How to use this book

Using the table of contents

The Table of Contents is below so you can click on a topic you're interested in. The links are "live" so you can click on a link and go directly to that page.

The Table of Contents is two pages down, just after the title page.

Using Adobe Acrobat Search

PDF format allows for searching for words and terms.

Clicking on links

If you're online while reading this book, clicking on the blue-highlighted links will take you directly to the Web site.

Printing

You can print the entire book or print the pages you want. If you want to save on blue ink, set Adobe Acrobat to print in black and white.

Updates

Since it took me over 10 years to update this book, I don't anticipate doing an update very soon. Instead, my Appraisal Today newsletter has marketing articles in almost every issue plus I have Special Reports on current topics such as Foreclosure and FHA appraising. Go to www.appraisaltoday.com/products.htm for more information.

MARKETING FOR APPRAISERS

HOW TO SUCCESSFULLY MARKET YOUR APPRAISAL SERVICES

SECOND EDITION

Ann O'Rourke, MAI, SRA

Table of Contents

How To Successfully Market Your Appraisal Services

Published & Distributed By:
Real Estate Communication Resources
2105 Clement Ave. Alameda, CA 94501
(510) 865-8041
Fax 510-523-1138

Library of Congress Catalog Card Number: 95-92069

International Standard Book Number: 1-886703-01-9

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

From a declaration of principles jointly adopted by a committee of the American Bar Association and a committee of publishers and associations.

This book is available at quantity discounts with bulk purchases for educational, business, or sales promotional use. For information, please call Real Estate Communication Resources at 800-839-0227 or write 2015 Clement Ave., Bldg. 7, Alameda, CA 94501, email: info@appraisaltoday.com

◊ Acknowlegements ◊

Many thanks to all of those people who had a hand in helping me write, edit, and publish this book. Special thanks to my husband and copy editor, Zeke Mailman who encouraged me to work on the original Marketing for Appraisers book even though he spent many evenings and weekends alone while I was in the writing stages of the book.

Special thanks also to Theresa Lua my very diligent assistant. Thanks to my trusty notebook computer that didn't let me down and kept working even after being dropped out my car onto concrete.

And lastly a very special thanks to all of the expert advice and input I received from a battery of real estate appraisers too numerous to mention for fear of missing an important contributor.

Special thanks to contributing authors Doug Smith, Ken Rossman, and Tawfik Ahdab.

◊ Update since the original book was published 1994 ◊

The original book was originally written in mid-1994. A second book, Special Report on Marketing was published in 1995. The appraisal market has had some changes, and other factors have remained the same.

This new book combines and updates those two books. This edition updates all the information in the original books and provides additional information, such as FHA changes, working with mortgage brokers, using the Internet, and other topics.

We also publish another book, *The Appraiser's Marketing Workbook*, a 230+ page book with exercises to be filled out when working on your marketing plan.

CDs are also available on time management, marketing (1 hour CD and 3 hour CD), financial management, independent contractors, and other topics. For more information, go to www.appraisaltoday.com

◊ About our appraisal marketing products ◊

This book was originally written in 1994. This edition updates and significantly expands the first edition, primarily by including articles from our monthly printed newsletter, Appraisal Today.

To keep up on all the latest marketing opportunities, subscribe to Appraisal Today (The 2007 price is 1 year for $99, 2 years for $169)

We also publish The Appraisers Marketing Workbook, a "fill in the blanks" book for developing your marketing plan.

Some of us learn best by reading and others by listening. For those who prefer to listen, we also have CDs on marketing and other business topics

We also have Special Reports and Reprint Series on popular topics available.

For more information, go to www.appraisaltoday.com or call 800-839-0027, M,T,W, 8AM to Noon, Pacific time.

◊About the Author ◊

Ann O'Rourke, MAI, SRA is a practicing real estate appraiser. Her business, Ann O'Rourke & Associates, is located in Alameda, California. She started appraising in the mid-1970's for an assessor's office in California. When the market for appraisers slowed down in 1980 due to 18%+ interest rates, she went back to school to get her MBA and worked for a biotechnology company for 5 years, handling financial analysis, budgeting, and leasing of corporate real estate.

She started her appraisal business in 1986. Soon after, she started writing articles for the local chapter of her appraisal association, a local newspaper, and several national publications. In 1992 she started a publishing business, Real Estate Communication Resources, which publishes a newsletter, *Appraisal Management & Marketing*, now *Appraisal Today*, books, and audiotapes for appraisal business owners.

She has spoken to appraisers at chapter meetings, seminars, and conferences, and has had articles published in *Mobility*, published by the E-R-C, *Quarterly Byte*, published by the Appraisal Institute, and *The Real Estate Appraiser and Analyst*, published by the Society of Real Estate Appraisers (now the Appraisal Institute), and *Real Property Journal* and *Journal of Appraisal Review & Management* published by the American Society of Appraisers.

She can be contacted at 2015 Clement Ave., Alameda, CA 94501. Phone 800-839-0227 or 510-865-8041, fax 800-839-0014, e-mail ann@appraisaltoday.com .

◊ Introduction ◊

There are many books about marketing, but few of them really relate to marketing for real estate appraisers. This book uses many marketing ideas developed for other industries, as well as marketing methods used by appraisal firms. The emphasis is on practical ideas to help you get new clients and to increase appraisal assignments from your current clients.

Few appraisers are marketing-oriented when we start our businesses. Even if we are marketing oriented when we start, we soon drift into the "wait for the phone to ring" method of marketing. We're technicians, not salespeople. But marketing is very important to the success of all businesses, including appraisal firms. Businesses generally fail due to lack of business knowledge, including attracting and keeping clients, rather than a lack of technical knowledge.

In this book, marketing is much more than selling. Techniques for developing a marketing plan and doing market research, as well as tips for marketing to different types of clients, such as relocation companies and accountants, are discussed. For new firms, there is a "quick start" in the last chapter.

Marketing of both commercial and residential appraisal services are covered, mostly by using examples. The same marketing principles are applied to both types of appraising. The emphasis is on marketing for existing firms, but there are many ideas for new firms, to help them get started in the right direction.

No appraisal firm will use all the techniques and ideas in this book. Choose the ones that suit your business and, more importantly, choose those that you are comfortable with. Why force yourself to do something you don't really like? Hire someone else to do it or find another marketing method. There are many ways to a profitable appraisal practice.

When I started my appraisal business, I really didn't know much about marketing appraisal services. I had taken marketing courses in my MBA curriculum and had done marketing of office space, but most of my education and experience didn't really help me. I wrote this book to help other appraisers market more effectively. I wish I would have had this book when I started my appraisal firm.

In 1992 I started a monthly newsletter called *Appraisal Today*. Many of the ideas in this book came from research done for articles in the newsletter. In writing my articles, I talked with manyappraisers, attended marketing seminars, and researched using many books and articles.

Chapter 1 What is appraisal marketing?

Most people think of marketing as selling and promotion. But marketing is really much more than that. There are many definitions of marketing. One of the most comprehensive definitions is: "Human activity directed at satisfying wants and needs through exchange processes." (Philip Kotler, Principles of Marketing, Prentice Hall, 1980)

In this book, we will be looking at marketing from the point of view of serving the customer, rather than "beating the competition." Paul Hawken, in Growing A Business says, "You are trying to give your customer something other than what they are receiving from your competition. It's a waste of time and energy trying to beat the competition, because the customer doesn't care about the rivalry." This is particularly important for an appraisal practice. The appraisal community is very small, even on a nationwide basis. It doesn't pay to get a reputation as a ruthless competitor when one of your best referral sources might be other appraisers.

Looking at it from a real estate point of view, appraisers are taught that we estimate a "value in exchange". A home seller needs money to purchase another home, and wants to sell his or her present home. A buyer needs a new place to live, and wants to buy a home. The buyer exchanges money for the seller's home. How the buyer and seller achieve this exchange is marketing.

To apply this to an appraisal business: a client needs an appraisal. An appraiser needs money. The client exchanges money for an appraisal. How the client finds out about the appraiser and decides to purchase the appraisal; how the appraiser communicates his or her ability to perform the appraisal, and then receives and completes the assignment, is marketing. The wants and needs of the appraiser and client must match. For example, an appraiser wants $350 for an appraisal of a home. The potential client only wants to pay $300. They can't negotiate a compromise, and no appraisal assignment is made.

Marketing involves such diverse activities as selecting a business name, networking, Yellow Page advertising, business card layout, company logo, research, budgeting, speaking, appraisal packaging, servicing, pricing, publicizing, and personal selling.

Marketing is not a "hard sell". In fact, hard sells are not often effective with professional services such as appraising. Instead, marketing makes the appraisal business owner look at the potential clients and see how he or she can best serve the selected market segment. It's a win-win situation.

Only appraisers can do the marketing. Current and prospective clients want to talk with someone who has appraisal experience. However, appraisers in training with a minimum of field experience can "talk the talk" and make house calls on prospective clients to increase the client base.

Client-Centered Marketing: your key to success

Many long-time appraisers feel "cheated". They ask "Why do I have to market my services? I didn't become self employed to be a sales person." But times have changed. We had it good for a very long time. Now we've joined all the other businesses and professions.

I spoke with an appraiser who spent $5,000 on a three day sales "boot camp", where he learned how to sell by listening to what customers wanted. He took the seminar twice as he wasn't really convinced the first time. His business has greatly increased since then by using client-centered marketing techniques he learned.

If you, like many appraisers, have an image of a salesperson as a used car salesperson pushing you into something you don't want, you're way behind the times. Today's marketers try to give customers what they want, not what the marketer wants to sell them.

Even now, few appraisers do much marketing. Whatever marketing activities you decide to do, you'll be way ahead of most of your competitors!

Client centered marketing: WIIFM (What's in it for me?)

In deciding whether to purchase a new copier or data service, you want to know how it's going to help the business. You want to be sure you purchase the best product for the money you have available. Your potential clients are listening to the same station, *WIIFM, What's In It For Me.*

To analyze your market and develop a marketing plan, you need to be able to put yourself in your client's position. For example, you're a chief appraiser for a lender. You want to be sure you fee out appraisals to appraisers who can complete them to your employer's specifications, including always meeting turnaround times and state certification for all appraisers. A fee appraiser, Sue Smith, contacts you about being on your fee panel. She puts you on hold twice to accept other calls. You request sample reports. Four weeks later, Ms. Smith sends you poorly copied reports with many typos and an incomplete resume. You call several chief appraisers in your appraiser network and ask them about Sue Smith. They've never heard of her.

The next week she calls you to schedule an appointment. When you meet with her, she doesn't know anything about your company and its appraisal requirements. She says she can "appraise anything, anywhere" and is vague about her associates' qualifications. Sue says she "usually" meets turnaround requirements, replying, "You know how busy fee appraisers can get." What would you do?

Why don't appraisers market their services?

Appraisers, like other professionals, started their businesses because they were good technicians, not entrepreneurs wanting to start "a business". But to be successful, you have to change.

A large part of the problem is most appraisers' severe lack of any information on how to market their services successfully. Many only know about calling people on the phone trying to get business (telemarketing), which is not a very successful method for selling appraisal services. Or, they send out faxes or brochures without any follow up, another generally unsuccessful method.

The more significant part of the problem is appraisers' antiquated attitude about marketing. Appraising is one of the last professions, or businesses, still clinging to, practicing, and promoting the Field of Dreams marketing method: "Since we're good they (clients) will come." A few appraisers still think it is "unprofessional" to do anything above a minimum of marketing.

During periods of high business volume, getting appraisal business is very easy, so we slack off on marketing. Get some key clients, be somewhat diversified, and wait for the phone to ring. Now, of course, we know better.

Listening to station WIIFM (What's In It for Me)

In client-centered marketing you are trying to tune into station WIIFM, (What's In It For Me) from the client's prospective. When doing sales presentations to prospects, you spend most of your time listening to the other person, instead of spending it trying to "sell" your services. When speaking with current clients, you are listening for information about what they really want.

If you're talking, you're not listening.

What is client-centered marketing?

Client-centered marketing is a "win-win" situation for both sides. Both you and the client get what you want. It's not lose-win, where the appraiser feels like he or she is required to do something unethical, or the client is upset with the appraiser's rigidity in failing to conform to their standards, however stupid they may seem to the appraiser (i.e., extra comps, extensive reviewer communication).

Non-customer-centered marketing is easy to identify. Examples are Henry Ford's insistence on only providing cars in one color: black and telemarketers calling at dinner time trying sell you a subscription to a newspaper you already subscribe to.

For appraisers, it is rigidly offering one type of report to all prospects and clients (fully documented URAR or long narratives), particularly those with templates and boilerplates set up so that "one size fits all". Other examples are: offering the same so-so level of communication to all clients, or trying to make all clients conform to your requirements.

Having these rigid product and service standards is okay. You just have to find the increasingly small number of clients who want it and will pay for it without complaining. You'll have to be a very good marketer.

Flexibility is required for client-centered marketing. You don't offer the same products and services to every client or prospect. Many appraisers find this difficult to do, particularly if they have worked primarily for one type of client, such as lenders.

If you "can't" produce a driveby or URAR without photos, or "can't" do a commercial narrative without using all three approaches, your market will become more and more limited.

What about ethics?

Appraisers, like every other type of business or profession, are sometimes requested to step over the line. A common problem is: if you don't give a client the number they want, you're afraid they won't call you again.

All professions have these problems. If a doctor doesn't give an unneeded antibiotic to a patient, they may not return. If an accounting firm gives an unfavorable audit on a publicly held company, they may lose the client.

Every appraisal firm has appraisal ethical standards. For appraisers, the minimum for appraisals is USPAP. Each appraisal firm decides where they draw the line.

Many people are not aware of USPAP requirements. You could explain to the client what the requirements are. If they work for a direct lender, you could mention that what they are asking is a violation of federal banking regulations.

Don't point the finger at the client. Don't expect them to have the same appraisal standards that you do. If they're not licensed or certified appraisers, they aren't subject to USPAP.

Benefits and features - non-lender clients

The features of a computer program are everything it can do, including all the bells and whistles. The benefits are how it helps you. A word processing program that provides many features that you really don't need, but requires you to significantly upgrade the RAM in your computer is not a benefit to you.

Appraisers are good at explaining their firms' features. They're just like your resume: what my firm does (types of properties, geographic area, etc.) and how great we are (designations, experience, etc.). So what does that mean for a prospect? Not much. Clients want to hear about benefits: how you can help them.

You need to connect the features you offer to the benefits for the client, as specifically as possible.

The most compelling benefit you can offer to a current or prospective client is to help them make more money. For example, your compelling testimony on the witness stand (feature) helps the attorney get full damages on a contingency basis (benefit). Or, your convincing consulting/appraisal (feature) on a very overpriced listing helps the listing agent get a substantial price reduction, sell the home, and get a big commission (benefit).

Next in priority is to help clients save money. For example, you're appraising a property for an estate. The market is very slow, so your appraisal is conservative. The IRS challenges your appraisal. You are able to provide well supported documentation for your value (feature), and it is not raised by the IRS. Your client's estate taxes are not increased (benefit).

Benefits and features - lenders

Benefits for lenders, unfortunately, are not as direct. Appraisals, in reality, can be deal killers to a loan officer working on commission or quota. You'll have to provide benefits from less direct angles, but still related to money.

For example, a regular mortgage broker client wants a "rush" appraisal. You are very knowledgeable on that market (feature) and can complete the appraisal quickly (benefit).

Or, a chief appraiser at a commercial bank needs an appraisal on an apartment building in a low income area. You explain that you have taken a fair lending seminar and are familiar with what comments are inappropriate in appraisals (feature). The chief appraiser makes a good impression on his boss by getting an appraisal that's not going to cause them problems in an audit (benefit).

What if all they want is the fastest turnaround for the lowest fee?

If that's all a client really wants, you'll have to give it to them to get the business. Or, don't work for them. But, did you take the time and initiative to find out what they really want?

In the past, competing on the basis of fee and/or price worked because there was not an oversupply of appraisers. But now it's self defeating because there's almost always somebody else who'll do it cheaper and faster. There are a lot of desperate appraisers out there with past due mortgage payments!

There's certainly nothing unethical about working for a low fee. You can work for free if you want. Working 24 hours a days to get a fast turnaround is okay also. However, skimping on the research and analysis is not allowed.

What if I can't give clients what they want?

In client-centered marketing, you find out what clients really want so you'll know if you can give it to them. Sometimes you will find out that you don't have what they need.

For example, a prospect wants an appraisal with a much faster turnaround than you can provide. You refer them to another appraiser. Or, a prospect is thinking about listing a home, and doesn't want to pay for an appraisal. You refer them to a real estate agent. Be sure to ask them to mention your name to the person they call. You always remember those who give you referrals.

If a prospect wants a very lowball fee or an unrealistically high "number" you can always tell them to use the Yellow Pages, or give them the name of your biggest competitor!

Don't work for a client if you can't give them what they really want. Both you and the client will be frustrated. You may choose to continue to work for them because you're desperate for work, but plan on dropping them when you can get a replacement client.

How do you find out what current clients want?

Ask them in a client review session. Don't assume you know what they want. For example, you may have thought a residential client wanted a heavily documented thick URAR with lots of photos. But what they really want is to have the borrower called within one hour of placing the order.

Or, you have been providing a commercial appraisal client with heavily documented reports for some time, with some boilerplating. But when you meet with the chief appraiser, she says their time per review has also been cut so they need more succinct, standardized reports and gives you a sample outline of how they would like reports laid out. She also mentions in passing that a firm they like to use always returns their reviewers phone calls within 2 hours and has written responses, if required, ready within 24 hours.

Remember, listen to what they are saying. If you're talking, you're not listening.

What about prospective new clients (prospects)?

When you make a sales presentation, either in a formal meeting or over the phone, you ask questions to find out what they really want.

For sample questions, see the article on value added services in this issue.

Why isn't there more information on marketing for appraisers?

I have been publishing my Appraisala Today newsletter since 1992 and wrote my first marketing book in 1994. I don’t know why there hasn’t been much more written on appraisal marketing.

Most appraisers don't want anyone to know what they are doing (or not doing) in running their businesses, particularly marketing. This negative, overly protective attitude is pervasive in appraising. I don't really know why. Perhaps it is because the appraisal trade associations in the past did not take the lead in providing this information, giving it legitimacy.

When speaking with appraisers about their businesses, at least two or three times a month someone tells us, "Don't publish this in your newsletter." I then tell them that if I did publish it, few would really do it, and the likelihood of one of their direct competitors doing it successfully is slim to none.

When I published my first articles on managing an appraisal business in 1988 in our local appraisal association chapter newsletter, I thought long and hard about giving my competitors ideas. Somehow I was able to overcome this pervasive attitude by convincing some of us that we would all benefit from sharing information about what worked and what didn't. I was correct.

Before starting my newsletter, I was very nervous about the lack of competitors. In the newsletter business, that usually means there's no market. Fortunately, that general rule proved incorrect for the appraisal market. But I still welcome information from anywhere that will help appraisers survive and thrive.

Appraisal marketing in the past

In the not too distant past, as with other professions, such as law, appraisers didn't advertise, as it was considered unethical. Today, of course, advertising restrictions have diminished or broken down, with attorneys advertising on television and physicians advertising in the newspaper. Yet many appraisers are still uncomfortable promoting their appraisal practices. Many still don't understand the distinction between advertising and the broader concept of marketing to serve clients' needs.

Because appraisers and appraisal associations previously did limited public relations and promotion, the general public had no good way of getting information about appraising. They often feel that appraisals are priced too high and/or are unnecessary. Many still get real estate agents and appraisers confused, thinking appraisers are real estate agents, or vice versa.

Attitudes have changed about advertising and marketing, but it will take many years before the public understands what appraisers do. Of course, even in the old, "pre-advertising" days, appraisal business owners did market. They just didn't call it marketing.

Developing your marketing mix

One traditional way to analyze your marketing strategy is to look at your marketing mix (price, promotion, and product). Although this may seem to relate only to consumer products, it is applicable to an appraisal firm.

Price, product, and promotion strategies interrelate. For example, you want to produce a heavily researched, 200-page narrative report, with expensive binding. Your price would be on the high end, and you would promote it to clients willing to pay a high price, with expensive brochures and personal contacts. On the other end, you want to produce a fast turnaround, minimum standards and features appraisal form report. You would probably price it at the low end, and would promote it to clients looking for that type of product, using mostly direct mail (inexpensive brochures and sample packages).

Handling ethical conflicts

Appraisers, like other professionals, sometimes have clients ask them to "step over the line." In this book, that line will be compliance with the USPAP (Uniform Standards of Professional Appraisal Practice). There are inherent conflicts between satisfying clients' wants and needs and conforming with USPAP (and sometimes state and local business laws). How you handle those conflicts, and how strictly you interpret USPAP is an individual decision. Each appraiser makes that decision for himself or herself. Each appraisal business sets standards for its appraisers. Often the decision is not black and white, but gray.

For example, a client asks you to eliminate a reference to a gas station a block away from your residential appraisal. You don't know for sure if it will affect the subject property, but you didn't make any adjustments in the appraisal report, as you think it probably has no affect on value at this time. You would not omit the reference to a gas station next door. You probably won't get paid and may lose a client if you don't comply with the request. Do you change the appraisal?

Or, a client asks if you can "come up with" at least $3 million on an appraisal of an office building. You recently appraised a similar building, and can probably do it, but you're not sure. The client won't pay for a preliminary investigation. If you can't do it, they'll call your competitor. Business is very slow. Do you accept the assignment? You make the decision!

Communicating your message

The purpose of your promotional efforts is to communicate your message: what distinguishes your appraisal firm from your competitors. For example, you provide heavily researched, believable expert witness testimony for attorneys. Or, you always get your appraisal assignments completed by the due date. Or, you always cheerfully return phone calls within 24 hours, and provide extra addenda, comps, or explanations within 48 hours. Or, you work a wide geographic area.

The message will tell your clients WIIFM - What's In It For Me. It doesn't do much good to try to show how well documented and supported your appraisal reports are if the prospective client only wants fast turnaround. If you can't provide fast turnaround, you're wasting your time. You communicate your message to your target market by using such methods as advertising, publicity, direct sales, and indirect methods, such as networking, speaking, writing, and teaching.

Most communication methods don't immediately result in an appraisal assignment. You must move the potential client through these stages:

1. Awareness that you provide appraisal services.
2. Knowledge of what types of services you provide.
3. Preference for your firm over your competitors.
4. Conviction that your firm can provide the services the client needs.
5. Purchase of your services.

For example, you're trying to get appraisal assignments from ABC Bank and your research shows that they are expanding into business loans secured by real property. They require fast turnaround, but are not very price sensitive. First, you send a letter to the person who fees out the work, John Jones.

You follow up with a phone call, and meet with the client to discuss the services you can offer, emphasizing your fast turnaround. You also discuss your appraisal staff, which has both experienced commercial and residential appraisers, so you can appraise both homes and commercial properties used for security. You mention other local lenders you work for, and provide names and phone numbers if needed. You leave an attractive package with a brochure explaining your services, resumes, and sample appraisals.

You have your good client, Jane Smith from XYZ lender call ABC Bank's John Jones (who talks regularly with Jane Smith and respects her opinion) to let him know how well Jane likes your services. After a week, you call John Jones at ABC Bank and ask him if he would like to send you a trial appraisal or two. For your first assignment with his bank, you will offer a 100 percent money-back guarantee if the job isn't in on time. John gives you an assignment. You develop a successful business relationship over time.

What's your business image and why is it important?

To decide what to communicate to prospective clients, you must first know what differentiates your business from your competitors'. This is sometimes called a differential advantage. Your marketing efforts would target companies that want what you provide. Don't waste your time going after companies that don't really want what you specialize in.

Start by looking at what you do now. Then decide if you want to add or emphasize certain features. What appraisal services are you providing to your clients? What type of reports, turnaround, quality level, level of service, etc., do you provide? What is your geographic area? What type of associate appraisers do you have?

For your residential clients, do you offer special services such as inspection appointments outside normal business hours (evenings and weekends)? For COD orders, do you offer Visa/Mastercard for convenient payment? (Some banks can set you up for credit cards, with a typical fee of 3 percent to 4 percent.) Do you respond to "condition" requests within 24 hours?

