if you are making money, consider contributing to a SEP-IRA. It is too late to contribute in 2012.

I have put the maximum I am allowed into my SEP-IRA for the past 3 years, about \$20,000 per year. Since I am over the age of 59 1/2 I can withdraw money at any time without paying a penalty.

This year I saved \$7,000 in taxes by contributing the maximum allowed.

If you are younger, at least you are putting something into your retirement account that saves you taxes.

Like most appraisers, my income can vary quite a bit from year to year. This is a way for me to put aside money in the high years and withdraw it in the low years, if you are 59 1/2 years or older.

For the 2013 tax year, the IRS has raised the contribution limit to \$55,000, or twenty-five percent of the employee's salary, whichever is the smaller. These limits are subject to future cost-of-living adjustments as the years go by.

For 2012, it was limited to 25% of compensation for a maximum contribution of \$49,000.

IRA contributions must be made by April 15, 2013; SEP contributions

can be made as late as October 15, 2013, if you request an extension to file your income tax return. You can pay your taxes on April 15 and wait until October 15 to file your return, so you don't accrue much, if any, in penalties and interest.

### **Set up a 401k plan by year end**

These plans must be established by December 31st in order to be effective for a given tax year.

At the maximum, an individual that is at least 50 years old can contribute up to \$55,500 annually.

FYI, these plans are more complicated to set up than a SEP IRA.

### **Keep business and personal expenses separate**

Of course, you do have separate business checking and credit cards. If you don't, do it now and try to get your 2012 personal vs. business expenses straightened out ASAP.

The IRS scrutinizes personal expenses that may have been claimed as a business expense, such as the use of a business vehicle for personal use. Be diligent about keeping good records.

### **Home office deductions**

If you work out of your home and don't have a separate office location, you should be able to claim a home office deduction.

In the past, some people did not claim it because they thought it was a "red flag". But if the only place you run your business is a home office, there should not be any problems.

I have both a home office and another office in an office building for almost 20 years. I do not claim my home office. I sometimes work at home, but my business is run out of my separate office.

When I first started my business, I ran it out of a detached rear building behind the home I rented. If I had owned the property there would be tax consequences if I sold the property and I may not have claimed the deduction. See below.

Some of the expenses you can deduct include a portion of your real estate taxes, deductible mortgage interest, rent, utilities, insurance, depreciation, painting and repairs. The total amount you can deduct depends on the percentage of your home used for business.

The minus of the home office deduction is recapture of depreciation if you sell your home. In other words, you have to pay back the deductions you received during the years.

But if it's in the guesthouse in your backyard, the portion of your sale proceeds attributable to that separate structure would be taxable, even though the building was part of your overall home sale. And you still must pay tax on the gain equal to the depreciation on the home office.

If you're a tenant, it's easy, with no worries.