For example, you have a residential appraisal business, covering 2 counties. You have three state-certified associate appraisers, with 5 years average experience appraising in your geographic area. Your fees and quality level are mid-range. You specialize in high-level service, returning phone calls within a maximum of 24 hours, extra comps and addenda within a maximum of 48 hours, and always meet the required turnaround time.

Or, you have a commercial appraisal firm, specializing in high-end retail and office properties in your state. You and two of your associate appraisers have professional commercial designations that are highly regarded in your area. Your other associate is state certified. Your associates have 5 to 15 years of commercial appraisal experience. Your firm produces high quality, heavily documented and supported, well-written narrative reports on the high end of the price range. You always meet deadlines.

Or, are you a solo practitioner with a part-time secretary? You work a very small geographic area that you know well, and have been appraising this area for 5 years. You don't have a professional designation, but are well known in the appraisal community, as you are considered to be "the expert" in your area. Your fees tend toward the high end, and you do legal and relocation work, as well as appraisals for lenders that are not price-sensitive.

How do others see your firm?

How do different groups - current clients, other appraisers, real estate agents and brokers, local government agencies, and the local business community - see your company? Is this the image you want, or do you need to change it?

Often, appraisal firms change their focus, but no one else knows about it. For example, a 1-appraiser firm expands to a 6-appraiser firm. Or, you change your geographic area or type of appraisal assignment.

Is your company seen as a reliable, good quality residential firm specializing in lender work for local banks? Or is it perceived as a quick turnaround, minimal quality, wide geographic area company. Is your firm perceived as "let's make a deal" on fees, or are your fees always on the high end? Do you have anyone qualified to do expert witness testimony?

How do you know what your image is? One good way is to mention what your company does to other appraisers or real estate brokers. If they seem surprised, you need to work on your marketing. Ask them how they see your company, so you know what needs to be changed. The results may surprise you. Above all, when asking the questions, listen! Don't try to rebut or defend your position.

You can find out what prospective new clients think about your firm by asking them "Why did you contact our firm?"; or "How do see our firm as compared with other appraisal firms?"; or "How did you find out about our company?"

You can also take a more formal, written survey by sending out a questionnaire. This could give you information on how your firm is perceived by other appraisers (or if they've heard of you); professionals such as attorneys, accountants, or lenders. Or, you could send out a questionnaire to all your current clients asking some of the questions listed above. However, they may prefer to be anonymous, so the results will be less useful on an individual client basis.

Company image

How your company appears to the public and to your clients is very important. Image includes written promotional materials as well as more unique factors, such as business location, offices, dress, etc.

Your business location may make a difference. If you do high-end commercial properties, a prestigious address can help give the image you want to convey. In contrast, 12 Zinnia Circle, in the suburbs or a residential district, implies a home office, which some clients may not feel is appropriate, particularly if you encourage a lot of foot traffic. For a one-person residential appraisal business, a home address is appropriate in many cases, as clients very seldom come to the home.

If clients never or seldom come to your office, and don't know it's in a run-down industrial area or in your home, the address probably doesn't matter (from a marketing point of view). Where your competitors' offices are located is important. If they're all in AAA, central city office space, that's where you want to be. If they work out of their homes, you can more easily do the same.

The city you're in can make a difference, as many prospective clients select appraisers by their city. A downtown Chicago address could be desirable for commercial appraisers. For a residential appraiser doing relocation work, an address in a large suburban city may be more desirable.

In contrast, the appraisal and publishing offices of this author is located in the city of Alameda, California, an island in San Francisco Bay with a population of 75,000. It is boating oriented, with many marinas. Our offices are located in a well maintained recreational marina with a picturesque view of the marina. As most of our work is done with phones, email, and fax machine, we are not concerned with foot traffic. We have appraisers visit to use our data and they are all delighted with the location. However, even though we're 10 miles from San Francisco, it's not the best address for large commercial appraisal assignments.

You may not have clients coming to your office very often, but when they do, what kind of an appearance does it have? Is it cluttered, with files and papers all over, and a messy floor? Or is it well organized and clean?

Personal image

If you've ever had your house appraised on a refi, you probably remember how the appraiser dressed and behaved. Although the homeowner is not your client, you never know if they're going to complain to the lender or may need an appraisal for probate or divorce at some future time. Or, the borrower may be a chief appraiser or a bank VIP.

Business (or business casual) dress is always appropriate. Sometimes more casual dress may be necessary, such as in an emergency inspection, but the person you are meeting should be warned not to expect business clothing. How dressy is appropriate is determined by how other business people dress. Some areas are very formal, some are casual. Although having a dress code in your business may seem excessive, you communicate to clients by the way the business owner and the associates dress.

When doing an inspection, courtesy and politeness are mandatory. There's no excuse for being rude. Many residential appraisers were trained by lenders to go in and out of a home very fast, talking as little as possible. But taking a few extra minutes to ask a few questions about the home, or to have a casual conversation, makes a much better impression. Also, you can often find out valuable information from an owner, such as a sale that expired and was not reported as closed on the MLS, or that the neighbor's lot has had some settling problems. For commercial appraisers, being courteous can make help make the owner more open about information that is needed, such as leases.

Overcoming a bad impression is very difficult. You never know where or when you'll encounter a current or prospective client or referral source; when you're in line at the grocery store, watching your son or daughter's soccer game, or at the doctor's office. Being courteous and considerate can make a difference.

You may feel like this is too much of a hassle and overkill, but many experienced business owners have found out the hard way about the negative consequences of a bad impression. If you lose 50 cents in a newspaper vending machine and beat it up, the person watching you may be the spouse of one of your prospective clients you've spent months trying to get business from. Derogatory remarks about another appraisal company or a client can also come back to haunt you. No one likes a mud slinger.

Telephone image

For many new clients, the initial contact with the appraisal firm is over the phone. The majority of personal contacts with the current and prospective clients and the public is over the phone. Bad first impressions can be very difficult to overcome. Train all support staff and associates (and principals) in good telephone manners and etiquette. Your local telephone company may offer training classes.

Instead of answering the phone with "appraisal company," say warmly, "Good afternoon," followed by the name of the firm. This conveys a better impression. Whoever answers the phone should do it consistently, with a friendly tone of voice and include the company's name. Handle the calls directly and quickly. Many people are in a hurry. Always be polite, even if the caller isn't..

Returning phone calls promptly is a good sign of a client-centered business. If the principal is too busy, often a call can be handled by the secretary or an experienced associate. If it's someone you don't want to talk to, try returning the call after normal business hours and leaving a message that you called. What's important is to return the call as a business courtesy.

Your company name: An important marketing tool

Your company's name is the most important marketing tool you have. Does your company's name reflect the primary focus of its marketing efforts? It may have worked when you started your business, but does it convey your current image?

Why should you change your business name?

1. You have the same name as another company and clients get confused.
2. Although different, the name of your company is frequently associated with another firm.
3. Your business has changed. For example, you now have a larger geographic area, but your company's name includes only one city. Or, you've added partners or corporate officers.
4. Clients have a hard time remembering your company's name because it's too complex or unusual, such as AQPS Co.
5. Your company's name no longer reflects the type of work you do.
6. You are looking ahead toward retirement or selling your business, and want to make it easier to sell.

Your first step is to analyze your current and future markets. Since your business name is so important in your marketing efforts, you need to analyze both your present and future markets. Your name should reflect what you do (or want to do).

1. Type of assignments: appraisal, consulting, sales, etc. Do you only do appraisals, or do you also perform other services (or would like to expand into other services).
2. Type of appraisal assignments: Do you only do single family residential, or hotels? Do you (try to) do everything?
3. Geographic area: small (one city, or part of a large city) or large (the entire state, region, or country).
4. Type of client: lenders, governmental agencies, corporations, attorneys, individuals. Local, state, national. Small or large. Etc.
5. Price level: Do you want to be perceived to be at the low end or high end of the typical range of fees? Do you specialize in large, high-fee assignments, or quick turnaround, low-fee appraisals?

Many appraisal practices use the principal(s) names only. For example, Ann O'Rourke & Associates (my business name). This can be useful when the firm's principal(s) has substantial name recognition. The minuses are that the name doesn't indicate what your firm does or differentiate it from the competition, and it makes selling the firm more difficult. If you do use the principal's name, consider using a name like The Moore Group, rather than James L. Moore, Appraiser. It conveys the image of a larger company.

Associating the principal's name with what the company does is another common method of naming a business. Tetrault Appraisal Services, McClain Appraisal Group, and Deborah L. Ebert Appraisals, use the principal's name, but they also include what the company does. Another variation is to use initials, such as ESAC Appraisers and Consultants, and GLH Appraisal Services. The advantage to this method is that it allows clients to know both your name and what you do. The disadvantage is that it doesn't allow you to expand into other fields easily, and does not allow specifying how you are different from your competition.

Some company names describe the main type of work. Hospitality Valuation Service (San Francisco, CA and other locations), Residential Appraisal Associates (West Hartford, CT), and Residential Research, Inc. (Golden Valley, MN), have names that are clear about what type of appraisals they perform. The advantage is that clients know what you do. The minus is that it may not be what you really want to do, or even what you are doing now.

Some firms include geographic areas in their names, such as Appraisal Services of Monkato (Monkato, MN), Outer Banks Appraisal Services (Kill Devil Hills, NC), and Eastern Appraisal Services (Beverly, MA). This does tell clients the firms' geographic area, but it also can either limit the area too much or be a larger geographic area than you want to work.

Communicating the company's primary benefit is used by some firms. Approved Appraisal Group (Newport Beach, CA), Guaranty Appraisal Co. (Milwaukee, WI), and Certified Appraisal Services (Trenton, NJ), communicate to lenders that they are on many approved lists, or that they have state certified/licensed appraisers. Action Appraisers (Lynwood, WA) conveys that the firm will start and finish an assignment promptly.

A name such as Jim's Appraisals conveys a different impression about price levels than Real Property Analysts (Columbus, OH), or Western Property Research (Los Gatos, CA). Made-up names are relatively unusual for appraisal companies, but is getting to be more common for large companies due to the lack of names available for trademark. Some appraisal companies have somewhat unusual names, such as Dolphin Appraisal Research, Inc. (Tampa, FL), Apple Appraisal (Walnut Creek, CA), or Sea and Summit Appraisal Service (Glendale, CA). Once you hear or read them, they're hard to forget.

Check to see if someone else is already using the name. Appraisal companies with the same name can cause confusion.

Personal selling for appraisers

The thought of "cold calling" is not appealing to most appraisers. After all, if we wanted to sell, we'd be selling real estate and have the opportunity to make much more money. But personal selling is vital to the success of an appraisal firm. Every time you talk to a current or prospective client on the phone, you're doing personal selling. Remember too, every person in your office in contact with your clients represents your company and should be trained accordingly. A clerk that exhibits a bad attitude can do a lot of damage, resulting in a loss of clients.

You will definitely have an advantage over your competitors if you actively look for new clients, as 95% of your competition doesn't do any prospecting on a regular basis. They use the "wait for the phone to ring" method. Personal selling for appraisal firms isn't typically cold calling, even for new businesses. Usually you're responding to a referral, or contacting a prospective client who has already received an inquiry letter, brochure, and/or sample appraisals in the mail.

The appraisal community is very small. If your name or your firm's name is known by many appraisers, it probably is known by many prospective clients also. If it isn't, you need to work on getting your name out there. It's much easier to contact someone who's already "heard" about you than to have to cold call a less receptive prospective client.

Selling your services can really only be done by appraisal personnel. It takes a trained professional to sell appraisal services. You can use networking, referrals, direct mail, and other methods to get leads, but when it's time for personal contacts, either in person or over the phone, only an appraiser can do it.

Fortunately, there are many books, classes, and other educational material on selling. Although most are for full time salespeople, many of the techniques can be modified and used by appraisers in the role of part-time salespeople.

Selling is not a "sales pitch"

If your image of selling is a used car salesperson pushing a car you don't really want, you're behind the times. With today's more sophisticated selling techniques, you are client (customer)-oriented. You spend most of your time listening and answering questions rather than giving a sales pitch. You want to find out what the client needs and tell them how your firm can help them reach their goals.

Your sales efforts should be "benefits"-oriented rather than "features"-oriented. You're trying to provide what the client wants, rather than sell them on what you have. Again, the example: the client's top priority is fast turnaround. Rather than emphasizing the high quality of your firm's work first, you talk about how you always meet deadlines and can almost always do fast turnarounds. If you can't get the appraisal done within the client's time requirements, you must let them know before accepting the assignment, or as soon as possible.

Every employee can be a marketer

Why not encourage your associate appraisers and support staff personnel to assist in your firm's marketing efforts? When meeting someone at a social or business affair, instead of saying, "I'm an appraiser (or secretary)," say "I'm an appraiser, administrative assistant, etc. I work for Ann

Alexis Appraisal Company. We appraise commercial property in Cleveland." When inspecting a property, instead of saying "Hello. I'm the appraiser, John Jones," instead say "Hello, I'm John Jones. I work for Arthur Ames & Associates Appraisers. We specialize in appraising homes in Astor County. Here's my business card."

It only takes a few moments more to include your company information. You're not asking them to "sell" the firm, just get some more name recognition. You can never tell when someone met at a party turns out to be a prospective new client, or a borrower needs an appraisal for tax or other legal purposes, such as appraising for a trust. The more work you get, the more work your associates get and the greater the chance for a salary increase for support personnel.

If the contact seems interested in becoming a client, consider it a lead. Tell your employees to ask for a business card, or jot down their name and phone number. Then you, or the person whose job involves looking for new clients, can follow up on the lead. Who knows, maybe your receptionist or clerk will end up finding you a new client. Carry a pen at all times. Be a scout. Be prepared.

An appraiser's sales technique

When meeting with a prospect, or making a preliminary contact with a letter, give the client a copy of your Client Service Summary (CSS), an excellent alternative to more expensive brochures. The CSS is like a handout that can be produced with standard word processing software. Using word processing software allows you to customize it for different client or client types (bank, mortgage broker, attorney, etc.).

On the first page, include all the benefits you can offer to your prospective client. For example, the benefit summary for a bank could include fast turnaround, competitive fees, wide geographic areas, extensive experience to minimize requests for additional explanations, and quick response on questions. Lay it out in a bulleted format so it is easier to read. Also include all your geographic areas and property types. Put your name, address, phone and fax numbers on all pages. For residential clients you can include a fee schedule and a fax appraisal form with all the information you need, if they don't have their own form. For all clients, include names and phone numbers of references. Include excerpts from letters of recommendation for your company. Ask several of your clients to send you one, if you don't have any. Use excerpts with permission, of course.

Put the CSS into a nice folder. You can have the folder imprinted with your company name, or have a printer make stick-on labels, or do them on your computer. You will certainly stand out from your competition, as few appraisers spend much time preparing good-looking sales presentation material.

All appraisers talk to owners, sellers, buyers, agents, planning departments, etc. We all know how important it is to set the tone of the interview with a good opening, how to ask questions, and get the answers we need. The same techniques can be applied to personal selling.

A sales call can be divided into 4 steps:

1. Opening. Catches the attention of the potential client.
2. Interview. You ask questions to find out what the client needs. You are listening for any clues to help you make a good response.
3. Response. You explain how you can help the client.
4. Conclusion. You ask for the assignment, set up another meeting, etc.

Here's an example of an appraiser's sales call:

1. You've sent a preliminary letter, brochure, or Client Services Summary, to Jane Johnson at Atlas Bank. On your followup phone call, you've set up a time next week to meet at Jane's office.
2. Prior to the meeting, you review the information you have on Atlas Bank and contact other lenders and appraisers you know for additional information, such as whether or not they are increasing lending, are dissatisfied with some of their current fee appraisers, etc.
3. While waiting to see Ms. Johnson, you have a brief business-social conversation with her secretary, Mary Mason, mentioning your name, company name, and why you are here. If you're rude, she may mention it to her boss. Also, she may be the person who actually makes the assignments!
4. After brief social chitchat with Ms. Johnson (weather, traffic, etc.,) you get right to your opening. The opening is the "attention getter," where you grab the prospect's attention. Some openings are: "We've noticed you're really doing well recently, increasing your real estate lending." Make it client-centered, or WIIFM (What's in it for me). Or, "Just out of curiosity, what would be ideal fee appraiser be like?"
5. During the interview, you're asking questions and listening to what the prospect says. What are they looking for? What do they want and need? You can only sell a prospect what they want to buy. Show empathy at appropriate times. Don't forget to smile. This doesn't mean you agree with them, it just shows you understand their situation.
6. When responding, explain how you can help the client. Don't focus on features of your firm such as the number of appraisers. Instead, focus on the benefits to the prospect, such as how having a number of experienced associates allows you to serve a wide geographic area.
7. In the conclusion, since you are selling your services, it is important to "ask for the job." Many appraisers are uncomfortable with direct asking, such as "May we start with your next appraisal?" A less pressured way is: "Are you ready to decide now?" Or, "Is there any other information you need in order to make your decision?" Or, "Who handles the assignments?"

If you're compatible, be sure to let the prospect know that you will be glad to have them as a client. Always, always, always, follow up with a personal note or letter.

Whatever personal selling you do, always follow up with a note thanking the person for his or her time. Don't forget the secretary or assistant. They may be the one giving out the appraisal assignments!

Be careful about sending a gift to new account personnel. Some clients have a "no gift" policy (particularly government agencies). They may even go so far as rotate the assignment personnel to different geographical areas, trying to keep the fraternization at ground zero. Before sending a gift, be sure to ask if it's okay.

Gifts often work better for regular clients. Be sure the gift is appropriate to the fees received. For example a gift valued at $200 would not be appropriate for a client who only gave you $1,000 in work last year. A gift could be a desk floral arrangement, a box of candy, or a lunch date. However, once a major client has been with you for several years, a bowl of flowers monthly for the office might work as a reminder that you appreciate their relationship.

Handling problems

What if you find out you can't give the prospect what he or she wants? You can't be all things to all clients. You can't provide extra fast turnaround, work a wide geographic area, appraise all types of properties, conform to all quality standards, and have very flexible fees, all at the same time. There have been appraisers that have tried to adopt this attitude, but they don't last long in the industry, and are soon counting jack rabbit populations in the Mojave Desert. What you're trying to accomplish is finding the clients you can work with successfully over a long period of time. Why go through all the hassles of working with a client you're not compatible with? It's better to find out before the first assignment. It's a two-way street. You won't be able to work with all the clients you contact. You try to prescreen them before the personal selling, but sometimes it's not obvious you're not compatible until the interview stage. How do you find out what the client wants? Ask them.

A common objection to appraisal services is "high prices." As a response, you could say, "What exactly are you comparing it to?" Or, "What we offer differs from our competitors. Which of these differences is important to you: fast turnaround, high level of expertise, more comprehensive discussion of the market, etc?"

Responses to, "Thanks, we'll call you" are: "I'll give you a call next week to see if you need any additional information. Or, "What would it take to get your business. We'd really like to have you as a client." "I'll have to think about it," is a common stalling tactic. You could respond: "Are there any questions in the back of your mind?" Or, "What additional information would you like to have?"

Telephone selling skills

When a prospective client calls on the phone, maybe asking about fees or services, how are they handled? Do you go through the stages of personal selling? Have you and your staff worked out how to go about asking for the assignment? You may want to make up some scripts and practice them. Telephone time is much shorter than a personal visit, and is often more difficult to do well because of the lack of visual clues.

For example:

1. Good morning. Jane Smith Appraisal Services. This is Tom Jones. How can we help you?
2. What's the purpose of the appraisal? What type of property and location is it? What type of an appraisal are you looking for?
3. Yes, we do appraisals for tax appeal. We have several appraisers who have appeared before the Assessment Appeals Board.
4. Is there any other information you need? If you're ready to place an order, I'll be glad to take the information now.

If your business is slow, try calling your clients to let them know you now have a very fast turnaround. An associate appraiser or support staffer can handle this with a little training. The client may be busy and not know it's slow for you.

Cold calling

In cold calling, you just show up at a company's office without an appointment. It can be very daunting for appraisers with little sales training or experience, but it can work. Some appraisal firms have certain persons doing it, such as less-experienced appraisers or support staff personnel, as it can be very expensive to use a principal's time.

If your company is new or expanding rapidly, you can use cold calling to contact smaller, local companies, such as small local lenders, mortgage brokers, or credit unions. Clients who don't require that you be on an "approved list," such as mortgage brokers, can make decisions quickly. Hopefully, of course, you've done some prescreening to get an idea of whether or not you're compatible.

Current and past clients - The personal touch

Don't forget personal selling to current clients. They are the source of most of your current and future business, as well as excellent referral sources. When marketing to them, however, you need to find out who actually makes the appraisal assignments. It could be the chief appraiser or an order clerk. It doesn't do much good to focus your marketing efforts on the chief appraiser if he or she doesn't make the decision on who gets the appraisal assignments, unless, of course, the chief appraiser demands special attention.

The best way to keep clients coming back is good customer service and adherence to their quality requirements. But the personal touch is also important. You're more likely to give work to someone whom you know personally and like. It's just human nature. However, it's best to maintain a professional attitude so your social relationship doesn't change your business relationship by affecting the independence of your appraisal company.

Most of us spend 90% of our marketing efforts on new clients, but we get most of our business from repeat clients. A little extra personal touch can go a long way toward getting more appraisal business from regular clients.

Many appraisal businesses give inexpensive gifts to clients at Christmas time, but it doesn't take much time to do small things at other times of the year such as:

1. Breakfast instead of lunch. Many clients (and appraisers) don't have time for lunch as it's generally a busy time of the day.
2. Remember childrens' birthdays with small gifts or cards.
3. Send a card or novelty gift on a client's birthday.
4. Send clippings of a special topic your client is interested in. Include a handwritten note. If the news clipping is about the person, by all means send them the article. Everyone likes to see their name in print. It will signify that you saw it and were interested in the news item.
5. Visit a good customer in the hospital.
6. Ask them how you can give them better service.
7. Encourage them to let you know if there's a problem as soon as possible.

Make a special effort for your regular clients:

1. Complete assignments on time.
2. Keep them informed of your progress on their appraisals.
3. Return phone calls and answer letters as soon as possible.
4. Ask them what you can do to help them.

Old clients - an excellent source of new business
By Ken Rossman

Another viable avenue to expand your practice is marketing to your former clients who no longer use your services. Just like your current clients, your past clients already know you and know your capabilities. Your clients do not always stop doing business with you for the reasons you may think. Why leave this easy money on the table? Why not at least try to get these former clients back into the fold?

Why clients stop using your services

You must first come to the realization that you and your services are really just a small segment of your client's life. There are typically two principal reasons why clients stop using your services. Something happens to the client or his/her business (which may have absolutely nothing to do with you or your company) that causes them to cease using your services for a short period of time. They become accustomed to the interruption and simply just never start up again. The second scenario involves some type of an unpleasant experience (in the client's eyes) involving you or your company.

It is very likely that any clients you have lost fit into one of the two categories. Clients may stop utilizing your services for many legitimate reasons (i.e.: their method of doing business changes for reasons beyond their control, such as a corporate shift to AMC's; they experience a change in economics; they go on vacation; they get sick; they get sucked into another appraiser's offer for whatever reason.) The point is, something happened to change your clients mind about using your services, at least temporarily.

Most appraisers when faced with a situation in which a client stops using their services either just forget about them altogether or make a half-hearted attempt to re-establish the relationship.

Do you want them back?

The first thing you must do is decide whether they are worth the effort to re-establish as an active client. Look at their billing record. What were they worth to you when they were active? What could they be worth to you in the future? Look at them as an income stream and cap them at an appropriate rate. Sometimes, due to unwanted pressure to "make numbers" or "soften repair requirements" or other problems, they simply may not be worth the effort. But, more often than not, they are.

A key realization is simply to understand that a number of your inactive clients ceased to use your services temporarily and it is your responsibility to prevent that temporary interruption from becoming permanent. Regardless of the reason for the interruption in utilization of your services by the client, after a relatively short period of time, they begin to become prone to inertia and get stuck in their current status quo.

How to get started

Whenever possible, go see the key decision maker in person. Calling them is far less effective than a personal visit, but sometimes is necessary due to physical location or time constraints. Writing to them is probably better than doing nothing (barely) and should be avoided unless you are unwilling to make more of an effort. Even delegating it to someone else is probably better than just writing to them, but hey, I can only lead you to the water, so to speak. You must make yourself drink! Did you cap their potential income stream yet? That is something that could be quite useful to use on yourself to help motivate you to make the effort to do it right.

What to say first to the former client

Once you begin to communicate with your former client, job one is to impress upon them that you are truly concerned about them. You haven't heard from them in some time and you want to make sure that everything is okay. If there is any problem, let them know that you care about them and you want to know if there is anything you can do to help out. This approach will typically attract their attention, since they are not likely to have given much thought about whether anyone is worried about them.

Maybe you really should be worried, unless the client's circumstances have changed beyond their control (i.e., national corporate decision to go to AMCs), because you should concern yourself with the reason why they used to utilize you, but no longer do so. This should definitely not be viewed as a normal ebb and flow of business. You must look at this as a red flag and realize that something is wrong!

Loss of a client because of a problem

Unfortunately, in our profession, losing a client is often caused by things we can never control and yet remain ethical. Yes, you will lose clients because you can't "make the numbers" they desire or cannot remove or soften information you must report about detrimental conditions at the property. There is little you can do in that type of scenario other than to educate the key decision-makers about the process and show them why you cannot ethically accommodate them.

Another strategy might be to go well over the head of the loan officer - maybe there is someone higher up in their organization with scruples who can rescue you. The main point is, however, that there is a myriad of potential reasons that you will never discover if you don't ask. Things like an arrogant or abusive employee, a lost or excessively delayed assignment that you may not have even been aware of, untrue adverse information about you or your firm provided to your client via an unhappy customer, competitor etc., etc. At this point, it becomes crucial to determine whether the problem was caused by: (a) you or someone in your organization; or (b) something in your former client's situation that had nothing to do with you or your firm.

In either possibility, you must now try to identify and help the client solve the problem. Don't you want to be more than just someone who takes the client's money? You might consider adopting a mind-set that your purpose is to be your client's best ally, their greatest asset, their most trusted friend.

Resolving problems

Okay, you have made contact and expressed your concern that something may be wrong. You should now say (in your own words - of course) something like... "Perhaps we have done something that either offended, disappointed or inconvenienced you. If we have in any way let you down, I really want to know about it. I would like to have an opportunity to make it right for you. I would like to ensure that something of that nature never happens again to you or anyone else."

Then assure them that your intentions and desires have always been to serve their needs and to provide the highest possible level of satisfaction and quality of work product. Tell them that if you have failed them in any way you will not tolerate the situation and must "right the wrong".

This approach, particularly when delivered in person is disarmingly simple, yet extremely powerful, and has an incredible impact on many, if not most, people. They may well realize that they stopped utilizing your services without any real justification and will be likely to resume using your services. If you find out that they stopped using you for cause, listen attentively to their tale of woe and be sincere when you tell them that you only wish that you had been brought into the situation at the time, so that you would have been able to correct it and set up a procedure to short circuit that type of situation from recurring (assuming of course you could and would want to do so).

I am certainly not trying to tell you to bend your ethical conduct or do anything you find imprudent - you are probably better off losing clients that causing problems in those areas. Then continue with something like this: "This, of course, does not make up for the disservice and/or disappointment that was unfortunately inflicted upon you. With your permission I would like to try to make up for the inconvenience etc..." Then simply do whatever seems appropriate for the situation i.e., refund the fee, offer a "free appraisal" give a discount or credit... whatever seems to make sense or you think might fly. Say: "I know there is no way I can make up for your past disappointment, but I hope this will help to show that we really appreciate your business.

And even if you choose to never, ever do business with my firm again, it is crucially important to me that you can say to anyone that the last experience you had with us was positive and satisfactory." Most people when approached with honesty will quickly succumb to your sincere expression to rectify the situation. This approach is used successfully by many, yours truly included, often with astounding results.

Keep communicating

The most predominant reason for clients becoming inactive is due to lack of ongoing, frequent, and meaningful communication on the part of the appraiser. You must make a habit of calling and seeing (in person when applicable) your clients, particularly your best clients, on a regular basis. Give them ideas they can use; any information that would be of value. Ask them what would benefit them most. Maybe they would appreciate real estate or other appraisal related articles emailed or MLS statistical data etc., etc. If you stay in contact with your clients on a regular ongoing basis, you can easily nip problems in the bud before they escalate out of control.

About the author

Ken Rossman, has spent most of the last ten years downsizing from a large fee shop mostly servicing lenders to a smaller boutique appraisal organization run from his home office in Wantagh, Long Island, NY. He services a predominately non-lender client base consisting of consumers, attorneys, accountants and the courts.

Ken is an avid marketing aficionado and long time protege of Jay Abraham. Ken also runs` All Area Affiliate Appraiser Network http://quickval.com , an Internet based national directory of state certified and licensed real estate appraisers.

Chapter 2 Appraising vs. managing your business

Entrepreneur, technician, and manager - the three conflicting roles of fee appraisers

How many appraisers do you know who say they are working harder, making less money per appraisal and are burned out? They have neglected the business side of their appraisal practices. They don't have businesses, they have jobs.

When they're swamped with work, they get very stressed out and don't know how to prioritize their business tasks so that they can set aside time for family and friends, which is much more important than their businesses. When fees drop or business stops coming in, they don't know what to do. They don't know how to change, or they refuse to change.

Appraisers regularly call me who are dissatisfied with their businesses. When I ask them the simplest business questions, such as how diversified they are, how they select their clients, how much profit they are making, or how they plan for the inevitable slow downs, I usually get a litany of complaints, i.e., USPAP, lender pressure, collection problems, etc. They are swamped with work, but don't want to hire an office assistant to help them as they "don't want any employees."

If you've never been a printer, and decide to start or buy a printing business, you will have to learn how to run the business. You will hire experienced press operators to run your equipment.

In contrast, when you start an appraisal business, you start the business because you know how to appraise. Most appraisers who become self employed have little experience or training in business or marketing. Even if you do, you have difficulty taking time away from your personal appraisal production to run the business side.

Many fee appraisers have a fatal assumption - that "if you understand the technical work of a business, you understand a business that does that technical work." The business is a place to go to work. This is the primary reason most small businesses fail or the owner is very dissatisfied, including appraisal businesses.

One of the best small business books I have read is Michael Gerber's "The E-Myth, Revisited, Why Most Small Businesses Don't Work and What to Do About It." The book is easy to understand, with practical examples, and will "hit home" for many appraisers. This article applies Gerber's ideas to the appraisal business.

The entrepreneurial myth

Many books and articles say that businesses in America are started by entrepreneurs, who look for an opportunity and start a business. What is important is the opportunity, not the type of business. In fact, most businesses are started by technicians, who know how to appraise, do accounting, or bake pies. For various reasons, they decide to start their own businesses.

Why did you start your appraisal business? You probably had an "entrepreneurial seizure." You didn't want to work on a fee split, or for a dumb manager. In my case, I had been a corporate real estate manager for five years and liked the corporate world less and less each year. I was tired of working for people who never seemed to listen to what I said, and was burned out on corporate politics. I wanted to be self employed, but had not considered doing appraisals again.

I started appraising in the mid-1970s but went into corporate real estate management after getting my MBA in 1980. In 1985 my husband met a local appraiser at a gas station where they were both getting gas. He told my husband I could make more than I was making at the corporation ($50,000 per year in 1985) as a fee appraiser. I did a few assignments for him, and within a few months quit my job, cashed in my stock options, and started my appraisal business. I had an entrepreneurial seizure. My husband was supportive, but a bit in shock.

The appraiser as Entrepreneur

The Entrepreneur is the dreamer, the visionary. The Entrepreneur loves change. The Entrepreneur lives in the future. The entrepreneur makes us start our businesses, and keeps us going when business is down. Appraisers who make it through the inevitable bust cycles of the appraisal business have a strong entrepreneurial side.

Entrepreneurial commercial appraisers made it through the downturn in the developer business in the early 1990s by shifting to RTC work until it died off, then shifting to institutional investors when that market came back in the late 1990s. Their appraisals changed as the market shifted, switching from complete/self-contained to offering a menu of options.

Entrepreneurial residential appraisers shifted to heavily documented and reviewed reports in the early 1990s, to mortgage brokers in the mid 1990s when direct lenders outsourced loan origination, and shifted to abbreviated reports as drivebys and automated underwriting increase. They made a commitment to solicit non-lender work so they can make it though the inevitable down cycles of lender appraisals.

Non-entrepreneurial residential appraisers are hoping to retire before AVMs take over.

The appraiser as Manager

Our entrepreneurial side conflicts with our Manager side. The Entrepreneur wants to change. The Manager wants to keep everything in order and doesn't like change.

The Entrepreneur lives in the future. The Manager lives in the past. But without the Manager, the Entrepreneur would have a chaotic business, constantly changing, with no systems in place to handle appraisal orders, track appraisal progress, return phone calls, send out amended appraisal reports, or even make sure the copier doesn't run out of toner at a very critical time.

The Entrepreneur sees opportunity in changes in the appraisal market. The Manager sees problems. Without both personalities, an appraisal business cannot be successful.

The appraiser as Technician

Technicians just want to get the job done. The Technician's motto is, "If you want it done right, do it yourself." Thinking about the business gets in the way of getting the appraisals done.

The Entrepreneur keeps the Technician from maximum appraisal productivity by taking on too many assignments and clients. The Manager keeps trying to "organize" the office, taking time away from appraisal production.

For most appraisers, our Technician side is strongest, just like most other small businesses. The typical small business is 10 percent Entrepreneur, 20 percent Manager, and 70 percent Technician, according to the E-Myth Revisited.

The Entrepreneur lives in the future. The Manager lives in the past. The Technician lives in the present.

Unfortunately, when the Technician is in charge, the Technician gets burned out trying to do it all.

All three personalities are necessary for a successful business.

Technicians have a job, not a business

When most businesses start, the Technician is in charge. Finally you are working for a full fee, doing the appraisals you want for the clients you prefer. You and the business are the same. You work long hours, 7 days a week. That's okay when you're first starting your business. But three or four (or many more) years later, you're still working those long hours. Your clients want you, not someone else.

But then you start to get burned out. Sometimes you miss deadlines. Sometimes you forget a client's requirements. Sometimes there are avoidable mistakes in your appraisal reports.

Appraisers leave the business when they realize that after many years of working 7 days a week, it wasn't worth it any more. They are Technicians, and never developed their Manager and Entrepreneur sides.

If you can't take a vacation or are a slave to your pager and cell phone, and think no one else can do it as good as you can, you don't own a business, you have a job. That's okay, but you pay a heavy price.

Moving beyond the Technician stage

Finally you decide to get some help, and look for someone to do what you don't like to do. In my appraisal business, I realized in the third month that I did not like clerical work. If I had to do it, I would rather be an employee again. So I hired a clerical assistant. I still have one today. By the end of my first year in business, I realized I hated bookkeeping, even though I had a good finance background. I hired a part-time bookkeeper. Later, I hired appraisers.

Every business owner is different. Maybe you don't like working with computers, so you hire a computer consultant. Or, you don't like confirming sales, so you hire a researcher.

You have allowed your Manager side to develop. But you need to be careful you are really managing, not just hiring someone and letting them do what they want.

Many appraisers complain that they hire a clerical assistant but everything gets messed up. Or, the assistant doesn't do what you want done, the way you want it done. Or, the trainee you hired doesn't get the work done on time. That's because you are a "Manager by Abdication." You fail to supervise or keep track of what is going on in your office. You fail to give guidance or feedback to your employees. You fail to become an effective Manager.

At this point, many appraisers go back to being a Technician, and doing it all themselves. And the cycle starts again. One day you wake up and realize you don't want to go to work today, or any day. You don't own a business, you own a job. For the employees, unfortunately it means unemployment, particularly if the appraisal firm goes from 20 employees to the owner working out of his house.

Entrepreneur vs. Technician

The Entrepreneur starts with the client, not with the business. The Entrepreneur understands that "without a clear picture of the client, no business can succeed." The Technician only looks outward, asking "How can I sell my appraisals?"

To the Technician, the client is always a problem, who never seems to want what the Technician has, at a price the Technician wants to charge. To the Entrepreneur, the client is an opportunity, with needs to be satisfied.

To the Entrepreneur, the world is full of opportunity, and is a continuing surprise. To the Technician, the clients seldom, if ever, appreciate him or his work, and won't let him do what he wants to do.

The Technician looks at the product. The Entrepreneur looks at the client.

The Technician starts with the present, looking forward to the future, hoping to keep it the same as the past. The Entrepreneur has a well defined future, coming back to the present to match the future.

The Gerber answer - McDonald's

Work on your business, not in your business, is the theme of the E-Myth, Revisited. What is important is that your business is not your life. Your business and your life are separate.

How can you go from an almost 100% Technician to using your Entrepreneur side? Yes, you do have one. Everyone who started a business had one.

In his E-Myth Revisited book, Michael Gerber suggests using a franchise model, where the business is very structured with written manuals. Although I was a bit put off at first, after re-reading this section of his book, there are lots of good ideas for appraisal firms.

In the franchise model, the goal is to have vision and a model of your business so that everyone knows what they must do, and how to do it.

Will this work for your business? Maybe, maybe not. Is it applicable to a one person business? Yes, if only to get you to think about your business and plan for the future. Every appraisal business will be able to get a few good ideas, on how to hire and manage people, provide consistent service to clients, or develop a script for those pesky Yellow Page calls.

What if you just want to have a one-person business?

Many appraisal businesses have only one person in the business - the appraiser. Some successful appraisal businesses have run for years this way. This article explains the price you may have to pay for that decision, and gives you some options. I don't recommend working without any clerical assistance, as you can pay someone work for at $10 to $15 per hour, and you can do appraisals for $50 to $100 per hour. That's how businesses make more money.

If you only have one person, you have to do all the work, manage the business, and plan for the future. Of course it is possible to do it all. It's your decision.

However, you may be better off and happier working for someone else. Not everyone is cut out to be self-employed. As you already know, there are many minuses. If you don't want to be an Entrepreneur or Manager, maybe it's time to consider becoming an employee. Experienced appraisers are hard to find.

Where to get more information

This article is based on an excellent book, "The E-Myth, Revisited, Why Most Small Businesses Don't Work and What to Do About It," written by Michael E. Gerber, a small business consultant. The book is in print. To get a copy go to the www.amazon.com or your local book store. No time to read? Buy the audio tapes. The book will definitely get you thinking about the business side of your appraisal practice.

Most appraisers are propreneurs, not entrepreneurs

Over the past 15 years, appraising has shifted from staff appraisers supplemented by fee appraisers to fee appraisers. Now, most appraisers are independent business owners.

Many appraisers don't consider themselves to be "in business". I know few appraisers who are true entrepreneurs. Most identify themselves as self-employed. Instead of doing appraisals as a staff appraiser, they perform the same appraisals as a self-employed person.

Most books on small business are really down scaled books for businesses with hundreds of employees, rather than appraisal businesses, which typically have under 5 employees. Many appraisal firms today have only one appraiser, the owner.

One of the best book I know for appraisal business owners is Secrets of Self-Employment (and other books) by Sarah and Paul Edwards. This book focuses on the mental part of running the business side of appraising, which is much more important for success than the technical side, such as bookkeeping.

Most of this article is based on ideas from that book.

What is a propreneur?

Entrepreneurs are people who want to grow a business. What type of business isn't really that important. In contrast, appraisers just want to appraise.

One of the Edwards' key concepts is that most of us who start businesses based on a skill we have, such as appraising, are propreneurs rather than entrepreneurs.

Propreneurs have a business not for its own sake, but for a purpose beyond the enterprise. Appraisers want to do what they do best, the way they want to do it. Money is a factor, but few of us would do something we don't like just because it paid more.

When appraisal businesses grow, most appraisers complain that they spend too much time on managing and too little time appraising.

Entrepreneur vs. propreneur

Many appraisers fail tests of whether or not they are suited for self employment, as most of the tests are based on entrepreneurial characteristics.

Entrepreneurs often have always wanted to run their own businesses, had businesses when they were young, and hire people to do appraisals so they can go out and develop more business.

In contrast, most appraisers just want to appraise. The business side is very secondary.

Although the concept of propreneur is not widely used, I think it is very useful to describe self-employed appraisers. For years, we secretly knew we weren't entrepreneurs. Now we know that's okay.

Overcoming the paycheck mentality

Most appraisers don't like marketing. Many manage the financial side of their businesses by the "balance in the checkbook" method. Many of us, at one time or another, have received a significant percentage of our business from one client, which often results in financial distress when you lose the client. This is perfectly normal for propreneurs, who focus on the technical side of their businesses. The Edwards' call this the "paycheck mentality".

For appraisers, the paycheck mentality means expecting a new appraisal assignment to be available when the current one is completed, just like when you worked for someone else. The paycheck mentality is waiting for the phone (or fax) to ring.

In order to do appraisals, and make money, over a long period, appraisers must overcome the paycheck mentality.

Paycheck vs. profit thinking

Most of us got a paycheck at one time or another. We know what the paycheck mentality is. What's hard is switching to a profit mentality, particularly for propreneurs.

Many long time, self-employed appraisers still have a paycheck mentality. I speak with them at my seminars, at meetings, and over the phone.

How can you change your mentality?

As appraisers we are trained to look at the past (comps). But if you always look at the past, you can't see the future. Many appraisers are pessimistic about the future of appraising because all they can see is what has occurred in the past few years. Some become paralyzed, bitter, and cynical.

To be successful as a self-employed person, you have to see the glass as half full, not half empty. Entrepreneurs think this way.

Some of us are naturally optimistic, so it's easy for us to have an attitude adjustment when we get down. If you tend to look at the bad side (pessimistic), you can change your mental attitude.

The Edwards' book has lots of good ideas, plus many references. Seminars and audiotapes on positive thinking, self motivation, etc. can really help. Networking with other positive thinking business owners can help, whether they are appraisers or non-appraisers.

Seeing every dollar as coming out of your own pocket can be good, as it makes you think about every purchase. On the minus side, it keeps you from making investments in your business so you can learn new appraisal skills, expand your geographic area, complete appraisals faster, etc.

I regularly speak with appraisers by phone and email. They ask me about business opportunities for appraisers. When I mention all the articles I have written in the last few years discussing options, they say they couldn't "afford" to subscribe. Paycheck mentality is a catch 22.

What if you don't want to be self-employed?

Even if we don't want to be self-employed, for most of us a full-time staff appraisal job with a regular paycheck is not an option. There are few jobs.

Subcontract work is an option for some, but you are working for less than a full fee.

Segments of our economy, particularly in the technical and professional areas, are shifting from paycheck to self employment. In many ways it's just going back to the past, when most people were self-employed farmers, craftspeople, or store owners.

Employees, more and more, need to have attitudes similar to self-employed appraisers. The days of keeping a job for life are long gone. Employers expect you to get new business, work extra hours when necessary, put the clients' needs above your own, etc.

Where to get more information

Sarah and Paul Edwards have written many books for small businesses, available in bookstores and libraries.

This article is based on Secrets of Self-Employment (Working from Home). The book has been retitled to focus on home based businesses, but still has the same material.

Chapter 3 What Are Your Marketing Goals?

Note to the reader: I have a 230+ page book, The Appraiser's Marketing Workbook to help you develop your marketing plan. The book has many "fill in the blank" exercises. For more information, go to www.appraisaltoday.com

Every appraisal business owner has a marketing plan, even if it's just "waiting for the phone to ring" and sending out Christmas cards. But few appraisal businesses are completely satisfied with their appraisal assignments or their clients. Even if you are satisfied now, there are always changes in the future. Clients come and go. Appraisal standards change. When business gets really slow, those who are prepared will survive.

Marketing plans should be over a period of months, as many of the methods use indirect means, such as speaking or writing. Also, it takes some time for referrals and prospective client recognition to build up. (If you can't wait, see the section on emergency "fast track" marketing in the last chapter in this book.)

Plans can be developed for a short period, such as 6 months, or a longer period, such as 3 years. They need to be developed along with your overall business plan: where you want to be in 6 months or 3 years. Yes, it does take time to plan, and it's not easy to follow through. But the payoff is having the type of business you want, rather than just reacting to changes in the marketplace.

Analyze your marketing personality

From a marketing view, types of principal/business owners are:

1. Anti-marketing. Marketing is really unethical and sleazy, no matter what others say. Don't spend any time or money on it.
2. Dedicated professional. Marketing is okay, but not for me. Just let me do appraisals
3. Anxious but insecure. Knows some kind of marketing should be done, but doesn't know what to do.
4. Sell, sell, sell. Spends large amounts of time selling and bringing in new clients that may or may not work out as long term clients.
5. Secure. Knows where he or she is now, the direction the firm is going, and how to get there.

Another way to look at your marketing attitudes is to evaluate what types of marketing you like to do and are comfortable with.

1. I am comfortable walking up to strangers at a meeting and introducing myself.
2. I like to speak before groups.
3. I am comfortable with personally contacting current and prospective clients.
4. I spend time marketing even when I am very busy.
5. I am outgoing and like interacting with people.
6. I like participating in professional organizations.

If you don't score well on the above list, you're not alone. Appraisers, and many other professional/technical people, often like to work with numbers and ideas, rather than people. Unfortunately marketing appraisal practices can seldom be done by using less personal, mass marketing methods, such as direct (junk) mail, television ads, and billboards. Your clients and referral sources want to talk to you. Fortunately, you can get training in marketing techniques.

Target markets

In deciding where to concentrate your marketing efforts, you need to determine your target market(s). A target market is a group of well-defined clients whose needs your company plans to satisfy. You can have one target market, or many.

We frequently hear people say, "I've never heard of an appraiser turning down work." In periods of very high demand for appraisal services, most appraisal firms have learned that they can't complete all the assignments they receive in a reasonable time. And, of course, some of the fees clients are willing to pay are too low. The only answer is to turn down assignments.

All appraisal businesses get inquiry calls from "questionable" clients and/or assignments. Selecting your target markets will allow you to make an informed decision about where you are going in your business, and which clients and assignments to decline.

Steps to follow

In developing your marketing plan, the steps to follow are:

1. Analyze historical trends in your company. Look at billings from each client, type of client (bank, credit union, attorneys, etc.), and overall billings over the past several years. Have billings been increasing or decreasing for each client and client type? (Have you been getting any new clients?) Do you know why?
2. Look at your marketing personality and decide which types of marketing efforts best suit you. What are you doing now? What do you like and don't like?
3. Analyze the market and determine where you want to go. Do you need more diversification? Do you need to keep billings from slipping with a primary client? Do you want to start working for a new type of client, such as attorneys?
4. Research the target market(s).
5. Plan how you get there. Who will do the marketing, how much time is needed, what are the costs?
6. Implement the plan. Make a commitment to start and follow through.
7. Get feedback on how well it's working. This is very important. Whenever you are contacted by a prospective client always, always, always ask where they got your name. Then you'll know which marketing techniques are working.

Diversification vs. specialization - what's the best for you?

I made many mistakes in my appraisal business. Probably the worst was not diversifying my client base. For many years I had one lender that gave me most of my work. When they cut way back on their mortgage business during the appraisal recession in the early 1990's I was in serious financial difficulties - too many expenses, including staff. I was not diversified enough.

Another mistake early in my appraisal business was trying to cover too large a geographic area. I spent way too much time driving and "reinventing the wheel" on appraisals. I was too diversified.

How I became an expert in a city by specializing

When I started my business in 1986, my city was one of the few in California without an MLS. A local real estate broker put out a weekly list of solds, listings, pendings, and expired. Many appraisers did not want to work in Alameda. I became the "Alameda expert."

About 10 years ago, Alameda joined the regional MLS and other appraisers started taking assignments here. But my reputation as the Alameda specialist continued.

Appraisals are not easy here, as there are many Victorians converted to apartments, small lots, etc. There are relatively few tracts built since 1960.

I have always appraised in other cities, of course, but this provided a "base" for my business that is always there.

Every year my geographic area got smaller. I started in 5 counties, then gradually dropped down to one county. Now almost all my work is in Alameda with a few assignments in Alameda County outside the City of Alameda.

How I am diversified

I specialize geographically, but I have always taken assignments from non-lender clients, both commercial and residential.

I have tested many different types of clients to find out who I wanted to work for, and still look for new ones.

When I started my appraisal business in 1986, I had never done lender work, so I accepted assignments from many types of clients.

I didn't like mortgage broker work, so I turned it down. I liked direct lender work, so I did it. I have never been very successful in getting into credit union work, but am still trying.

I prefer residential work, but do more commercial work when residential lender work is slow. I prefer not to "reinvent the wheel" so I don't take on assignments of unusual commercial properties unless the fee is high.

I do many types of non-lender residential work: estates, relocation, title companies, attorneys, partnerships, etc. I have always made time for these types of assignments, even when I was really busy with lender work.

What's the best for your company?

You're self employed. You can have whatever type of appraisal business you want.

Take some time and look at where you are now and the past. What did you like? What didn't you like? Where are you going?

A heavily diversified firm has many different types of clients and assignments, and works a wide geographic area. The firm may do other types of work in addition to appraisals, such as consulting, property management, real estate brokerage, environmental assessments, etc. In contrast, a heavily specialized firm could work for one client, take only one type of appraisal assignment, or work in a very small geographic area.

Level of diversification

	Low	*Moderate*	*High*
Number of clients	Under 5	6-34	Over 35
Percent with one client	Over 50%	11 - 49%	Under 10%
Geographic area	Small	Mid-range	Wide
Types of appraisals i.e. res./comml.	One type	More than 50% of one type	Many - balanced
Types of clients i.e. lender, legal	One type	Over 75% with one	Under 25% with one
Property types i.e. tract homes, ranches, hotels	Under 4	Moderate - 5 to 15	All types

Analyzing the market for appraisal services

Levels of market analysis

When you do an appraisal, you analyze the real estate market: overall trends, trends in the subject property's market, and the market for the subject property itself. You take the same steps when analyzing the market for your appraisal services.

In your research, there are many levels, depending on how specific your information requirements are. In preliminary research, to decide which overall market you're interested in, you will be looking for general information on that market segment. After you've selected the market segment, you need to zero in on specific clients you're interested in.

For example, you're interested in credit unions:

Level 1: General trends in mortgage lending by credit unions, such as increasing or decreasing, as well as possible future trends, such as doing more first mortgages.

Level 2: If the market looks good, obtain general information on potential clients.

Level 3: Information on specific potential clients.

Secondary research on the lender market

In secondary research, you look at written material primarily, using such data sources as directories, annual reports, and magazine and newspaper articles. This is the same type of research you did when writing papers for high school or college classes. Other sources are the business sections of local and regional publications.

Directories of lenders are excellent sources of information. If they don't have any information, check with a local title company, mortgage broker, or other lender. Use directories of professional appraisal associations and contact staff appraisers working for lenders you are interested in. To get names and phone numbers of associations, use the *Directory of Associations*, available in many libraries. Then call the association to get a directory. For publicly traded lenders, obtain copies of their annual reports. As an example of secondary research, we have chosen lenders. The research techniques apply to any market and most, if not all, of the research can be done in a public or college library.

Look for general information on the specific part of the lending market you're interested in, as well as information on a specific lender. Use general indexes, such as *Books in Print* or *Business Periodicals Index* for magazine and newspaper articles. Indexes can also be useful for locating articles about specific lenders.

For trade publications not included in the larger indexes, obtain copies of their indexes and order the back issues. If there's a trade publication for your targeted lender segment, subscribing is often very worthwhile. For example, if you are targeting mortgage bankers, *Real Estate Finance Today* published by the Mortgage Bankers Association, can be very helpful. Business sections of local and regional newspapers and business publications are very useful for company information, particularly the news items, such as on expansion.

You will be looking for such information as: address and phone numbers of headquarters and local branches, names and phone numbers of department contacts, including appraisal departments. Also look specifically for information on mortgage lending: types of loans, increase or decrease in lending, wholesale or retail, etc.

What if you, or your staff, don't have the time or interest is doing all this secondary research? You can often hire a local college student, or even a high school student, to do your research, paying him or her by the hour. Of course, you will need to decide what you want first.

Primary research: Making personal contact

In secondary research, you use primarily written material. In primary research, you collect data primarily by personal contact, such as letters or conversations. You or another principal can do this research, or you can have associates help, particularly in providing leads.

Start with your business and appraisal networks. For example, to get information about working for a specific lender, ask other appraisers who work for them as fee or staff appraisers. Most non-competing fee appraisers (i.e., in another geographic area or different types of appraisals) will tell you what they are like in a working relationship, if assignments are increasing or decreasing, who to contact, etc. Ask your other lender clients about who to contact at your target company.

If you don't have anyone in your networks to contact, go to meetings where you're likely to meet a source of information. Attend a meeting of an appraisal association in another area to contact fee appraisers working for your targeted lenders. Or go to a local Chamber of Commerce mixer that an officer of a local bank or branch is likely to attend. Or go to a meeting of the lenders' trade association, such as a national, state, or local Mortgage Bankers Association, or American Bankers Association meeting.

Looking for more general information, such as the current status of the credit union or mortgage banker markets in your area, is relatively easy. Contact appraisers, loan officers, and persons mentioned in newspaper or magazine articles about what the market is like now, prospects for the future, and who's expanding or shrinking their mortgage lending.

Analyze your firm's marketing resources

It's great to plan an extensive marketing campaign, but do you have the resources to implement it? Time, money, ability, and commitment are required. Does anyone in your company have the ability and interest in personal selling or networking? Will training be required? Do you need to hire someone? Do you need to bring in a partner? If you are planning a "do it yourself" marketing plan, be to choose marketing activities that you can accomplish. Don't try to do activities you don't like, or are too complicated, or that you won't follow through on to completion.

Most appraisal practices do little marketing because they don't "have time". They don't want to sacrifice production time. Every marketing effort will require a decrease in production time, usually by the principal. You can hire someone to prepare marketing materials or do public relations, but typically the principal, a partner, or an experienced associate will have to do the personal activities required such as speaking, writing, or personal selling.

Sample plan: Increase legal assignments

After you've finished your research and decided where you want to go, you need a plan for getting there. One of the best ways is to use a structured plan for a specific time period. We have chosen to use several sample plans as illustrations.

Objective: Increase attorney work by at least $50,000 in the next 12 months by using both direct and indirect methods.

Business Goals

	Now		*Future*	
Client type	*% of business*	*Dollars*	*% of business*	*Dollars*
Banks	90%	$180,000	72%	$180,000
Attorneys	5%	$10,000	24%	$60,000
Government	5%	$10,000	4%	$10,000
Total	100%	$200,000	100%	$250,000

Current clients: personal contact

Month	*Activity*	*Person*	*Time*	*Cost*
Jan.	Business lunches (2) Phone calls	Principal	6 hrs.	$360
Feb.	Deliver appraisals Business lunch	Associate Principal	4 hrs. 2 hrs.	$160 $120
March	Business lunches (2)	Principal	4 hrs.	$240
April	Golf	Principal	4 hrs.	$240
May	Business lunch	Principal	2 hrs.	$120

Total principal time = 18 hours
Total associate time = 4 hours

New client marketing activities:

1. Direct mail with follow-up
2. Speaking
   a. Attorney meetings
   b. Real estate agents meetings
3. Writing a monthly column for the local newspaper
4. Advertising in local legal directory

New clients: Advertising and direct mail with follow-up

Month	*Activity*	*Person*	*Time*
Jan.	Design brochure and ad for attorney directory	Principal/ Designer	5 hrs.
Feb.	Print and mail brochure to 100 attorneys - Pay for ad	Secretary	3 hrs.
March	Initial follow up- phone	Principal	30 hrs.
April	Meetings with 10 possible clients	Principal	15 hours
May	Follow up phone calls	Principal	5 hrs.

Total principal time = 52 hours
Total designer time = 3 hours @ $45 per hr. = $135
Total secretary time = 3 hours @ $15 per hr. = $45

New clients: speaking and writing

Month	*Activity*	*Person*	*Time*
Jan.	Write article Speak at Brokers meeting	Principal Associate	2 hrs. 2 hrs.
Feb.	Write article	Principal	2 hrs.
March	Write article Speak at attorney meeting	Principal Principal	5 hrs. 2 hrs
April	Write article	Associate	2 hrs.
May	Write article Speak at Brokers office	Principal Principal	2 hrs 2 hrs.

Total principal time = 15 hours
Total associate time = 4 hours

As shown in these examples, substantial amounts of time can be required by the principal: a total of 85 hours. Sometimes an experienced, loyal associate-employee can be used. In this case, 8 hours of associate time. If using fee split associates, be sure to determine a method of compensation, such as an hourly rate or an increased fee split.

Is 2 weeks of the principal's time worth it? In our example, it did achieve some diversification, and increased revenues by 25%. Also, many of the marketing efforts become fully effective over a longer period than one year. For example, the brokers you spoke to may not know of any clients needing legal-related work in the next year, but may in the year after that. Marketing efforts with existing clients may or may not get new attorney business, but will help keep them loyal and will increase business from them.

Sample plan: Increase local lender assignments
Objective: Increase work with local lenders by at least 50% over the next 12 months by obtaining new clients and expanding services to existing clients.

Business goals

	Now		*Future*	
Business loans	2%	$4,000	13%	$40,000
OREO	5%	$10,000	7%	$20,000
Hard money lenders	3%	$6,000	7%	$20,000
Refis and sales	90%	$180,000	73%	$220,000
Totals	100%	$200,000	100%	$300,000

Current clients: personal contact

Month	*Activity*	*Person*	*Time*
Jan.	Business lunches (2) Phone calls	Principal	6 hrs.
Feb.	Deliver appraisals Business lunch	Associate Principal	4 hrs. 2 hrs.
March	Business lunches (2)	Principal	4 hrs.
April	Golf	Principal	4 hrs.
May	Business lunch	Principal	2 hrs.

Total principal time = 18 hours
Total associate time = 4 hours

New client marketing activities:
1. Send out brochure and sample packages to targeted lenders, follow up
2. Attend local chamber of commerce meetings
3. Publicity news releases

New clients: inquiry letter with followup

Month	*Activity*	*Person*	*Time*
Jan.	Send out 30 inquiry letters	Secretary	8 hrs.
Feb.	Follow up - phone calls	Principal	4 hrs.
March	Follow up - meetings	Principal	8 hrs.

Total principal time = 12 hours
Total secretary time = 8 hours @ $15/hr. = $120

New clients: publicity and attending meetings

Month	*Activity*	*Person*	*Time*
Jan.	Write and send press release - newspaper	Secretary	8 hrs.
Feb.	Attend chamber of commerce meeting	Principal	2 hrs.
March	Press release - cable TV Attend chamber meeting	Secretary Principal	2 hrs. 2 hrs.
April	Follow up on press release - cable TV - Attend chamber meeting	Principal Principal	1/2 hr. 2 hrs.
May	Appear on local cable TV Attend chamber meeting	Principal Principal	2 hrs. 2 hrs.

Total principal time = 10.5 hours
Total secretary time = 10 hours @ $15/hr. = $150
In this plan also, substantial principal time is required: 40.5 hours.

How to reduce the principal's time

Unfortunately, most clients are used to dealing directly with the principal of an appraisal firm. Bringing in a well-known and respected appraiser as a partner to help with marketing, or using an associate with appropriate compensation, are ways to relieve the principal. Bringing in a non-appraiser spouse with marketing or public relations experience can be successful if you want to greatly expand your business. A few large appraisal firms have salespersons who do nothing but sell after some basic appraisal training, or hire professional sales persons from related real estate fields, such as title companies.

In most appraisal firms, the principal has to do almost all of the marketing. One way to help free up time is to pay an associate to be a reviewer so the principal doesn't have to do as many reviews. But most principals just cut down on their own production time.

Encouraging associate appraisers to bring in new business can help. Many firms offer a bonus to associates who bring in and service a new client. Even if they don't receive a bonus, associate appraisers and support staffers who provide leads or a new client will help themselves by providing more assignments to the firm. New clients can serve associates in another way, as it could provide a client base of their own and relieve the principal of some marketing pressures. Many firms have their associates establish business relationships with clients.

Find out what works best by control and follow-up

It doesn't do much good to spend time and money on marketing if you don't know if it's working. In the examples above, this can be done by tracking the billings. Your accounting system may need to be modified to track by type of client. Also track by asking where the new client got your name. Always ask and make notes. This is less scientific than tracking billings, but it will usually let you know which marketing activities are most successful.

For example, in the attorney plan above, you find out that most of your attorney referrals are coming from speaking to attorney groups and advertising in the local attorney directory. You're not getting many referrals from your current clients. Of all the legal-related work you've received, 80% of it was from your mailing and follow-up and 20% from referrals.

In contrast, in the local lender plan above, most of your good new clients are from attending the local chamber of commerce meetings, which many local lenders attend. Most of your increased business is from existing lender clients, from different departments than you worked for before, such as business banking or the OREO (Other Real Estate Owned) department located in another area.

Handling change is a key to success

The market for appraisal services changes constantly. The most successful firms are able to see changes coming and adapt quickly. An extensive marketing plan may need to be scrapped due to market changes. Your plan will probably be changed regularly in response to changes within your firm and outside of it. Changes can be positive or negative. Often there are indicators long before the market starts to significantly change. Lenders are a good example. Appraisal requirements start to change from loose to strict, or the reverse.

Your best client can change. The person who gave you the appraisal assignments quits. The company decides to hire its own appraisers, assigns a new order clerk, or hires a chief appraiser. Be ready for these changes. Establish a good working relationship with your contact person, who can give you timely information on upcoming changes. Each lender has its own appraisal policies, which change over time. Changes in state and local government regulations, Appraisal Foundation guidelines, recent audits, management changes, and loan officer turnover can cause business relationships to change.

Don't be the last to hear that your main competitor's expanding, or that she's going out of business. Be sure your appraisal network keeps you up on these important changes. Keep up on new appraisal firms that may be opening up, particularly if they may be direct competitors.

To keep up with changes and react quickly, you need to read the real estate and business sections of local and regional newspapers and national business publications, such as the "Wall Street Journal." You're looking for companies that are expanding or shrinking, new companies, and new opportunities, such as wholesale lenders opening up retail offices. If you do non-lender work, subscribing to industry publications is a must. For example, relocation magazines - so you know who's merging or shutting down, and who's moving to a new company.

Keep up on changes in the appraisal industry by subscribing to appraisal publications such as *Appraisal Today*, *Real Estate Valuation*, and publications of appraisal associations. You'll be looking for upcoming regulatory changes and new opportunities. A good source for the mortgage lending industry is the Mortgage Banker's Association. Want ads for personnel can be an excellent source for leads. For example, a local lender is hiring new loan processing personnel. Or, a state highway department is hiring right of way agents. These can be tips on expansion plans.

Don't let your appraisal and real estate information network information become stale. Attend meetings and contact your sources on a regular basis. You want to know if your main lender client is considering hiring staff appraisers long before they actually do the hiring. Telephone "buddy gossip" can be more than interesting, and it can be very informative.

Chapter 4 What Are You Selling? How Much Should You Charge?

Pricing appraisals for maximum profit

One appraiser never seems to make much money and is always complaining, and the other one is satisfied and doing very well financially. The difference could be due to low pricing by the complaining appraiser.

Pricing - a vital part of your marketing strategy

The price of your appraisals is a very important factor in whether or not you will receive appraisal assignments, who will hire your company, what assignments you will be able to obtain, and your profits. If you're higher priced than your competitors, and can't offer anything extra, such as service or quality, customers will go to your competitors. If you're lower priced than everyone else, and offer equivalent service and quality, you'll get lots of work but won't make much money.

Appraisers need to know their costs and profit margin on different types of appraisals so they can determine which are more profitable and if profits are changing. Many commercial fees shops use an estimate of hours required as a rough estimator, such as 40 hours $60 per hour, for a bid of $2,400. But very few set their prices by using cost alone.

Pricing is not easy for any business, including appraisal businesses.

How to tell if fees are going up

Whenever there is increased demand, and appraisers are turning down work, there is pressure to raise fees.

In some appraisal markets, there are price leaders who tend to raise prices first. It can be one large firm, or several mid-size firms. By keeping an eye on their prices, you can tell when prices are going up.

In other markets, there is no clear price leader, as the market is very fragmented among many firms. Detecting price increases is more difficult.

Finding out what other appraisal firms are charging is relatively easy for residential appraisals. Just ask directly, or call, posing as a prospective client.

Fees on commercial appraisals are more difficult to obtain. To determine general price levels, inquire about the fee for a standard, non-complicated, property in your market, such as an apartment building of 40 units, or a mid-size industrial warehouse.

If prices have been going up for commercial appraisals, and you haven't been keeping track, indicators that you're underpricing are:

1. Fees below competitors. (Regular clients sound very happy when you quote a fee.)
2. Many new clients.
3. A substantial increase in accepted bids.
4. Decreased client demands. (You're so cheap, they don't want to rock the boat.)

Clues to overpricing

Yes, prices do drop, particularly for commercial appraisers. Some good indicators are:

1. Decline in number of assignments.
2. Competitors prices are consistently lower. (Regular clients gasp or choke at your fee quote.)
3. Increased client demands (often a cover for price complaints).
4. Increase of bids not resulting in an assignment.

What about residential lender fees

See the Primary Rule above. You can get higher fees if you do unusual or high end homes and/or are in a rural area with few appraisers.

Residential lending appraisals have become commodities, with many prospective clients just looking for a licensed appraiser.

However, most loan originators are primarily concerned with speed, not fees. They can give the assignment to the low bidder, who may not get the appraisal back fast enough, or have lots of review problems.

How to increase income, without increasing "prices"

If business is strong, you can:

1. "Fire" high maintenance clients, who continually require extra services without paying higher fees. Then you can accept more assignments from clients who take less time and are more profitable.
2. Take more appraisals from high-profit clients, and less from low-profit clients. High-profit clients don't require extra comps, revisions, addenda, and fast turn-around times. They always pay their bills promptly, and don't call every other day checking on "appraisal status". Time spent on these extra services, without extra compensation, results in lower profits.
3. Have support staff return calls about appraisal status, fee quotes, additional information requested, etc., so you and your appraisers can be more productive.
4. Specialize in certain property types or geographic areas, so more work can be done in less time. Don't take appraisals out of your specialty areas.

Differential pricing for residential lender appraisals

Residential appraisal fees tend to fall in a narrow range. Some residential appraisers vary the fee by the value of the property or square footage, but that doesn't always correlate with the difficulty of the assignment.

Karen Mann, SRA, ASA in Fremont, CA developed a grid system, based on type of home and location, for pricing appraisals. They use a grid, with 4 classes of homes, and 5 zones of cities. The 4 classes of homes are: tract (up to 3,000 sq. ft.), custom/semi-custom (up to 4,000 sq. Ft.), custom (4,000 to 5,000) and custom and/or large parcel (5,000 sq. ft. and larger homes). There are 5 geographical zones, based on distance and degree of difficulty. A typical tract house in Zone A (the preferred geographical area) would be the lowest fee. Class 4, very large custom home, in Zone E (a distant, less preferred area) would be the largest fee.

How to get higher than "going rate" fees

The only way to get higher fees is to offer clients something your competitors can't. Time is required to build up a reputation for specialization in geographic areas and property type. Examples of property types are golf courses, subdivisions, large farms, or high end homes. You can also specialize in a geographic area, particularly if your competitors don't like to work there. Any property type or geographic area where there are few competitors who have your expertise will give you the opportunity for higher fees.

If you do lender residential work where fees tend to fall in a very narrow range, and don't want to do high end properties, you'll have to get new types of clients, such as private clients, relocation companies, and attorneys. Relocation fees tend to fall in a narrow range, but they do pay more. Lender foreclosure work often gets higher fees, especially if they want a relocation-type appraisal, with two values, listings, interior photos, etc. Private clients, such as a buyer or an executor of an estate, are often much less price sensitive than lenders, and are willing to pay more for a local expert. Legal work, such as divorce and distressed properties pays more.

How to keep from losing (too much) money on an appraisal

Every appraiser has had the experience of agreeing to a certain fee, and then finding out the appraisal is much more difficult and time consuming than anticipated.

The best way to avoid this problem for commercial and complex residential properties, is to carefully pre-screen properties before submitting a bid. Do preliminary research in your office on the subject property, and drive by the property if you're not sure what's there. If you or an associate appraiser is going to be spending 2 to 4 weeks on the appraisal, it's worth it to find out what you will be appraising. If your client insists on a quick fee quote, give one, but make it clear that it will be subject to revision later, or give a fee range. When giving a range, many appraisers quote a high upper end price, so the client feels they're getting a "deal" when you bid is less than the high estimate!

The expertise of the person doing the bidding is very important, on both residential and commercial appraisals. It's very awkward to have to call the client and substantially increase a fee quoted by someone not familiar with that type of assignment. Make up lists of questions to ask the prospective client, such as the purpose of the appraisal, type of improvements and lot size or acreage, location, whether it is a "rush" job, etc. Be sure to explain your payment terms. The initial screening can be done by support staff. Set guidelines in your shop for who quotes which fees. Involve your associate appraisers in bidding, especially if they will be doing the job.

If, after you start the appraisal, it becomes clear your fee was too low for the difficulty of the assignment, call the client as soon as possible and try to negotiate a higher fee. If your fee was way too low, and they won't agree to a higher fee, it may be worthwhile just to give up the fee and request that they find another appraiser. But most appraisers just do the work at the lower fee, so as to not annoy or antagonize their clients.

Exchanges of fee information and the law

Since you can't go down to the local supermarket, or check newspaper ads, to find out what your competitors are charging, you have to ask them. Some appraisers worry that if they ask another appraiser what they charge, they could be violating the law.

The issue is price fixing, whether or not a group of appraisers conspires to fix fees on a specific job, or to fix all fees at a certain level (i.e. residential lender fees). In the real world, it's very unlikely that appraisers could set the prices for all appraisals of a certain type, say URAR lender appraisals. Firms conspiring on a specific bid on a commercial appraisal is much more likely.

Exchange of information is not illegal. Parallel prices are not illegal. Exchanging information to set parallel prices is illegal.

If you're really worried, anonymously call other offices for fee quotes. I'm sure some of the fee quote calls you receive are from other appraisal offices! Another great method is to check competitor's Web sites.

Price vs. Value

Another way to analyze prices is to look at the price vs. value trade-off.

Price vs. value

LOW PRICE HIGH VALUE	HIGH PRICE HIGH VALUE
LOW PRICE LOW VALUE	HIGH PRICE LOW VALUE

For most firms, the worst quadrant is low price/high value. You're putting out a high quality appraisal with excellent service but your clients aren't willing to pay and don't really care about high quality. High price/low value also has problems with client retention and getting new clients.

Where are you in the grid, and where do you want to be? Are you offering a high quality appraisal and service for a low price because your clients are price sensitive? Maybe you should look for new clients who are willing to pay for a higher quality product. Or, maybe you need to have a "minimum standards" appraisal for them, if they don't care about high quality.

Or, you've been in business for a long time with high prices, but your quality and service have been slipping. You may be making more money in the short run, but may gradually lose your best clients. Change is needed!

Appraisers are in the assurance business
By Doug Smith, IFAS

Editor's Note: This speech was delivered at the Northern California conference of the National Association of Independent Fee Appraisers on August 22, 2003. Not much has changed since then.

The future of appraising is on our minds. Some have concluded that there is no future and have left the profession or are planning an exit. Newcomers asking for guidance, are dissuaded from even starting out.

In our time, we have seen enterprises once part of our business landscape, fade away. Main street businesses have been Wal-Marted; local hardware stores, Home Depot-ed. Travel agents are no longer an office extension of the airlines and soon the local insurance man will no longer be coming to Rotary as more of his customers buy their insurance from Internet-based insurance companies.

Where does the present appraisal office model fit in? Putting the subject of AVM's aside, is it really logical that in the future, the marketplace would support a business built on house-calls where 25% of the time is spent driving around?

No one can predict the extent of changes in the future. There is one certainty, however. Appraisers can either shape their destiny or fall victim to events. "Some people change when they see the light; some change when they feel the heat." That truism puts new urgency into considering what the future holds.

We can change or be changed. Given market dynamics, I submit that appraisers have the power to influence what their role will be in the future. More importantly there are solid reasons why appraisers can face that future with optimism and confidence. The starting point may be asking, "Just what business are we in, anyway?"

What business are we in?

It is no secret to those that read my column in Appraisal Today that I am a fan of Peter Drucker, an enduring management consultant, said to be the man who invented corporate society.

Most recently he is remembered for telling Jack Welch, former CEO of General Electric, that if you are not number 1 or number 2 in a market, get out. Jack Welch's success and the subsequent huge increase in GE stock value is largely the result of this strategic thinking.

Peter Drucker once was hired by the board of directors of ServiceMaster to offer guidance on their future. He started out by asking the members of the Board what business they thought they were in. They replied they were in the building-cleaning business; the extermination business and lawn-care business. Drucker said, “Wrong. That is the work you do.”

Your business is to train the least skilled people and make them functional. So that is what they did. Least functional doesn't mean least intelligent or industrious. It can mean bright and ambitious but unschooled.

Cleaning and tending homes and businesses became their vehicle for success, and training in ServiceMaster became emphasized. Business grew to $3.5 billion, thanks to Drucker's insight.

Now let's turn to appraising and ask ourselves the same question Drucker asked of ServiceMaster. Answers come quickly. We value real estate. We review. We consult. We conduct mass appraisals. We value both businesses and personal property. In eminent domain appraising, we carry out the intent of the founding fathers as set out in the Constitution. All that is clearly the work we do but it is not the business we are in.

Let us go further. What is at the heart of our work as appraisers? What is our business? If we can understand what is behind all that we do, we can do it better and thus succeed in the face of any adversity or business challenge.

Allow me to suggest an answer. Appraisers render professional services that improve the quality of information, or its context for decision makers.

The name we give to this is borrowed from CPAs. Simply put, we are in the assurance business. We render assurance services.

Implicit in this definition is the idea that people use assurance services when they have to make decisions. The services are intended to improve the information used in the decision process. Presumably, better information should lead to better decisions.

The American Heritage Dictionary defines assurance as "The act of assuring, a statement or indication that inspires confidence, a guarantee or pledge and freedom from doubt, certainty."

Our services then, are sought for the very content of the signed certification in our reports. Read the certification we sign carefully. That is what our business is. Our certification reflects this assurance.

What about lender pressure and assurance?

Now let me quickly do some mind reading. You are now thinking, "What about lender pressure? That mortgage broker last week certainly was not looking for assurance?" I totally agree.

But let us look at lender pressure in its context of the ethical problem that it presents. In any business ethics course, Chapter One will lay out the steps of solving any ethical or moral dilemma.

The first step is to define the problem. In every case of lender pressure, there is no dilemma at all. Play ball - bring the value into line with expectations, no matter what. These loan brokers certainly bring clarity to the ethical problems of the day.

The second step in our chapter on ethical decision-making is to consider the stakeholders. Here we have to go beyond the intended user that must be identified by USPAP. There are a whole set of implied intended users.

We must first act to maintain the public trust. The public then, is ultimately the first stakeholder. The public bailout of the savings-and-loans put us in the public trust business regardless of whether somewhere down the road, public funds may or may not have to be expended.

The lending business represents a value chain and most loans are sold and resold. Our appraisal reports travel along this value chain and become part of the process of contract law. When one party agrees to sell a loan to another, appraisal reports become an inducement to do something, which is to purchase the loan.

Once we grasp that the mortgage broker or the lender's agent is but a minor stakeholder, we can deal more easily with lender pressure.

Appraisers are local - an era of exceptional service

Appraisers are entering into what might be described as an era of exceptional service.

In the future, with so many alternatives such as the AVM, appraisers will appraise by exception and when we do appraise, our product must be exceptional.

Appraisers today have one real advantage, one strength that is unmatchable against any AVM or similar collateral evaluation short cut. Tip O'Neil, former Speaker of the House, famously said, "All politics is local." All appraising is local.

Appraisers, with their street-by-street local knowledge, are the precinct captains, the ward bosses of their locale.

Simply put, the AVM does not read in the newspaper the results of the school board meeting, announcing the closing of the Longfellow school and the imminent transfer of those students to the Emerson School in another neighborhood. The AVM has no geographical competency. On the other hand, we, who operate at the local level, do have geographical competency and that is the value-added feature of our work sought by our clients.

How can we provide better assurance?

If we accept that assurance is the business of appraising, we must consider how we can strengthen our ability to deliver it. As we face the future, if we can provide even greater levels of assurance, we can face the challenges ahead with confidence. In the new competitive environment, three factors are going to be of major importance: objectivity, independence, and integrity.

Let us turn to objectivity. It is our greatest goal and to meet its challenge, appraisers must either move out of their comfort zone or get out of the way of future generations.

Just what is this challenge before us? The next information revolution is not going to be a revolution of technology, techniques, software or speed, but of concepts.

Data, its collection, storage, transmission, analysis and presentation, now needs to be followed by its meaningful interpretation.

The next information revolution asks, "What is the meaning of data and what is its purpose"? So far in appraising we have seen software assist in the operations side but not the analysis and decision-making side. We have better drawing software and instant flood maps, digital cameras and laser measuring devices.

But where is the software that leads us to better decision making, to deriving meaning from data? Some appraisal courses leave the impression that the quantitative aspects of appraising can be accomplished using third-grade math skills and memorized keystrokes on the HP-12 C.

In the great 759-page book put out by the Appraisal Institute, The Appraisal of Real Estate-12th Edition, only six pages are devoted to regression analysis yet the basis of AVM appraising and the implied direction of appraising is mostly based on multiple regression. Think of it. The whole AVM movement is outside the current sphere of appraisal education.

Appraisal education

In 1963, I graduated from college with a degree in economics. At the time, calculus was not required and neither were advanced math skills. Economics was qualitative, not quantitative.

Appraising is in the same state economics was 40 years ago; it is largely qualitative in emphasis rather than quantitative. The AQB is out in front on this issue. As of January 1, 2008, college level statistics and finance courses will be required of tomorrow's appraisers.

Here is what they ask about the necessity of this increased emphasis in education: "Bearing in mind the overarching goal of establishing and maintaining a high level of public trust in the appraisal profession, what are the requisite skills needed to practice competently, and what are the educational hours needed to acquire these diverse problem-solving appraisal skills and knowledge?"

In other words, the AQB links academically based education, the acquiring of problem solving appraisal skills and knowledge with maintaining the public trust. It is saying that appraisers must become more quantitative in pursuit of objectivity.

The implication of the direction of the AQB is clearly stated. The education of appraising cannot be left only to the appraisal associations. Without academic influence and discipline, quantitative analysis has been relegated to the back seat.

To correct this, I offer two proposals: The first is that every course include a statistics and mathematical analysis module and add multiple regression analysis or similar analysis tools to the others in order to sharpen problem-solving skills. Secondly, in anticipation of the course requirements set out by the AQB, each appraisal organization now educating should strike up strategic alliances with a university offering the academic courses outlined in the new curriculum.

Individually, I recommend that every appraiser now practicing take a course in statistics with some emphasis on multiple regression analysis, with the goal of offering more objective analysis, of improving the quality of information, or its context for decision makers.

Independence and integrity are necessary for assurance

The next area of our assurance-support structure is Independence. Independence is easily understood as the absence of interests that create an unacceptable risk of material bias in preparing an appraisal engagement.

Up to the present, USPAP has defined bias as a preference or inclination used in the development or communication of an appraisal, appraisal review or appraisal consulting assignment that precludes an appraiser's impartiality.

USPAP has abandoned this limited view and proposes a new definition. It says, " An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests." Thus in this change, all assignments are included bringing USPAP into alignment with providing assurance services to all clients in all assignments.

In the last five years of the refi boom, we have seen our share of corruption and fraud. One other factor which is critical to the underpinning of assurance is integrity. Criminals can be objective and bias can be disguised. Only where there is integrity can there be assurance.

We are each responsible for our integrity but as we face the future of our profession, what does this mean for us as individuals?

How can we define the issues that make up integrity as it relates to the appraisal profession? We start with reliability. We must do what we say we will do. This is the pragmatic part of integrity, that of keeping promises and meeting deadlines. Succeeding may require tough negotiation prior to making commitments.

Next, we must, in every case, do the right thing and that starts with awareness and the obligation of right action. Simply put, we must know the rules cold. Think of it this way. The AVM does not do USPAP. We do USPAP and we must know it, understand it and act on it. We are going to have a lot more USPAP. Much has changed since we had our first education. Now more than ever, it is time to wipe the slate clean, to look at USPAP as an enhancement rather than a hindrance.

Reviews and mentoring are necessary

Reviews and mentoring are two areas which allow us to take responsibility for every one of our actions and where integrity is of the essence. In this, we blame no one. We accept the behavior of others and the circumstances of our lives as givens. When we see something we don't like, we accept the responsibility either to accept it or change it.

Accepting a review assignment is taking responsibility. We are guided by a moral imperative that asks us to act in such a way that our actions could be a universal law. What if no one accepted reviews? I submit that accepting reviews and conscientiously carrying out the review process is essential to sustaining our profession.

In the same way we take responsibility for our actions, we must also respect others, even when they do not live up to our
expectations. We have it in our power to invoke integrity in other people by treating them with respect. We do that by looking at mentoring in a new way.

This country has a broad landscape of large cities and small towns. While the market for appraisers may be in oversupply in metropolitan areas, we must give some thought to refreshing the pool of appraisers in every community.

Recent evidence suggests that appraisers are aging and are not being replaced. Respecting others is taking on trainees and acting as a mentor.

Trainees are heard to complain about being treated unfairly when it comes to compensation. Treating others with respect means settling on a fair fee-split that gives dignity to the efforts of a trainee and recognizes the contribution of the mentor. Today, more than ever, there is a need to mentor others, and there is an even deeper need to create environments that nourish the integrity of others not only in this generation of appraisers but the next.

Today more than ever, we must adopt the means to view the big picture; some call it adopting a holistic way of thinking. Integrity is the quality of wholeness and while we can compartmentalize, we must always be aware of the big picture. This means that we must not only understand the context of our local community, we must keep pace with understanding the larger issue of the economy and political climate. Most of all, we must continuously examine our role in the community on a moral and ethical level.

Summary and conclusions

Resting on the foundation of why clients seek us out, I have offer you the suggestion that we are in the assurance services business and these are services that improve the quality of information, or its context for decision makers.

In support of this, I set out a three-legged stool, as it were, the legs all-necessary to meeting the qualities inherent to the concept of assurance. These are Objectivity, Independence and Integrity.

Thus by stepping back and considering these issues and sharpening our emphasis on these into our everyday practice, I believe the future to be bright and full of promise. We will meet the demands of this uncertain future, of increased competition. Our individual appraisal practice will not wither, it will thrive and we will be even more successful in the coming days. Thank you for this splendid opportunity to speak to you this evening.

About the author

Doug Smith, IFAS, is an appraiser in Missoula, Montanta. He can be contacted at hotelman@montana.com.

Chapter 5 How to Have Business Come to You - Increase Your Referrals

Referrals are appraisers' best source of business

In times past (over 25 years ago) when business was stable and there were far fewer appraisers, after an appraiser got experience (and sometimes a professional designation) he or she could "hang out a shingle" and get referrals from clients or other appraisers. Now, just like in medicine and law, most of us can't afford to just sit and wait for the phone to ring.

We all remember the good old days, when the phone rang with clients begging us to take one more assignment. Those days may come back some day, but there is another way to get clients to call you: referrals.

Many appraisers don't actively solicit referrals. We have an excuse: no sales training. But even experienced sales persons forget about this excellent source of business.

I recently spoke with a local top producer real estate agent whose business was slow. She told me she recently took a class on referrals and was now contacting all of her old clients. Although she has been in real estate sales for many years, she had forgotten about the power of referrals.

Many appraisers ask us how to get on lender lists, how to get more business appraising certain property types (such as nursing homes), how to break into REO appraising, etc. We tell them all the same thing. If no one knows who you are and what you can do for them, you won't get any phone calls.

To get more referrals, you have to contact more people. If no one has heard of you, they can't give you a referral!

Always ask. Always tell.

The primary key to getting a person to be a source of referrals is to always ask for referrals. How many of your relatives, friends, and business acquaintances know that you would like to get referrals from them?

You must also tell the referral source what types of referrals you would like. Always tell referral sources what you want them to do.

In the example above of the local real estate agent, she hadn't told us that she was now working with both buyers and sellers (not just sellers) and had expanded her geographic area. I had only been giving her name out for sellers looking for a local agent.

If you work for mortgage brokers and are looking for new clients, you would ask your referral sources to give your name to mortgage brokers, mentioning that they knew you as a reliable business person (or you had worked on one of their deals). You are an appraiser that will complete the appraisal on time with minimal hassles.

If you want to increase your business from attorneys, you would tell your referral sources that you do work on all property types for estates, divorce, litigation, etc. Many people think appraisers only do house appraisals for lenders.

Always, always, always say thank you

How many times have you been called by an appraiser thanking you for a referral? You probably remember that person's name.

Always, always, always thank referral sources by phone, letter, or email. Then they will be much more likely to give your name out again. You have given them positive reinforcement.

How do you know where a client got your name? Whenever someone calls you about doing an appraisal, always ask where they got your name.

Who can be a referral source?

Almost anyone can be a referral source, if they know you (or know of you) and what you can do.

Some sources are:

- Neighbors
- Relatives
- Friends
- Your accountant, attorney, dentist, doctor, etc.
- Current clients (often your best source)
- Real estate agents and brokers
- Appraisers
- Mortgage brokers
- Soccer moms
- PTA members
- Loan offices at conventional lenders
- People you meet at:
    - Charity events
    - Grocery stores
    - Sporting events
- Etc., etc.

If this seems like a big list, you're right. I have gotten appraisal assignments from just as wide a range of referral sources. I have also obtained assignments directly from individual contacts. For example, I recently attended a charity dinner. Sitting next to us was a woman who needed four residential properties appraised for an estate.

Who are the best referral sources?

The best referral sources are people who are in regular contact with persons needing appraisals. That's why other appraisers are usually one of the best sources of referrals.

Who do people call when they need the name of an appraiser? Other appraisers, real estate agents and brokers, attorneys, loan officers, etc.

Your clients are also one of your best referral sources. They know your work.

Appraisers as referral sources

One of my best referral sources is other appraisers.

How many times do you get calls for appraisals in areas where you don't work, or for property types you don't appraise? We all do. (If you don't, you really need to increase your marketing efforts.)

Whose names do you give out? Why do you give those names?

Do you give them the names of appraisers you know or just open a telephone or association directory? Which are you more comfortable with? Most of us prefer to give referrals to appraisers we know.

If other appraisers don't know you, they probably won't give your name out.

Being active in appraisal organizations and taking appraisal classes and seminars and networking with the other attendees are two excellent methods.

Keep in regular contact with your appraisal network with phone calls, emails, and/or brief notes.

What types of referrals do you want?

Before working on increasing your referrals, first you must decide what types of referrals you want.

Do you want only lender referrals, non-lender referrals, or both?

Do you want to work for private individuals, mortgage brokers, banks, government agencies, or attorneys?

What type of lender referrals do you want? Commercial, residential, mortgage brokers, foreclosures, etc.

What geographic area do you want to emphasize (a city, county, multi-county, or state).

What types of properties do you want to appraise? Homes, apartments, vacant land, hotels, industrial property, etc.

What should you say to a referral source?

Many people confuse real estate appraisers and real estate agents. Be sure the person you are speaking with understands that you are not looking for a listing.

Tell the prospect about your expertise in appraising. For example, you appraise residential properties in your county, have been doing it for 10 years, and are state certified.

Match your message to the person you are speaking with. If it's someone who doesn't know what an appraiser does, you need to tell the person.

If you're speaking with someone with real estate experience, you could be more specific, saying, for example "My firm does lots of work for attorneys in Suffolk County, including estates, divorce, and litigation."

Directly asking for a referral is extremely important. If you are unable to do this, don't waste your time looking for more referrals. Practice saying the words, for example: "If you know of someone who needs an appraisal, have them give me a call. If I can't help them I can give them the name of another knowledgeable appraiser."

What about writing and speaking?

Speaking to groups is an extremely effective way to increase your referrals. Instead of having to speak one-to-one with 20 or 30 people, you can reach the whole group.

Whenever I have spoken to a group, I have always gotten referrals. Targeted groups are the best, of course, for example, real estate agents, accountants, attorneys, or employees of government agencies.

Writing a regular column in a newspaper or Bar Association Journal can also be effective, but does lack the personal touch of speaking.

What's the difference between referral marketing and other marketing?

Many of the techniques and ideas discussed in this article also apply to getting work directly from a current or prospective client, rather than indirectly through a referral.

Almost all appraisal marketing requires personal contact.

For example, when sitting next to someone at a church meeting or soccer game, the person could be a referral source or a prospective new client.

Where can a prospect get your phone number?

Surprisingly, many appraisers don't have a Yellow Page listing. This makes it hard for both prospects and referral sources to find your phone number.

Sometimes I am unable to give a referral to another appraiser as I lost their business card and they are not listed in the Yellow Pages.

Whenever I talk with a referral source or prospect, I always tell them if they lose our business card, I'm in the Yellow Pages.

If it is a brief conversation, and they may not remember our business name, I always say I have a woman-owned business in Alameda, and my Yellow Page ad says "In Alameda."

What's in it for the referral source?

The referral source is doing a favor for someone they know who needs an appraisal.

Both the person needing an appraisal and the appraiser benefit. The referral source helps both, and may get referrals to their own businesses.

The more the referral source knows about you, the better the referral. The person is more confident giving your name out. They don't want to be embarrassed by giving someone your name and you don't return a call or do a good job.

Since referral sources are not receiving any monetary benefits, thanking them is very important.

What if you just want to work for lenders?

I don't ever recommend only working for lenders. Lender business is notoriously fickle, typically with wide ranges in volume of work and little appraiser loyalty.

Most referral business is for non-lender work such as estate, probate, divorce, and other tax- or legal-related work.

But if you only want to work for lenders, you can get business from referrals. You never know when the person next to you in the ladies room washing her hands is a chief appraiser or high producer mortgage broker, who knows of someone looking for an appraiser.

Or, the person sitting next to you at your daughter's Little League game could be in charge of a big bank's foreclosure or trust department, and knows of another lender looking for appraisers.

The best way I know to get on lender lists (and to get more lender business) is by having real estate agents, developers, or mortgage brokers to strongly encourage lenders to use you.

You need to be very clear with your contacts that you only want referrals for lender work.

Marketing to real estate agents and brokers

All real estate appraisers contact real estate agents and brokers, but few use these contacts to market their appraisal services.

Looking for more lender work? Purchase business is much steadier than refis. What lenders do your local real estate agents use?

Looking for non-lender work? Agents are an excellent source of referrals.

When I started my appraisal business in 1986, I had never done fee appraisal work. My first two lender clients were referrals from a local real estate agent.

Many types of appraisal marketing take time (i.e., sending brochures) or are difficult (cold calling). This method is easy and can be started today.

Why market to real estate agents and brokers?

What part of real estate has the greatest number of people? Real estate sales. When people need to get an appraisal, they often call a real estate agent they know for a referral.

Real estate agents are sales people. They are used to people making sales pitches or asking for referrals. Talking with them is much easier than with other referral sources such as accountants.

Lender referrals

Savvy loan officers market heavily to real estate agents. The agents can let you know who is becoming more active in their area, and conversely, who has become less active.

Not all agents are looking for appraisers who will "make the price." Many professional agents realize that an appraiser who lets them know when there are problems, who always completes the appraisals on time, and who do good work that isn't held up "in review," are someone they want to have doing the appraisals on their deals. They know that appraisers can't always "come up with the number."

Commercial vs. residential

As with almost all appraisal marketing, there is little difference between commercial and residential. However, a greater percentage of commercial brokers understand that appraisers don't always "make the deal" and are often more willing to help appraisers on their own deals. However, there are some inexperienced commercial mortgage brokers, often switching from residential to commercial, who are used to pressuring appraisers.

In my appraisal firm, I frequently get referrals for commercial appraisals from residential agents and for residential appraisals from commercial agents.

Very few commercial appraisers target real estate brokers, which seems odd as they must build up a network of brokers to get sales and rental information. That network could also be used for referrals, but you have to let them know you are available.

There are some minor differences between commercial and residential, which I discuss below when applicable.

Why would someone need a non-lender appraisal?

Some of the reasons are:

• An appraisal from a licensed or certified appraiser is needed, for example, for legal or tax purposes.
• Agents often don't feel qualified to give an opinion of value on an usual property.
• The agent is having difficulty getting the client to agree to a reasonable listing price.

• An agent is trying to persuade a seller to accept a realistic sales price.
• Siblings who inherit a property can't agree on a listing price.
• An executor of an estate wants to make sure the property isn't sold at too low a price.
• Divorced spouses can't agree on a listing price.
• The property is very unusual or high end and the agent wants help determining a value.
• Buyers want an appraisal before making an offer.

When not to market to agents

Don't market to real estate agents if:

• You only want to do lender work with the clients you have now, and don't want any new ones.
• You always have plenty of work and don't want to "hassle with" one-time clients, such as for estate work.
• You don't like real estate agents and don't want to have any more contact with them unless absolutely necessary.
• You don't want to give referrals to appraisers in other areas, or for property types you don't appraise.
• You think accepting a referral from a real estate agent is unethical.

What if you "kill too many deals"?

If local agents don't like you because you don't do what they need to make their sale close, you can sell yourself to them as "The appraiser to use when you really need to know what a property is worth." Or, an appraiser they can always call for advice.

Why would they give a referral to an appraiser who didn't "make their deal work" in the past? When a current or former client needs to really know what a property is worth, such as for relocation, divorce, or a private sale, they need an appraiser who does accurate and honest appraisals.

What to say to real estate agents

Every time you speak with a real estate agent, be sure to ask for a referral. You must tell them you are available for referrals. Be sure to tell them you are available for new work. Many only see appraisers as working for lenders.

You can practice a brief "sales pitch," such as:

• (Confirming a sale) "Thank you for the information on your sale. If I can ever help you, please call me. If one of your clients needs an appraisal for a refi, estate, divorce, litigation, etc.) please give them my name so I can help them. If you lose my phone number, I am in the Yellow Pages under appraisers. I am the only appraiser listed on Main St., etc. I regularly give referrals to people looking for a good agent."
• (Appraisal for a sale) "Thanks for your help on completing my appraisal for XYZ Bank for your sale. I am looking for new lender clients who are active in the purchase money market. Is there anyone you would recommend? Whom would I contact? I regularly give referrals to people looking for a good agent."

• (Agent you meet at the store, at a meeting, etc.) "How's business? I'm expanding my client list to do more XXX work. If you know anyone needing an appraisal, please give them my name. I regularly give referrals to people looking for a good agent."

Public speaking

One of the most effective (and easiest) methods is giving short talks at real estate offices or workshops at local association meetings.

If you're not comfortable speaking in front of a group (few of us are), join Toastmasters, which has chapters in almost every city. They have a very successful, inexpensive program that will gradually get you more comfortable speaking in front of a group.

When I started my business in 1986, I spoke at many of the local real estate offices during their weekly sales meetings. I prepared a 10-15 minute presentation on how agents can work with appraisers: Bring listings and sales for out of the area appraisers, return phone calls from appraisers looking for information on one of their listings or sales, provide a copy of the sales contract including all offers, etc.

Or you can talk on any other topic, such as pricing for those tough listings using appraisal techniques. I still get referrals from those brief presentations many years ago.

You can speak at a meeting of your local association of Realtors. I do this every few years.

Be sure to hand out something so they will have your phone number. I always have a few handouts stapled to a cover page with my name, phone number, email address, and web site.

Why would a real estate agent give a referral to an appraiser?

If agents do appraisals/CMAs for "free" why would they give a referral to an appraiser?

If there's no referral fee from the appraiser and you're not working on one of their deals, what's in it for the agent? The agent may get a referral or listing from the person who needs a referral to an appraiser. I regularly provide names of agents to people wanting to hire an agent to sell a property. My first choice is always agents who give me referrals, assuming the agent is appropriate for the prospective client and the property. I always give the prospect 2 or 3 agents to choose from.

How can you reciprocate when receiving a referral?

Appraisers don't give referral fees, so what do agents get for their referrals?

Always be sure to thank the agent or broker. How do you know who gave the referral? You always ask when the prospect calls you on the phone.

Whenever appropriate, give the agent's name to a prospect.

Reply promptly and courteously to the prospect's call. If you can't help them, give them the name of another appraiser who can.

Give their names out when giving referrals to a buyer or seller looking for an agent.

Let them know that you are available for any questions, such as assistance in pricing a difficult property or help with comps for an out of the area appraiser, for example.

Commercial appraisers can reciprocate by providing information on sales and listings to brokers who give them referrals.

You have helped out the agent's current or prospective client, making them look better.

One of the most effective (and easiest) methods is giving short talks at real estate offices or workshops at local association meetings.

If you're not comfortable speaking in front of a group (few of us are), join Toastmasters, which has chapters in almost every city. They have a very successful, inexpensive program that will gradually get you more comfortable speaking in front of a group.

When I started my business in 1986, I spoke at many of the local real estate offices during their weekly sales meetings. I prepared a 10-15 minute presentation on how agents can work with

appraisers: Bring listings and sales for out of the area appraisers, return phone calls from appraisers looking for information on one of their listings or sales, provide a copy of the sales contract including all offers, etc.

Or you can talk on any other topic, such as pricing for those tough listings using appraisal techniques. I still get referrals from those brief presentations many years ago.

You can speak at a meeting of your local association of Realtors. I do this every few years.

Be sure to hand out something so they will have your phone number. I always have a few handouts stapled to a cover page with my name, phone number, email address, and web site.

Attend meetings and be active

Attend meetings in the local association of Realtors or mortgage lenders' group. Commercial appraisers can be active in commercial real estate groups such as SIOR.

Attending open houses - free lunch and easy marketing

Some appraisers are busy and some are not. The predictions are for more declines in mortgage lending volume. Do all your clients stay with you forever? Are their any clients you would like to replace with new clients?

Those that are not too worried built up a "base" of non-lender work to fall back on when lender work was in its inevitable down cycle.

Since I started my appraisal business in 1986 I have accepted non-lender work. I had never done lender work prior to starting my business, so I was not "locked in" to those types of assignments. When I was very busy with lender work during the boom years, I always accepted non-lender work.

In 1990 I started regularly attending the weekly open house "tour" for real estate agents in my small city (74,000 population). I get a flyer at each open house, make a few notes, and file them alphabetically in binders. When I appraise a local house I have often seen the inside of the comps. I don't go on the weekend as I want to be at the houses when other real estate agents are also there.

I am the only appraiser who ever attends the open houses in my city. There are a few who regularly attend open houses in nearby cities.

I have never been able to "cold call" prospects. I do better when I get a referral first. Most of my referrals come from real estate agents. They all know me as "the appraiser who always attends the open houses."

Each year my referrals from real estate agents increases. I get referrals for residential and commercial appraisals for lenders, estates, attorneys, insurance companies, for sale by owner, etc. When I started my business in 1986, my first lender clients were from referrals from real estate agents.

What about all the other cities I work in? I work a wide geographic area but don't have time to go on all the tours. I don't have much travel time locally. My city is small and it only takes 1-2 hours to see all the open houses.

When I started my appraisal business I wanted to specialize in appraisals in Alameda. It took many years, but I get lots of referrals for appraisals in Alameda as I am known as the "Alameda expert."

Of course, I also get free lunches plus find out about which listings sold way over list, which are not selling, information about comps I am using in an appraisal, who's doing what to who in the real estate biz, etc.

Try it sometime. Drop off your card. Let the agents know you are available for work in their town. You may like it!!

Get more business by networking at meetings

Do you have any clients you want to take off your approved client list? Do you want any new good clients? Want to do some easy marketing? Would you like to have qualified prospects call you?

You've finally decided it's time to build up your referral business by attending a meeting of your local chamber of commerce, Rotary, appraisal association, attorney association, or lender group.

Why network? You give business to people you know. If no one knows you, they can't give you business or referrals. How do you hire an accountant, mechanic, or hair stylist? You know them or they are referred to you.

Most of my appraisal business is by referral. I get referrals from other appraisers, real estate agents, attorneys, accountants, and many individuals. How do I get these referrals? I am well known in my city and in the appraisal and real estate communities.

How did I build up this business? By going to meetings and being active in associations. I don't like "cold calling" prospects that I don't know. It is easier for me to meet people face to face.

When I started my business in 1986, I joined the local chamber of commerce and am still active in the group. At recent chamber mixers I got an appraisal of a bank building and chatted with a new local divorce attorney.

Volunteer for registration table and committees

An excellent, very easy, way to meet people is to handle registrations at the door. You can also volunteer for a committee, an excellent way to meet people.

Fear of strangers

Does the thought of walking into a room full of strangers make you break out in a sweat? If it does, you're normal. According to at least one study, the #1 fear is going to a party with strangers, followed by public speaking as the #2 fear. Fortunately, many techniques of "working a room" can be easily learned.

"Working the room"

A method used by politicians called "working the room" can be very helpful for appraisers.

1. First look for a familiar face and "press the flesh" (shake hands).
2. After you feel comfortable, ask your acquaintance if he recognizes any other participants. If she does, suggest going over to meet them. Or, suggest going to meet with an interesting person that also might be a loner or might have similar interests. Form a group.
3. If you recognize no one, introduce yourself to someone, find out where they live and what they do, why they are attending, etc.
4. Or, you can talk about non-appraisal topics, such as "how's the food here," or "do you attend many meetings?"
5. If you find someone to relate to, ask if they would like to sit with you at the dinner. This could start an acquaintanceship.
6. Last, trade business cards and perhaps plan on meeting or going together to another meeting.
7. This is networking!

Participating in organizations

Participating in an appraisal organization can provide both marketing and professional advantages. You can build up your referral network while learning about new appraisal issues. Also, it's very easy to talk with other appraisers, as you have something in common. From a marketing prospective, the main reasons for joining and participating in an appraisal association are networking and referrals. The reasons for not joining are that the organization doesn't provide adequate networking and referral opportunities, and offers a professional designation not useful in your area.

Good networking requires attending regular local meetings, where you can meet other appraisers. You don't really have to be in an association to do this. Many appraisal business owners have small, informal groups that meet on a regular basis; for example monthly breakfast meetings. The meetings are generally informal, and various topics are discussed, such as which clients are late-payers, and local market conditions. Of course, many appraisal firm owners have other appraisers they call to discuss problems with, even without any formal meetings. However, more formal meetings allow you a greater ability to expand your contacts.

You don't usually have to be a member of an organization to attend the meetings, but it can become awkward, when asked to be on a committee, to admit that you're not a member. Networking opportunities are greatly increased by being an active member, by volunteering to serve on a committee, or as an officer, or help out with registration at a course offering. Although it wouldn't seem as if national meetings would be a good networking opportunity and increase your exposure, it's really interesting to find out how appraisers in other parts of the country run their businesses, which is another side to networking.

Why don't we do more networking at meetings?

We know it's important, so why don't we do more networking at meetings? Reasons are:

1. I don't have time: too busy trying to get appraisals done. You've probably forgotten what it was like when the phone stopped ringing with new work.
2. I'm too shy. Everyone is shy at one time or another, including the other people in the room. You can easily learn to overcome it.
3. I don't like to "sell." When networking at a meeting, remember you're not trying to get appraisal assignments, you're trying to be known for referral purposes. In fact, it's best not to try to sell. Selling comes later. Meeting people is what it's all about.
4. I don't like to mix business and pleasure. But business runs on personal relationships. Many social events are sponsored by businesses. When you talk with your clients, you usually start with social talk, don't you, such as: "The weather's been really cold lately" or "How's your daughter's soccer team doing?"

What are your objectives?

Before you go to the meeting, decide your objectives. Why are you going there, instead of working or watching television?

Some objectives are:

1. Become more visible and get more name recognition.
2. Meet certain appraisers who may be able to offer referrals.
3. Find out what's happening with one of my lender clients: are they restructuring, etc. (trade gossip).
4. Meet at least one new interesting person, and establish a business-social contact.
5. Find out how other businesses are dealing with some new tax law issue, for example.
6. Become more comfortable making "small talk."

7. HAVE FUN! If you don't have a good time, it will be hard to keep projecting a positive, upbeat attitude so people will want to talk with you, and possibly refer business to you.
8. Again, this is networking.

Be a host, not a guest

What did you do the last time you had a party at your house? You didn't sit around waiting for someone to come up to you and start talking. You made sure your guests had food and drink, and made sure no one was left in the corner by introducing people. You greeted your guests when they came in. Actually, this is a form of networking.

Have the same attitude when attending a meeting of strangers. Look for the person standing alone, clutching a drink and looking uncomfortable. Introduce yourself. When you host a party, you know the guests. When you're at a meeting, look for common interests. If you're at an appraisal meeting, there's much in common. At a chamber of commerce meeting, you and the other attendees live and/or have businesses in the same city.

Introduction tips

Plan and practice a simple, short, statement of self-introduction. It includes your name and company name, what you specialize in, and some bit of information, such as "we specialize in fast turnarounds".

Match it to the meeting. If it's an appraisal group, you can be more technical, such as: "I'm Jane Thomas, a principal at Thomas Appraisal Company in Chicago. We specialize in downtown office buildings, and have been appraising in downtown Chicago for over 15 years." If you're at a local real estate agents' meeting, you could say: "I'm John Jacob, with the Tampa Bay Appraisal Company. We specialize in residential appraisals in the Tampa Bay area." Later, you could mention: "We work for many lenders and always try to give fast turnarounds on appraisals for sales."

Include a social "ice breaker" in your introduction. You can use a question or statement about the event, such as "This is my first meeting, are you a member?" or "Tonight's speaker's topic looks really interesting". Always be positive. Have two or three ice breakers prepared. Topics could be a local sports team, the organization hosting the meeting, or a recent newspaper article on a business topic.

Listen and remember

The key to good conversations is to be interested in the other person. Listen closely to the other person's comments, and don't let your eyes wander. Be attentive; show you care. Don't forget to smile. Don't just put your name on your name tag. Also put your company's name. Use large, clear letters. Pin the name tag on your right side so people will see it when shaking your hand.

It is impressive and most important to remember names. There are techniques to remembering names. When introduced to another person, repeat the name of that person immediately as if to get the name right. Within the next minute or two, repeat that name to the acquaintance and in the next 20 to 30 minutes repeat it again trying to get a mental connection between face and name. Before you leave the meeting try to again talk to that person even if you have to make an excuse such as: "please repeat your name so I won't forget it." The next time you meet the person be sure to greet him or her by name.

Business cards

Be sure to take enough business cards with you. I'm always surprised how many meeting attendees, including appraisers, don't have business cards.

Also check to see if they're dog-eared (that's a no-no). Have a system for carrying your cards and collecting cards from others. Write a comment on each card you receive, so you'll be able to remember who it was, such as "Co-ops in NYC" for an appraiser or "apt. loans" for a loan officer. If you want to get someone else's card, offer them yours. They'll almost always hand you their card if you offer a card. Don't just pass business cards out to anyone. Use them after a relevant conversation.

When you receive a card from another person, don't stick it in a pocket. Psychologically, what you are telling that person is that their card isn't important enough to be put in a special place and will probably be put in the wastebasket (round) file. Put their card in a purse or wallet, or a pocket case or notebook storage pocket. Make sure you're seen putting the offered card in a special place.

Try to store the business cards you received in some meaningful way, so you can find them later. Some use computer programs, and some use a manual filing system, filing the cards by date and type of event as a group. After all, you went to a lot of trouble to get the business cards.

Keep moving

Keep moving and meeting new people. Once you've been talking with someone interesting, it's very tempting to keep talking for a longer time. But don't spend all your time with only a few people. Remember, you came to the meeting to network. And above all, don't dominate the conversation.

To move on gracefully, use a phrase like, "Let's talk more later," or, "I've enjoyed meeting you. See you at the next meeting." To escape from a long-winded person, say, "Excuse me, it's been interesting talking with you." You could add, "I see one of my clients over there". Avoid breaking in where two people look like they're having an intense conversation. For groups of three or more, stand on the edge and wait to be acknowledged by a verbal or visual acknowledgement, then move into the conversation. Don't forget to include someone else in your conversation if you see someone on the periphery of your group conversation. Remember, people like to be questioned. It's a sign of recognition. After asking a question, be a good listener!

Fortunately, most people will be courteous and pleasant. After all, they're also there to network. But occasionally you will encounter a very unpleasant person. Just move on ... quickly.

Resist the temptation to be rude to them. It doesn't change them, and brings you down to their level. Don't take it personally. They're probably that way with everyone. More likely, you will encounter people who are always looking over your shoulder to see if there's someone else more "important," complain about the room or food, or have had too much to drink and are loud. Just move on. Take it as an example of how *not* to behave.

Arrive early and leave late. Try to arrive at least 15 minutes early. Be sure to attend the social hour, as once the meeting starts, conversation opportunities are much more limited. Don't rush off as soon as the meeting is over. Stay 15 minutes to exchange cards and follow up on previous contacts. Say goodbye to any new people you met. Say "thank you" or some other complimentary comment, to the president or person in charge of the event. This is a good time to make future dates for meetings, power breakfasts, lunches, or joint future events.

If we can relate appraising to an engine, the appraisers are the drivers, the appraisals are the fuel, and networking is the oil that lubricates the engine and keeps it running.

Always follow up

Always follow up after the meeting. Send a note or card to the people you met. To a prospective client or referral source, you may want to send a brochure or follow up with a phone call. Hopefully, you will be attending future meetings. Be sure to say hello to people you met when you see them again.

Where to get more information

Susan RoAne's books are excellent. Many of her ideas are in this article. What Do I Say Next?: Talking Your Way to Business and Social Success and How to Work a Room: The Ultimate Guide to Savvy Socializing in Person and Online. Both books are available at www.amazon.com .

Chapter 6 Promote Your Business By Speaking and Publicity

Use public speaking to get more clients

Public speaking opportunities

Speaking to groups is a very powerful way to make people remember you. Particularly useful are speeches to groups that are potential clients or referral sources. You can get assignments and referrals for many years after giving a speech.

Most organizations that hold regular meetings need speakers, and the more frequently they meet, the more they need. Few can afford to pay professional speakers, instead seek unpaid amateurs. It is often difficult to find interesting speakers. The speakers don't have to be polished, particularly if they're speaking on a topic of interest to the audience. Many real estate brokerages hold weekly sales meetings and often need speakers in allied occupations for 15 to 20 minute talks.

Groups with potential clients in the audience are the most desirable, such as banking or legal groups. But most speaking opportunities are potential referral sources, such as real estate companies or associations, appraisers, and service organizations such as Rotary, Soroptimist, Kiwanis, or Business and Professional Women.

Contacting the groups is relatively easy. Sending out letters, followed up by phone calls is very effective. Be sure to obtain the name of the person responsible for scheduling speakers. Develop a list of speech topics and lengths to send to interested groups. If you don't get a speaking engagement on your first contact with an organization, keep trying. They may not need speakers now, but probably will in the future. Volunteer to be an "emergency" speaker, available on short notice if the regular speaker can't make it.

Subjects for speeches is not really a problem. Homeowner and investor topics are good for the general business public, such as maximizing the value of your home or making money in apartments. Many people are curious about what appraisers do. More specific topics can be used for audiences in real estate related fields. For real estate agents, you can speak on topics such as using public records or how to work with appraisers. For topics, ask other appraisers what they've spoken on and ask organizations what their members would like to hear.

If you're speaking to an appraisal group, hot issues or controversial topics are always of interest. If you're speaking on a current hot topic, the audience will be more concerned about what you're saying than how you're saying it. If you're not ready for a full speech, try assembling a panel of speakers for your appraisal organization. You serve as the moderator. Moderators get lots of exposure.

Preparing for a speech

Practice, practice, practice, is the key to speaking well. It takes more time than most people realize. For example, if giving a half-hour speech, plan on taking at least 2 hours to prepare the material and at least 2.5 hours (5 times) practicing the speech. Using a pre-written speech is not recommended except for very experienced speakers, as it is difficult to do well. Use reminder notes instead. Many speakers use 3" by 5" note cards with phrases as reminders. Three by five cards are easy to hold in your hand and are not too conspicuous. Some use notes on standard sized paper. The objective is to make the speech conversational.

Start with a written outline, then fill it in as you practice your speech. Recognize the officers, speakers table, etc. Work on a dynamic opening. This will set the tone and interest of the speech. Opening with a joke is fine, providing it is not out of place by offending someone or group. The same with closing. Try to vary the speed and volume of your speaking to make it more interesting for the audience. For most speakers, each time they practice, the speech is slightly different. Practice in front of a mirror to work on your facial expressions and gestures. Practice in front of a family member or friend to get your timing down and for feedback, particularly if it's recorded on audio or video tape. If you've never been recorded, don't be surprised if you don't sound "right". Almost everyone feels that way the first time they're recorded. We're not used to hearing and seeing ourselves talk.

If you're using an overhead projector, be sure to practice integrating it with your speech. It's very embarrassing to put up a reversed, upside down, overhead. Practice also with a slide projector. Always make sure there's an extra bulb, as they burn out fast. Go through all your slides to check for those out of order, reversed, or upside down.

Of course you're going to have hand-outs with your company name and phone number prominently displayed. Some speakers like to hand them out at the end so the audience listens to the speech instead of hearing shuffling papers. Be sure to face the audience or stand sideways to the screen and turn your head to talk.

For introductions prior to your speech, don't just give the moderator a resume. Write your own introduction on one or two note cards and give them to the person introducing you. They will be glad they don't have to read a long resume, or take the time to prepare an introduction. You can also provide a card with closing or thank you remarks. Many hosts have difficulty finding appropriate words. Just before your speech, make sure there is a glass of water nearby, and that the microphone and projectors are working. It's very embarrassing to have a non-functioning microphone or a projector that's not plugged in.

Getting started in public speaking

What if you have little speaking experience and are very nervous about speaking to groups? Taking a local class on public speaking from a college or adult school will help you overcome your fears. Particularly useful is joining an organization such as Toastmasters, which has a specific program for developing speaking skills. Many Toastmaster members started with no speaking experience and with a fear of speaking. Speaking well is a skill that can be learned. Few of us are "naturals".

Fear of speaking is normal. Many people have this adrenalin rush (butterflies). Even experienced speakers get stage fright. For most people, fortunately, the more you speak, the more comfortable you become in front of crowds.

If you're not comfortable enough in front of crowds, another method is committee participation in an organization, where the members get to know you personally and professionally. This gets you used to speaking and interacting in a small group. You can volunteer to give a report at a general meeting to get experience speaking in a more formal setting. Presenting reports is much easier than making speeches.

If the organization is small, and there are no committees that regularly meet, volunteer to be an officer. You will be attending board meetings, and will become more comfortable speaking in a small group once you overcome the adrenalin rush, and you'll become comfortable in any group or assembly.

Participating in a panel discussion is another easy way to start public speaking. There are other people speaking. There is much less pressure on you. Normally, you will give a speech and then answer questions. No one expects you to be an accomplished speaker. Question-and-answer formats are easier. You don't have to prepare a speech and are in a much less formal setting than a speech. If you can't think of anything to say as a panel member, the moderator will just move on to the next panelist, coming back to you later. Be have a list of questions so you can be ready to reply and not get "stumped". Keep a small pad of paper handy to jot down notes you may use later is a good idea.

Exhibiting at meetings and conferences can increase your business

Surprisingly few appraisal firms exhibit at trade and professional association meetings and home buyers fairs. But they can be a very effective and relatively easy method of getting prospects and new clients.

You don't have to have a $10,000 booth, you can exhibit effectively for a few hundred dollars (or often much less).

Why would you want to exhibit?

The primary reasons for exhibiting are:

1. Gives your firm legitimacy and visibility.
2. Network with the other exhibitors, who may be prospects or great referral sources.
3. Business cards of prospects who come by your booth for follow-up later. You can pre-qualify them at the booth.
5. Find out the latest industry news and gossip. (Who's hiring, who's firing, who's expanding, latest "hot buttons", etc.)
6. Give your associates some marketing exposure.
7. Practice your personal marketing techniques.
8. Finally get some promotional material produced.
9. An alternative to sitting around waiting for the phone to ring.
10. An opportunity to check out the competition.

Appraisers we spoke with who have exhibited said networking with the other exhibitors was very worthwhile. Our appraisal firm recently exhibited at a local home buyers fair (cheap and convenient), so I could see what appraisal exhibiting was really like.

Because of very bad weather, there were few home buyers, but all the other exhibitors (lenders, title companies, real estate companies, etc.) spent their time going from booth to booth. Yes, I did get several good leads resulting in new business, and I heard some valuable news about a few local lenders.

Where can you exhibit?

Exhibiting opportunities are almost endless. Some events are:

1. Home buyers fairs.
2. Mortgage brokers associations.
3. State bankers conferences.
4. National mortgage bankers conferences.
5. State attorney or accountant conferences.
6. Government agencies small business contracting fairs.

How do you find out about the meetings and conferences?

Go to the library and look through the Directory of Associations for names and phone numbers of national trade and professional organizations. Call them and ask for information on local, state, regional, and/or national conferences.

When you've decided which organizations you're interested in, contact them and ask for the dates of the meetings where they will have exhibitors. Ask to be put on their exhibitor mailing list.

Conferences and meetings are typically scheduled well in advance, so you'll have plenty of time to prepare.

Ask local chapters of organizations if they ever have small vendor fairs prior to their meetings. Many of these are informational tables and are free.

Where should you exhibit?

What market are you interested in? Do you want to increase referrals from real estate agents, mortgage brokers, conventional lenders, government agencies, accountants or attorneys?

Remember, your prospects can be both exhibitors or attendees. Often, its easier to talk with other exhibitors, so exhibiting at a home buyers fair (real estate agents and lender exhibitors) or commercial mortgage bankers conference (commercial lenders) is worthwhile. The exhibitors are trapped in their booths and can't get away!

If you are marketing to conference attendees, such as accountant and attorney meetings and conferences, relocation meetings, bankers conferences, etc., you'll be directly interacting with many prospects, but will need to practice what you will say, including writing scripts.

What should the booth be like?

There are two types of booths: tabletop and draped. Table top is less expensive. A sign with your company name is usually provided.

Booth set ups vary from a few pieces of promotional material on a table to large, elaborate displays. Find out what the other exhibitors will be using.

Sitting down discourages people from stopping. Either stand up or bring or rent stools or high chairs to sit on or lean against.

Blow ups of properties you have appraised is an eye catcher. Often there is a local photo processing company that does courtroom enlargements for attorneys at a reasonable cost. Check around.

The worst booth set-up is someone sitting down behind a table reading a book and looking bored. Don't do this. Instead, turn the table so it is along side the booth's interior, inviting people to come inside.

For your first exhibit I recommend the "low cost but classy" approach: a table, some interesting tabletop displays, some handouts, and freebies such as candy or a drawing for a prize.

What should you say to attendees?

Many attendees are afraid they will be bombarded with a "hard sell". Instead, use the "soft sell" approach, particularly since most will just be "shoppers". You're trying to pre-qualify them as prospects.

Have scripts prepared and practice them. For example, you could start with "How did you like the morning speaker? I heard she was really good." Or, "How do you like the meeting so far?" Or, "The weather has been really rainy lately." Then ask the person if they want some free candy (or other goodies) or to leave their card for a free drawing.

After these opening remarks, ask questions to qualify the person (find out if they are likely to use your firm or be a referral source). For example, "I see you're with a large accounting firm. Do you do much bankruptcy or tax work?" Or, "How's commercial real estate lending doing at your bank?"

How can you get people to stop at your booth?

It's pretty discouraging to have everyone just walk by your booth. Some tips for getting people to stop are:

- An "open booth" set up so with a table back in the booth.
- Free snacks, such as candy or popcorn.
- Bowl for putting in a business card for a drawing.
- Standing up to greet attendees.
- Smiling.
- Social chit-chat to passersby, such as "How do you like the meeting so far".
- Eye catching exhibits.

Where should your booth be located?

You want to be where the traffic is good, but not too congested. Generally, a location near the entrance is best. Some exhibitors like to be near restrooms or food service areas.

Some like to be near competitors, and some far away.

Definitely avoid being stuck off in a corner out of the traffic flow.

What does it cost?

Renting a booth for a day varies from $50 to $500 or more. A professional, fold-up tabletop exhibit costs about $1,000. Or, you can "do it yourself" with signs and small displays, using the table provided. Sometimes, exhibiting at a small local meeting is free.

Look in the Yellow Pages under "Display Designers and Producers" for booth displays. You can often rent them.

You can produce your own signs, affixing the signs to posterboard.

The greatest costs for exhibiting are labor and travel costs. But if you go to a local show there are no travel costs. Often a support staffer or associate appraiser is willing to go for free just for the experience and the exposure.

What handouts should you have?

At a minimum, always have flyers. They can be easily produced using your word processing program and photocopied on to colored paper.

As with any other promotional material, have client-centered advertising copy. For example, "When you would use an appraiser" for a home buyers fair, and "My firm has appraisers knowledgeable on local markets" for a bankers conference.

You could hand out copies of articles (be sure to get permission first) of interest to attendees or other exhibitors, such as articles published in this newsletter.

Your own brochures, or those provided by your professional association are a good idea.

All your handouts will have your company's name, address, phone number, Web site and email of course.

Make a commitment to follow up on prospects, or don't even bother to exhibit. You're attending the event to get prospects.

Follow up with a letter, phone call, etc. Don't wait too long.

Where to get additional information.

The best way to see how exhibiting works is to attend conferences and go to the exhibits. Ask the exhibitors questions (during the slow times, of course!). Go during the busy times and the slow times. See how their exhibits are set up and how they handle prospects.

Particularly useful is visiting exhibits at a conference where you're thinking about exhibiting. However, any type of event will give you lots of ideas, such as a local book trade fair.

Why would an appraisal company want publicity?

1. Regular exposure legitimizes your company, and increases your name recognition, a vital part of your marketing efforts.
2. You can become a media source; they call you for quotes.
3. Publicity is free. You have to pay for advertising.
4. Editorial, non-paid, coverage is more "believable" than advertising.
5. Help in recruiting good employees.
6. You can do it yourself.
7. We all like to see our names in print, or appear on radio or television.

What information does the media want from your company?

For 3 months in early 1992, the author of this book subscribed to a national clipping service, which sent clippings of newspaper and magazine articles featuring appraising, or an appraiser. About 1/3 of the articles were about company changes in location or personnel, persons receiving a designation, attending a class, etc. Another 1/3 was about appraising and/or licensing, featuring a local appraiser, with such topics as what an appraiser does, affect of improvements on value, changing values, licensing, and property taxes. The remaining 1/3 was on miscellaneous topics, such as the RTC, appraisers being indicted for land flips, etc.

Appraisers have appeared on local television news and talk shows, and on radio talk shows. We haven't made it to Donahue or Oprah yet, but we do get in the news. Public relations professionals and the media have a love-hate relationship. Journalists need news; PR people need the media to publicize their clients and are a good source of news.

Newspapers, radio, and television have to fill up their allotted space. Few can afford a large enough staff to keep up with all the events, issues and topics. Editors depend on press releases, media kits, stringers, videotapes, and interviews provided by publicity seekers. Personnel changes, a new location, starting a new business, employee promotions, ownership changes, expansion and anniversaries are news items.

You, your company, or an employee receives an award, designation, commendation; is elected an officer in an organization; is involved in volunteer activities; gives a speech or presentation; is named to serve on or head a committee for a community or charitable group. These items are newsworthy. The results of a survey you have undertaken on real estate activities would be an excellent news item.

Be sure to send out a news release if you're giving a speech. If the group you're speaking to doesn't send out press releases ahead of time, do it yourself. Remember, newspapers want fresh news. They do not recycle or print stale news. If the release is run before the event (accepted to print), there's no problem. But convincing an editor that a paragraph or two is not stale afterward is hard, unless it is sent to the paper to as a timely message or described as a newsworthy incident.

After the speech, send out a summary of the speech, and a photo of you speaking. The photo doesn't have to necessarily be of that meeting; you can use a "generic" photo.

You could be a regular source of quotes on such news topics as the local real estate market. Offer to be their "eyes" in the community. As an expert on real estate, you have written several articles that could be used, or you could be on a popular local talk show.

When you're reading your local or regional newspaper, notice what information they publish about local companies. Check the business and real estate sections. Write down all the story ideas that would work for your company. Local business publications, city magazines, chamber of commerce newsletters, club newsletters, service club bulletins, or many other types of newsletters for specific groups are always looking for material. Publications for customers of a business, such as a utility company, bank, etc., need material. An article with a byline gets your name out there!

Getting publicized in trade publications for lenders, appraisers, relocation companies, etc., allows you to specifically target potential clients or referral sources. If you're interviewed for a story, don't be surprised to that see what you said comes out very differently in print. It happens to everyone. It's one of the dues you'll pay for getting publicity.

Radio and television

We'd all like be on the CBS Nightly news, but this is very unlikely, unless maybe there was a local disaster and you were interviewed as a real estate expert. Local television stations may interview you. Try the local public television station. It's not very hard to get on public access cable television talk shows.

Local radio stations, especially the very small and non-profit stations, are always looking for talk show guests and local commentators. For talk shows, contact the show's producer or interviewer directly. For news segments, contact the producer or assignment editor.

Broadcasters want experts on current issues, such as increasing or decreasing real estate values. Contact producers at local television and radio stations including public radio, and cable television stations. They are always looking for guests on talk shows. Send a letter and a media kit (if you have one) to the producer of the show. Follow up with a phone call or a personal appointment.

To prepare for your appearance, listen to the show, and practice responses to questions you might be asked. Be sure to tape and review your responses. Professional speakers typically spend 20% of prep time on material, and 80% practicing the presentation. *Always* get a copy of the audio or video tape of your appearance. This is a common request and is expected by radio and television stations.

Many of the local cable television talk shows are produced and directed by amateurs who like to do it but have no apparent talent, so they come off poorly. We watched one local cable show where an obviously talentless interviewer couldn't get the name of the appraiser right, could not pronounce the name of her company, even after being repeatedly corrected on both issues. He rephrased the questions submitted by the appraiser, a very well-respected appraiser by her peers in the trade, in a manner that made no sense and was very difficult to answer.

Fortunately, she handled all the problems very well, and made a good appearance. But, to avoid such problems, be sure to preview the interviewer on an earlier show to determine if it is worth your while to appear on his or her show.

News releases and media kits

To decide which medium to contact, look at what type of publicity material is being published in newspapers, professional publications, etc. Read your local newspaper, look through the stacks of publications in your office, ask others what they read or listen to. Try to get names of the "in- house" publications, such as company newsletters.

To get names, addresses, and phone numbers, use your local phone book, and reference books at your local library, such as The *Gale Directory of Publications* and the *Broadcast/Cablecast Yearbook*, and the publications themselves. Bacon's Publicity directories are very useful; they feature names of individuals to contact.

Set up a binder, with a page for each individual company, with name, address, phone number, contact persons, description, circulations, deadlines, etc. Be sure to update it each year, as personnel changes. Keep logs of the news releases and dates you have sent, and what was published. Scrapbooks of your own material are often useful at a later date. Start your own "morgue" file (clipping library).

News releases are the foundation of publicity. The primary criterium for the subject matter is that is must be current news. Two classic features of writing news releases are (1) covering the "Five W's" (who, what, when, where, and why), and (2) a pyramidal structure (the most important information at the beginning).

Three types of news releases are: announcements (opening a new office), backgrounders (your company is celebrating its 10th anniversary and what has changed since you started) and features (articles on current news topics, such as property values or environmental hazards). Features are more likely to be published if they are local and/or people oriented.

Formats for news releases are very standardized. At the top, under your letterhead, is the name of the person sending the release and a contact phone number, and a statement, such as, "For Immediate Release." Always include a headline, although most papers have their editors do it. At the beginning of the double-spaced text, put the city, state, and date to release the news. The text should include the Five W's. The first paragraph contains the most important material, and the last paragraph the least important.

For example, in a news release, "receiving a designation", the first paragraph would give the person's name and designation information, the second, biographical data on the person, and the third, information on the organization awarding the designation. If it is more than one page, always number the pages on the bottom, and indicate the end of the news release by using ####, -end-, or -30-. For examples of press releases, contact your professional appraisal association, or someone at the local newspaper. Or, see if your local library has any books on marketing or publicity with examples of press releases.

A media kit contains one or more stories about your company, including photos. It should include material on what makes your company special, company history, a description of your services, and brief biographical summaries on the principals and key employees. Professional black and white glossy photos of the principals are also useful. If it's going to the broadcast media, include sample questions and answers. Don't forget to include any newspaper or magazine clippings. Assemble the contents into an attractive binder or folder.

Your professional association probably has material already written that could be included in your media kit. Media kits can be used over and over, and are an excellent investment of your time to develop. Typically, they are included with press releases, as background material. A media kit doesn't have to be sent only to the media. Why not send a media kit to a prospective client? It's an excellent promotional device.

To develop your publicity plan, you need to determine:

1. What distinguishes your company from your competitors?
2. What is my target market? Who do I want to get business from?

3. What are the goals of my publicity? Be specific, i.e., two published news releases in the next 4 months in local newspapers.
4. Set up a monthly calendar of press releases and other activities, such as research and writing.

As with most of your other marketing efforts, you must make a long-term commitment, because the payoff is usually from months to several years away. Getting your name mentioned one time in a local newspaper won't make your phone ring off the wall with new business. The rule with publicity is, "The more you have, the more you get." If you can get onto reporters' "source" lists, they will call you for quotes. Remember, the more you are quoted, the more your prestige will rise in the eyes of the readers.

What image are you trying to convey, or, in other words, what distinguishes your company from your competitors? This determines who you will contact and what message you will give them. For example, if you specialize in appraisals in a certain city, or other geographic area, you would target print and broadcast media in that city. Hopefully, eventually, when someone is looking for an appraiser in your city, your name will pop up.

You need to match your message to your target audience. If you're targeting commercial lenders, for example, your news releases could be about obtaining a commercial designation, expanding your commercial appraisal staff, or a story on the local office or warehouse leasing market. The news release should be sent to the specific section of the print media your audience would be likely to read, such as the real estate or business section of a newspaper, a lender trade publication, or a lender in-house newsletter for employees.

During a slow period in your business, or in "dead" time, like when you're driving, determine your general publicity plan. Writing it up, and doing preliminary research on media contacts shouldn't take much time. A small tape recorder in your car will be a big help to store ideas. Your secretary could easily send out press releases and media kits, and can also set up and update your media file. If you or your secretary don't want to write your own releases or media kit, hire a local college journalism or English student, or even a local high school journalism or marketing teacher.

If you ever get a chance to be interviewed by the media, be available. Work at their convenience, not yours. For appraisers, the opportunities don't come often. If they want to interview you at 5 AM on Sunday, be there. (They'll probably tape it earlier for a later release.)

Chapter 7 Use advertising to increase your business

Not too many years ago many appraisers thought advertising was unprofessional. But today, with doctors and attorneys advertising on television and in newspapers, paying to promote your business is much more acceptable. All appraisal firms advertise, by using such methods as Yellow Page ads, business cards, sample appraisal packages, and stationery. Even your invoices can be a source of advertising. But few of us make effective use of our advertising potential. Why do we seldom see an appraisal business featured in the business section of the local newspaper?

Paid advertising is less personal than other methods of promoting your business, such as networking and speaking. With paid advertising you can select who will receive your message, and have total control over the contents of the message.

Why do some appraisers always seem to be quoted in the newspaper? How do they get this free publicity? Sometimes it's luck, but usually it's due to a carefully cultivated relationship with certain people in the media. It's great if you can afford to hire a public relations firm to get your company into print or broadcast media, but most of us don't want to spend the money, or don't think it's worth the cost.

Objectives of advertising

Some advertising, such as directory listings, can result in new appraisal assignments. Most advertising is a long-term investment. In contrast with other types of businesses, like shoe stores or grocery stores, not too many clients will see an ad or directory listing and call for an assignment, unless they are specifically looking for an appraiser. Often, for professionals, advertising is an excellent way to increase name recognition. An ad in a local newsletter for a lender's group, or a well designed business card, will make a prospective client remember your name.

As with many other types of marketing, you have to keep plugging away at your advertising. You won't be inundated with calls after you finally get listed in an association directory or give away calendars the first time. It usually takes several years for people to notice your name in a directory or on a calendar. But it does pay off. It usually takes some time for advertising to pay off, and persistence is required.

To find out what's working best on your marketing efforts, whenever a new client calls, *always* ask them where they got your name. If one source is dominant, you may want to spend more advertising dollars in that direction.

Advertising messages

Before you do any promotional activities, including advertising, you need to determine your message. A consistent message is very important for your advertising strategy. Emphasizing your competitive advantage is crucial. Don't forget WIIFM (What's In It For Me) for your current and prospective clients. Using a consistent logo, if you have one, is also very important. People remember the logo associated with a name before they recognize the name.

In recent years, advertising and public relations companies have developed specialized offices whose jobs is to develop company names and logos. These specialty firms are big business, dealing in million dollar contracts to "seek the perfect logo or identity". Looking at business ads, readily identified is the outline of an apple... Of course, that famous computer company logo can be identified in any language.

For example, your company specializes in appraising a wide geographic area, i.e., the state of Texas, and does all property types. Your company logo could have a picture of the state. Your business cards and other advertising could have the statement: "Appraisal services for the state of

Texas." You could use the Texas state colors in your material. Your company name could be Texas Appraisal Services.

Another example, your company specializes in fast turnaround, on-time, residential appraisals. Your logo could emphasize speed by using slanted letters and arrows. Your advertising theme could be, "When you need fast turnaround, on-time, residential appraisals, call..." Your company name could be "On-Time Appraisals" or "Action Appraisal Service."

You can alter your message for different clients. For example, in a Yellow Page ad in a city directory, read mostly by private clients, you could put the city's name. For example, "Specializing in Atlanta appraisals." Or, "Specializing in Atlanta divorce and probate appraisals." Or, "Specializing in Atlanta home appraisals."

Writing and designing ads

Few appraisers are artists and can do a professional job on the design of their promotional materials. Professional designers vary widely in price and ability, so shop around. Ask to see samples of their work. When you see logos or layouts you like, ask who designed them. If you don't want to spend much money, hire a local college student or high school art teacher with training in graphic design for advertising. Don't use "desktop publishers" unless they are also professional designers. Many just know how to run computers.

To attract attention you might offer a high school or community college a $100 scholarship for the logo of your choice. Give a $50 second and $25 third place. The scholarship could be tied to a local newspaper, television, or radio news item. Develop interest in the project by going to the school and discussing the project. A follow up picture with the winner, new logo, and/or name change will "milk" the project with more publicity.

The designer can set consistent themes to run through all of your promotional material, such as colors, logo, fonts, etc. Although the cost may seem high, remember that you will be using the design materials for several years. Professional quality will make your promotional material stand out.

One exception to this advice is producing your own brochures. You can purchase relatively inexpensive desktop publishing programs that have "coaches" or templates of brochures. You fill in your own material and scan in your designed logo.

The best advertising copy emphasizes benefits, rather than features. For an appraisal company, it would emphasize how the company can help the client. For example, advertising to attorneys could emphasize courtroom successes and experience. Advertising to lenders could focus on completeness (few "callbacks") or completion on time. In contrast, features would include information on property types, geographic area, number of appraisers, etc., that is not part of your primary marketing message.

All experienced advertising copywriters use "swipe files" of ads they think are effective. You could do the same. Go through phone book Yellow Pages looking for appealing appraisal ads. Most libraries have copies of out-of-the-area phone books. Put marketing oriented appraisers' business cards in the swipe file. Get copies of appraisal firms' brochures by asking for them directly or asking your clients if they have any you can look at.

Ask similar businesses such as accounting, engineering, or architectural firms, for copies of their brochures or other advertising materials. Start with your own accountant or attorney, or firms you have completed work. Don't throw out any "junk mail" before looking for any ideas, such as page layout.

If you don't have the time or interest in doing your own writing, you can hire someone else. However, experienced copywriters can be expensive. You can save money if you already know what you want to say, and just need someone to write it. Hiring someone just starting a business or a moonlighter, can cut costs. Be sure not to use information that can become outdated. For example, instead of saying you've been in business for 8 years, say that you started in 1984.

How to get more business using Yellow Page ads

I'm always surprised by how many appraisers don't list their company name in the Yellow Pages. They always say: "We only want lender work." Or, "We don't like one-time clients." Or, "We tried it but got too many weird calls."

Of course, when business is slow, those same appraisers complain about no work. If no one has your phone number they can't call you.

When I started my appraisal business in 1986, I got a business phone number and was listed in the metropolitan phone company Yellow Pages (about 500,000 population). I had a one line listing and got lots of calls that wasted my time.

Then I added a space ad and got even more wasted calls, but did get more jobs. After 5 years I finally figured out that most of the calls that resulted in an appraisal were for assignments in my own small city, Alameda, with a 72,000 population. I changed my ad in the metropolitan Yellow Pages, adding a box with "In Alameda," which cut way down on wasted phone calls. I also added the same ad in two Alameda-only directories.

In 1999, I finally got it right. I really like estate and trust work, which is increasing in my area. I changed my ads in the directories to read "Estate and Trust." My work tripled with very little marketing costs.

How much business will you get?

I get about 30% to 50% of my nonlender work from my Yellow Page ads. Assignments range from consulting to URARs to small to mid-size commercial appraisals. The monthly cost per directory is around $75.

In today's competitive appraisal market, those non-lender, one-time clients can really help pay the bills. And, there are ways to screen out clients you don't want.

I'd like to say that advertising in the Yellow Pages will get you lots of clients, but that really depends on your competitive market. At a minimum, you should get 1-2 jobs a month for residential, 1 per quarter for commercial.

For many appraisers, the biggest problem is screening out the clients you don't want. Use your ad to attract those you want and screen out those you don't. One-line generic ads don't work well for either purpose.

Fortunately, in Yellow Page advertising, it's easy to find out what's working. Just ask callers where they got your name.

Who uses Yellow Page ads to find appraisers?

Although it's difficult to imagine choosing an appraiser from a directory, not everyone is able to call someone else for a referral, or even wants to. There's a good reason why other professionals, even physicians, advertise.

People pick up the Yellow Pages when they are ready to order an appraisal, now or in the future. Two types of clients use directories:

1. They know of your company and are looking for your phone number.
2. They need an appraisal.

Why do they call you?

- Want to sell a property to a neighbor or relative, or buy a property.
- Estate and trust. (Many types of uses.)
- Advice on remodeling payback.
- Divorce.
- Bankruptcy.
- Out of area property owner.
- Litigation related.

Most calls come from individuals looking for an appraisal for various purposes, or free advice. But I have received calls from attorneys looking for appraisers.

What about price shoppers?

If they are only shopping for price and don't really want anything extra, such as an appraiser with over 15 years of local experience, or advice such as how to fix up the home for sale, I don't spend a lot of time with them. There is always someone cheaper.

What if there are lots of other appraiser ads in the Yellow Pages?

I would be really surprised if more than a few are really targeted and/or creative. Almost all the ones I have seen are "resume" ads - how great we are.

Lenders and Yellow Pages

Don't target your directory advertising to lenders.

Listing in the Yellow Pages will get you few, if any, lender assignments. Sometimes lenders use the directories to get an appraiser's phone number, but only after they've heard about the appraiser from some other source.

The only time I've heard lenders using Yellow Pages during slow times is in outlying areas where they don't have any appraisers on their fee panels or don't have any contacts to call for referrals.

When it's really busy and there aren't enough appraisers, some use Yellow Pages. But you don't need any work then.

What if I don't want any clients from the Yellow Pages?

One-line Yellow Page listings are free. For a nominal additional fee you can add a line screening out most callers, such as "lender work only." Or, you can pay to have your listing removed from the directory, well worth the very nominal fee if you really don't want your phone number listed.

I regularly give referrals to other appraisal firms and sometimes use the Yellow Pages to get their phone numbers if I've misplaced them. If they're not listed, they don't get the referrals. Last month an appraisal firm lost a referral from me as they had taken their name out of the Yellow Pages.

Always let referral sources know that you're listed in the Yellow Pages. For example, say, "If you lose my business card, you can find my number in the Yellow Pages."

Yes, sometimes even regular clients can lose your phone number. Let them know you're listed.

Other appraisers' ads

Surprisingly few appraisers even have a listing in the Yellow Pages. At the same time they complain about lack of work when business is slow.

Unlike samples of other appraisal promotional material, which can be hard to obtain, directory ads are "public information." Your local library probably has copies of phone directories from many areas. If you see an ad you like, call the appraisal company and ask how well it worked.

When deciding what type of ad to have, check out other appraiser's ads in your local directory. Particularly useful is looking at last year's vs. this year's.

When I looked at my metropolitan Yellow Page directory (population of over 500,000) no appraisers had tightly targeted ads. Most had a list of at least 5 different types of properties or uses of the appraisals.

Check out your competitors' ads, as they are the most important to you. Can you stand out from the crowd simply by putting your company name in bold face, or adding an additional line of ad copy? What about red type?

When I looked at directory ads all from over the country, they were so similar it was hard to tell if we were in New York or Kansas. Most ads didn't do any screening, and said the appraisal firm did every type of appraisal or said nothing about what they did, which results in much wasted phone time.

One line ads

Another option is to have a one line ad under your name and address to discourage calls you don't want; for example, using one of these one line ads:

- Residential appraisals
- Commercial appraisals
- Agricultural appraisals
- Appraisals for lenders

For example, if you specialize in commercial appraisals, you will have many fewer calls for residential if you have two words under your name and address: Commercial Appraisals.

How effective is your current directory listing?

The only way to know which of your promotional efforts works is to always ask callers how they got your name.

What types of phone calls typically result in an appraisal assignment? Are they for appraisals in a certain city, for certain uses, etc.?

What calls do you want to discourage? People wanting free advice, or needing an appraisal of a property type you don't appraise are time wasters. Screen them out, either in your ad or with effective phone techniques.

What size ad is best?

Ad sizes vary from the free listing to full-page display ads, with and without bold face and/or colored type or borders. Ads can be categorized into "in column" or display.

What size of ad really depends on your competition's ads and who you are trying to attract. Typically, the larger the ad, the more phone calls. A generic, non-specific large ad will probably attract too many shoppers, but a targeted one may work for you.

Large, non-targeted display ads are probably not worth the cost.

In-column ads:

• The free listing, or "squint print" often results in many shoppers or people wanting free advice. In large directories even people who know you have difficulty finding your name due to the very small type. The type size in the free listing will depend on how many columns per page: from two to five. The fewer the columns, the larger the type face.

• The next step up in visibility is your company name in boldface and/or one or more lines under your name, such as "Specializing in expert witness testimony."

• Space ads are one-column wide and come in various heights. Some directory companies allow artwork or logos, but typically the design is restricted. Most allow the use of a company logo in a trademark ad.

Display ads

If you're planning on running a display ad, do some research first. There are many options on size, color, artwork, etc. Research is available on what best attracts prospects. But remember, you mainly are trying to screen people out.

Phone companies often have restrictions on ad layout, so if you hire a designer be sure that he or she is familiar with their restrictions. Most ads are designed by phone or directory company sales reps and tend to be very similar.

Using color

Red is a very effective color for attracting prospects as the eye is drawn to red. Put your Unique Selling Proposition or specialty you're trying to promote in red type in your in-column ad. Another option is having your ad a different background color, such as white.

What should you say when someone calls?

The key to effective use of the Yellow Pages is not the ad, but how good your company is at selling over the phone.

When someone calls, do you just quote a fee, or do you try to sell your firm? After all, there's always somebody cheaper. Even if they're just going for the low fee, at least you'll have practiced phone selling.

If you don't make the sale, do you follow up, calling later to see if they're still interested?

Do you say, "Would you like to place the order now?"

Phone selling is a skill that can be learned.

Advertising your specialty

As with your other marketing efforts, you need to tell prospects about what makes your firm special or different from your competitors. You must find out what they are looking for.

Another primary function of your ad is to screen callers, so be sure the ad is very specific about what clients you want.

When people get your phone number from the Yellow Pages, ask why they called you and what they are looking for. Some clients are becoming more sophisticated, looking for state-certified appraisers, so your ad would prominently state "State-Certified Appraisers." Others call appraisers located in their city, so you would emphasize your location.

In looking through many directories from all over the country, a few ads stood out, emphasizing:

• PMI removal
• Court testimony
• Reasonable rates
• 5 business days service
• Evening and weekend appointments
• Expert witness
• Tax assessment
• Trusts
• Specializing in rural property
• Property bond specialist
• Divorce
• Condemnation

To be effective, the specialty you are trying to promote shouldn't be buried in a list. Too long a list is too hard for the prospects to read when looking for the type of appraisal work they need. For example, an ad trying to promote trust work buries the specialty in a long list:

"Specializing in:
Residential
Commercial
Industrial
Agricultural
Trusts"

A better approach would be: "Specializing in trusts and estates" or "Specializing in East St. Louis" in big letters, with the types of appraisals listed below in small letters.

Ad copy - "how great we are"

Many appraisal ads list designations, years of experience, all the associate's names, etc. I don't know how successful this is for appraisers. If you're doing it now see if it works for you by asking why your company was picked out of the directory.

Unfortunately, few people are aware of any appraisal designation, but many do know about state licensing and certification.

Listing all your associates could imply you're a big office, but takes up precious space in your ad. If you're a large firm, another method is to list the locations.

Stating number of years of local experience may attract some prospects.

Ad copy - what not to include

Such words as: lender work, Fannie Mae approved, mortgage loans, refis, approved with major lenders are a waste of money unless you put them in a line under your company name to discourage phone calls.

Be sure your ad is up to date. One I saw referenced "earthquake," but the earthquake had occurred many years ago. Others referenced associates who were no longer employed at the firms.

Which heading to be under

Almost all real estate appraisers are listed under the "Real Estate Appraisers" classification, but some argue that listing under "Appraisers" is worthwhile as many consumers would look under that category.

If your phone company offers a free second listing, it may be worth giving it a try just to see what happens.

If you do list under Appraisers, be sure to emphasize in your ad that you only do real estate appraisals. Otherwise you will get lots of personal property calls.

A few directories put "Also see real estate appraiser" under the Appraiser heading. See if you can get your directory company to do the same.

Which directory to advertise in

Directories are proliferating all over the country. There are many private directory companies with books for small geographic areas or other market segments. Your telephone company has many that you could advertise in: local, nearby cities, and maybe a neighborhood directory.

Again, it depends on what kind of work you get or want. If most of your calls are about appraisals in your city, don't advertise in non-local directories. If you want to get business in a nearby city, try using no address, or get a local "dummy" address.

For my business, I tried advertising in three metropolitan directories. Almost all the calls came from our local directory, so I dropped the others. Now, most of our advertising money is spent on two private city directories, as I don't really want callers from other cities. Our local phone company only provides a metropolitan directory, including other cities.

If you can offer a specialty such as speaking a foreign language in an area with many immigrants, it may be worthwhile to advertise in specialty directories, such as The Hispanic Yellow Pages.

The smaller the circulation, the lower the price should be. That's why the private directories, typically in smaller areas, often cost much less.

Whatever directory is most likely to be used by prospects or current clients is the one to advertise in.

Where to get more information

Although almost all businesses with business phone numbers are listed in the Yellow Pages, there is relatively little practical written information on how to effectively use Yellow Page advertising.

General marketing books sometimes have good sections on directory advertising and writing promotional copy for small businesses, such as Getting Business to Come to You by Paul and Sarah Edwards, published by Jeremy P. Tarcher.

A few books have been written exclusively about directory advertising. Getting the Most From Your Yellow Pages Advertising by Barry Maher (Aegis, 1997) is well written and understandable, with lots of very useful information on how to lay out ads, how prices are determined, etc. (The author used to work for BellSouth). The book doesn't have much on writing ad copy, but you can use one of the many books on writing ads or the ideas I have discussed in this newsletter.

Both books are in print and available at libraries, your local bookstore, or at www.amazon.com.

My Yellow Page ad

To keep the file size small on this PDF file, I have not included my ad. Here's what's in the ad:

• Geographic targeting - Want to attract only local clients - In Alameda
• Use targeting - estate and trust
• Types of properties - commercial and residential (many only do residential or only commercial)
• State certified appraisers - important as that is one of the first questions many prospects ask
• My web site link - Internet use is very high in my area
• "Since 1986" to let prospects know I've been in business for over 20 years.

Appraiser directories - worth the cost?

We all want to have clients call us. Now that business has slowed down for residential appraisers, many are looking for new clients.

When I did my first article on this topic in May, 1999 I found fewer than 10 for-profit appraiser directories. Now there are many.

I have had my Web site up since 1998. Every year the number of calls I get for appraisals from the Internet increases. When a prospect calls, I always ask where they got my name. I get very few prospects from appraiser online directories, except a few times a year from someone looking for an MAI in my area.

There are many appraiser directories online. Almost all appraisal associations have directories. The online Yellow Pages include appraiser listings.

Unfortunately, directories tend to be mostly used by mortgage brokers looking for a comp check.

The most effective directory for me has been the Yellow Pages (and other directories that use the information, which is not copyrighted). I regularly receive assignments from my listing.

What kind of business do you get from directories?

Appraiser directories can work for getting good regular clients and also occasional clients. One good regular client is the best business.

Mortgage brokers and non-lender clients use the Internet. Brokers are usually looking for an appraiser out of their normal territory, or lenders who work a wide geographic area and don't want to maintain an appraiser list.

Do you need a link to your own Web site?

Many prospects call me after reading info about me on my web site. A link to your own Web site is a significant plus. Then the client can check out such information as fees, geographic areas covered, types of properties appraised, number of years experience, etc.

It also cuts down on wasting time with prospects explaining what you do, etc. Just like a Yellow Page ad, your Web site screens out clients you don't want.

You don't need anything fancy. Just basic information. A one-page Web site with contact information works fine for many appraisers.

How many appraisers are in the different directories?

To get started, some directories list thousands of appraisers, usually taken from the Appraisal Subcommittee Registry. Other directories start with no appraisers, or only a few appraisers. Some try to build it up by offering discounts to new members.

Paid vs. free

In the past I recommended listing your company on all the free directories. That's okay, but to get calls you need to be at the top of the search.

Paid directories (or paid sections of free directories) are more effective as there are fewer appraisers listed. There are many directories, but relatively few that work for individual appraisers, depending on your geographic area and what marketing (if any) the directory does to prospective clients.

Some appraisers report lots of business and others report little from the same directory. Mostly it depends on high your listing is when prospects do a search.

Should you join new or well established directories?

New directories let you get in when there are more opportunities to get your name at the top of the list. Established directories have repeat customers and a wider choice of appraisers.

To get business, you really need to be at the top of the list when a prospect searches for an appraiser. Directories that limit the number of appraisers can "sell out" quickly in certain geographic areas.

Beware of directory scams

Just like any other phone or fax solicitation you receive, be careful.

I know of a few directories that are apparent scams. If someone calls you on the phone saying they have orders to place now with you if you will give them your credit card number now for the $300 to $400 fee, just say no!

To be sure the directory isn't a scam, go to its Web site. Contact appraisers who are listed. If it doesn't have a Web site, don't sign up.

If you're not sure about the directory, go to www.appraisersforum.com and search for the company name.

How to check out a directory

See which directories come up in www.google.com and www.yahoo.com when you do a search such as "appraiser St. Louis." See if any come up in the sponsored links, which are on the top or right side of the first page of names.

Here are a few tips to check them out:

• Get names of appraisers who are on the site to contact and see if they have received any assignment referrals from it.

• Use www.google.com and www.yahoo.com to see if the directory Web site shows up in the first two pages of the search. Try "appraisers," "find appraisers," "appraiser directory," etc. Also try your

area, such as appraisers in St. Louis or appraisal St. Louis. See if an ad for the directory shows up on the right side of the top of the page.
• Go to www.appraisersforum.com and search for the directory name to see what other appraisers say.

Factors to consider include:
• Amount of the fee.
• How much is spent on promoting the site to prospective customers and who is targeted.
• Allows a link to your company Web site.
• How and where is the site promoted? Banner ads, print ads, email, Google, etc. Get specific information, such as which sites and which publications.
• How many searches are actually done.
• What information about your company can be included.
• Exclusive or nonexclusive (takes all appraisers)
• See how many appraisers are listed. Contact some and see if they received any assignments. See if anyone you know is listed.

Residential vs. commercial directories

Since the vast majority of appraisers are residential, most of the directories are set up for them. For example, a zip code search is very useful for residential appraisers as their market is often much more local than for a commercial appraiser. They don't need searches by property types.

In contrast, commercial appraisers often work a larger geographic area (sometimes the entire U.S.), and most appraise many property types. A directory that allows more commercial-oriented information supplied by the appraiser may work better. Or, at least let prospects know the appraiser doesn't do residential work.

Exclusive vs. non exclusive fee-based directories

Appraisal association directories are exclusive.

Should you pay to be in an exclusive directory that takes only a few appraisers from specific geographic areas? Of course, we'd all like to be the only appraiser (or one of a few) listed. How well the directory works depends on its promotion and advertising to the target client market.

On the other side, many clients, particularly lenders, would prefer to have many appraisers in the directory, particularly in areas where it can be difficult to find an appraiser.

Flat fee vs. pay by assignment (transaction based)

Most appraiser directories charge a flat fee, for example, per county. Some are free or free and enhanced. Flat fees are obviously much easier and cheaper for the directories to handle, so most do it this way.

A few transaction based fee structures only charge the appraiser if an appraisal is ordered. Typical fees seem to be about 10% of the appraisal fee. USPAP requires disclosure of a referral fee, so they should be done as a processing fee to avoid the disclosure hassles.

Payment of the fee is handled in different ways, such as charging the appraiser's credit card or collecting the appraisal fee from the client, then sending the remainder to the appraiser.

Issues with this method are:

- Positive - no cost to the appraiser if there are no jobs
- Negative
  - tracking assignments accepted/completed
  - taking too long to pay the appraiser, or never paying the appraiser (like any other client)

Yellow Page directories

Yellow Page directories are somewhat exclusive as many appraisers aren't listed.

Many appraisers report that they get business from their "Super Pages" listings.

The Yellow Pages listing information cannot be copyrighted, so there are many online directories. If you're listed in your local telephone company Yellow Pages, you're in the directories. An "enhanced" listing for a nominal fee may be worthwhile.

Directorys' marketing to clients

The most important factor is the amount of marketing to prospective clients. Where does the directory advertise? How much money is spent? Do they advertise in print publication? If so, how often and what size ad? Which Web sites or email newsletters do they advertise in and how often?

Are they the exclusive appraisal directory on any other Web sites, particularly those that attract a large number of prospects, such as a site catering to mortgage brokers or an Internet lender site?

Do they have any strategic alliances with any other Web sites or prospects, such as a large national lender?

What types of prospects are they trying to attract? Online lenders, attorneys, private individuals, mortgage companies, etc.

Geographic coverage and number of appraisers

What national directories want is national coverage. When a prospect enters a zip code, city, and/or county, the directory should have at least one appraiser.

What appraisers want is for their name (and maybe a few other names) to come up on the search for their geographic area.

Since the Internet is international, probably the best way to attract regular users to a directory is to have coverage in all areas. For example, a lender is looking for an appraiser in San Joaquin County, California, but no one shows up on the directory search. The next time national lenders are looking for an appraiser, they will be less likely to use that directory.

Go to the directories and see how many other appraisers are in your area, and nearby areas. If the directory has a lot of listings and you would be way down the list, consider an enhanced listing where you are in the top 5 or are highlighted.

What about appraisal association directories?

Typing a location doesn't bring up any association directories. Typing "appraisal" on Google and Yahoo brings up the Appraisal Institute and the Appraisal section of NAR. Both have "search for an appraiser" on the top of the home page.

Placement on search list

When you do a search on the Internet, how far down the list do you look? Most of us don't go very far down.

Most directories list appraisers by county. If you're in a large urban county, there could be many companies listed. Your name could be way down the list when a prospect does a search. See if the directory offers preferred placement.

In contrast, if you're in a county with a small population, you may be the only appraiser listed. However, the number of possible assignments is much smaller.

Exclusive vs. non-exclusive territories

A few directories offer exclusive territories. For example, an entire county with only one appraiser or just a few appraisers. If you are unable to take the assignment, you can always refer the prospect to someone else, just like you do now.

Other types of directories

If you're in an appraisal association, you are probably listed on the national Web site and maybe your chapter Web site. Some associations only list designated members. Unfortunately, most of their online directories are not heavily marketed.

Check the directories and see if they offer a free, or low cost, enhanced listing.

Other places to get listed are any association or group you belong to, such as an alumni directory, PTA, Chamber of Commerce, Association of Realtors, etc., if they allow you to list your business or profession.

Who starts directories?

Almost all of the appraiser-only directories were started by appraisers. The database programming for a basic site is not very difficult.

Of course, the cost is in the marketing, both to appraisers to get more names on the list, and to prospective clients for the appraisers in their directory.

How do you know if your listing is paying off?

The only way to know if any marketing efforts are working is to ask the prospect where they got your name. This works very well for traditional sources such as Yellow Page ads and referrals, but not very well for the Internet. Most of my prospects just say, "I got your name somewhere off the Internet."

If the prospect uses an online order form, you will know which Web site it came from.

Try one or a few directories and see if you get any orders. If you don't, you can always not renew. However, three appraisal orders at $250 each in a year will pay for the $99 or so annual directory fee.

It is a much more profitable than working for an AMC at a 50% fee.

Directories are only one of your marketing tools

Internet directories are only one of your marketing tools. Don't forget Yellow Page advertising, networking, contacting past clients, etc., etc.

I have lots of free marketing information at www.appraisaltoday.com . Click on Biz Tips in the pull down menu in the upper left of every page. I also have marketing books and tapes.

Which directories are best for you?

Unfortunately, which is best for you depends on your location and on the specific directory. Also, the number of appraiser directories seems to be increasing, so look for ads from the new directories. If you're paying a fee, take the time to research directories to see which one is best for you.

Remember, one appraisal assignment from a directory can result in a good client that regularly gives you work. That's the main benefit for most appraisers.

Where to get more information

To see what other appraisers say, go to www.appraisersforum.com and search for directories and directory, or the specific directory name.

How to get business from the Internet

Since the market slowed down starting a few years ago, I have been getting calls every week from appraisers seeking marketing advice. My first question is, "How can a prospect get your name and phone number?" If no one knows you, they can't call you. Usually the appraiser does not have a business phone, does no networking, and is just waiting for the phone to ring or maybe cold calling mortgage brokers.

Most appraisers, including myself, don't like to solicit appraisal assignments by calling prospective clients. Calling prospects is a good marketing tactic, but I prefer more indirect methods such as referrals and advertising.

I have had a Web site since 1998. I have always had a business phone, which I also pay to be included in my phone provider's (AT&T, formerly PacBell) online listing service, YellowPages.com. Over the years, the number of calls and emails I receive from those two sources has dramatically increased.

Many people use the Internet to find all types of businesses, including appraisers. I get calls several times a week from prospects who got my name off the Internet, mostly from my Web site, Yellow Pages online, and appraisal directories. I get calls from accountants, attorneys, lenders, and private individuals. Every year the number of calls increases, particularly for non-local clients who don't have access to the local Yellow Page directory.

If you already have a web site, this article may give you some ideas for making it more effective for marketing.

Having a "tag line" in large letters at the top of your home page is critical to getting listed in search engines. Mine is "Looking for a commercial or residential appraiser for Estate and Trust appraisals in Alameda County CA? Go to About Us!."

Setting up Internet marketing takes some time, but once it is done you don't have to do much.

My Web site

My Web site at www.appraisaltoday.com is related to my publishing business and had a short link at the top of the page for my appraisal business, which got me some work.

About a year ago I was talking with a local appraiser about his Web site. He had very specific words at the top of his Web site, which included trusts and estates. Mine just said "Looking for an appraiser in Alameda County CA? Go to About Us!"

I had been trying to increase my trust and estate work for some time, mostly through referrals. I changed the ad to say: "Looking for a commercial or residential appraiser for Estate and Trust appraisals in Alameda County CA? Go to About Us!" My estate and trust work has picked up considerably since then. Most of the callers are executors of estates. Some are accountants or attorneys.

Go to www.appraisaltoday.com and take a look.

What should be at the top of your home page?

What type of appraisal clients do you want to increase? What geographic area do you want to emphasize?

Looking for more residential lending work in an outlying location without many appraisers? "Need an appraisal in far northern California? Contact us."

Do you want to get more work in a specialized appraisal type? Looking for an appraisal on a manufactured home in Phoenix Arizona? Contact Us."

How to know if your Web site or Internet phone listing is working

How do you know what marketing works best for your company? Whenever anyone calls, always ask where they got your name. I have done this since I started my business in 1986. That's how I know that more people are getting my name off the Internet. They frequently don't remember where on the Internet they got my name, but sometimes they do.

Residential vs. commercial appraisal Internet marketing

There is very little difference between marketing a residential or a commercial appraisal firm, except that commercial appraisers may want to emphasize specific property types and specialization such as condemnation appraising or litigation support.

Email marketing

A very good way to keep in touch with clients is regular emails, with some news they may be interested in. For example, mortgage statistics from www.mbaa.org for lenders, letting them know your turnaround is shorter now, or just an interesting link.

Why does your company need a Web site?

Will you get any business off the Internet? Most appraisal firms get some jobs from their Web sites.

I use my Web site for pre-screening clients. I only want commercial and non-lender residential work in my county, so I don't get many calls from residential mortgage brokers. A prospect can read my resume and information on my company to see if he or she wants to contact me.

Your own Web site is good for public relations. It shows you're keeping up to date. If a client sees your Web site on a business card, Yellow Page ad, or a brochure, they can get more information without having to make a phone call or wait for a fax or snail mail.

Per "impression" (people who view your site), a Web site is relatively cheap. As compared with a brochure or print advertising, updating it is inexpensive and it is "always on."

You probably send out resumes to prospective clients. Instead, they could read your qualifications on your Web site, saving both of you time and money.

Step 1 - get a domain name

Do it now, so you get it before someone else does. Until your Web site is up, you can use it for email.

A domain name is like an 800 number. You own it and can use it when you move. If you have your Web site on AOL, for example, if you want to quit AOL you have to change your Web site address. If you have your own domain name, for example lawrenceappraisal.com, you can move your Web site whenever you like.

You can register your domain name for future use, if you don't want to do anything now. Registering your domain name is very easy. I use www.networksolutions.com . Get a domain name ending in .com if possible. You can also use http://alldomainsusa.com/, operated by Wayne McErley, the operator of the popular www.appraisersforum.com Web site.

What domain name should you pick?

Your domain name is a key business decision as it will be advertised on all your letters, business cards, etc. Current and prospective clients will use it to find your web site.

An easy to remember and spell domain name is very important. I don't have a domain annorourke.com because orourke is too hard to spell for many people. I picked appraisaltoday.com because it is this newsletter's title and other sites and publications include today in the title.

How do you advertise your company? Is it focused on your name or geographic area, such as www.smithappraisal.com or milwaukeeappraisals.com?

Look and see what other appraisers use for their domain names.

Always get a .com domain name if possible. The other types, such as .net, .org, etc. are difficult to remember.

Look at other appraisers' Web sites

I am always surprised at how much time and money companies spend on Web sites without spending time looking at other sites.

I have hundreds of appraisal Web site links from all over the world at www.appraisaltoday.com . Click on Appraisal Co. Links on the left side of the home page.

Try using a search engine to see if you can find local appraisal firms.

Bookmark and make notes on which sites you liked and didn't like. You can use this list to find a Web site graphic designer and to help the graphic designer know the "look" you want.

Decide what you want on your site

After you have looked at other appraisers' Web sites, you'll have a good idea of what you want.

First decide your goal: get non-lender clients, general "brochure" site, etc.

Do you want to emphasize the experience of your staff, or where you work? Do you want to provide information about appraising? Do you want links to other sites, such as in your local community or appraisal associations? Do you want some fun stuff, company photos, etc.? Do you want your clients to be able to print out order forms or send appraisal requests?

The "basics" should be on your Web site:

- Your name, address, email address, and phone number (You would be surprised how many Web sites don't have this basic information)
- Where you accept assignments
- The type of assignments you accept
- The rest of the usual resume/brochure material
- No typos or grammatical errors

Some different non-appraisal content, such as a photograph or information on local sights in your city, your hobbies or non-appraisal interests, or a joke or two is good. Be creative. Why do I recommend this? Your site will be remembered long after a visitor leaves.

A basic "resume" Web site

I used to recommend always using a Web site designer. But appraisers tend not to send anything to the designer so the Web site never gets set up.

To get started, you can set up a basic "resume" site. You already have a resume, address, and phone number. Just put that on one page. Usually, when you set up your domain name, Web site design templates are available.

Be sure to put your geographic area and what types of appraisal assignments you accept.

An easy way to get started

Wayne McErley, the operator of the popular www.appraisersforum.com Web site also hosts appraiser Web sites at http://appraisersites.com .

The cost is $20 per month, which includes your own domain name, up to five email addresses, and free templates for your Web site.

Since you own your domain name, you can move your Web site at any time if you decide to change hosting companies.

What about going beyond a "resume" template Web site?

Speaking from the experience of someone who has been managing a Web site for over eight years, I don't recommend doing your own site. If you do it yourself, there is a high probability that:

1. It will never get done, and/or
2. It will be ugly and have technical problems, and/or
3. It will never be updated.

If someone in your office is an "Internet techie and you want to "do it yourself" there are many Web site (HTML) editors to use.

I did my own publishing site because it is very large (over 300 pages) and is continuously updated. The price I paid was taking way too long to get it up, plus a very boring layout, plus turning down some big commercial appraisal assignments to make the time.

How to find a Web site designer

When you're looking at Web sites, see who designed the ones you like. Contact the designer and ask for a list of references. View the Web sites of the references and contact them.

A designer with experience in designing appraisal Web sites can work well, as appraisal Web sites tend to be very similar and the designer doesn't have to reinvent the wheel.

Here are some tips:

- Check out the designer's Web site. Does it have its own domain name? What impression do you get from the site?
- Look at their portfolio (sites they have designed)
- Be wary if they:
    - Are reluctant to provide a listing of sites designed
    - No Web site of their own
    - Upfront pricing without knowing the details
    - If they know less than you do, run!

How to work with a Web site designer

I have worked with five or six professionally trained print graphics designers in my publishing business. Each one was different. I learned to provide all the content (text and images) and be very specific about what I wanted emphasized. Then let the designer "do their own thing" when doing the layout. The only problem I had with a few was inability to meet deadlines, so I only used them once.

I provided "story boards" or a thumbnail of each page with what content I wanted on it. The designer did the layout.

Appraisers (and others) I have spoken with who had problems mentioned that the designer didn't start it, didn't finish it, the cost was too high, had difficulty communicating with the designer, etc. Be sure to check with their references and be very clear about what you want.

What will a custom Web site cost?

Prices vary from $200 to tens of thousands of dollars for an appraisal company Web site. For a simple Web site, with 3 to 5 pages, the cost should be under $500.

The more the designer does, the higher the cost. Factors to keep costs down include:

- Writing and editing your own content
- Content in electronic format. Email is good, but a disk is okay
- Decide as much as possible ahead of time and the fewer the changes the lower the cost
- Not too many custom graphics
- Limited, or no, programming, except for simple forms

If the designer has to write and edit the content, make a lot of changes, design many custom graphics, and set up special features requiring programming, the costs will increase.

What about site maintenance?

Have you ever been to a Web site that is very out of date with wrong addresses, phone numbers, or employee names?

However you set up your Web site, whether using a template or a designer, be sure to find out about maintenance.

If you use a "free" template, be sure it can be easily changed when necessary.

If you use a designer, have an agreement with your designer about any changes you want made to your site. Appraisal company sites tend to be pretty "static." Even if the company plans on making changes, somehow they don't get made. Hopefully, you'll be different, adding some new content. At a minimum, be sure you make any personnel or address changes.

You should plan on a "rework" of your site after a couple of years, so that it stays "fresh" as Web site trends change fairly quickly.

How to make sure prospects can find your Web site

Getting, and keeping, top placement on search engines is very difficult.

Here's some ways to get noticed:

- List your site with many search engines. Preferably do it yourself, at least on the largest ones, so you can be sure to give them the information they need. Alternatively, you can use one of the free or fee-based services available on the Internet.
- Make sure you have a description and metatags with the appropriate words for your site on your home page. For example, keywords could be real estate appraisal in Atlanta, Atlanta appraisal, Atlanta appraiser, etc. If you specialize in mobile home parks, you could have "mobile home park appraisals."
- Have a good description on each page.
- After you have registered your site, be sure to check if the search engines are finding it.

There are lots of good tips at www.searchenginewatch.com

How to publicize your Web site

Surprisingly, print media is one of the best ways to let everyone know about your site.

Ways to get the word out include putting your Web address:

- On all business cards, letters, brochures, etc.
- In any appraiser directories, with a link, such as the Appraisal Institute directory
- On any handouts when giving a speech
- In any advertising, such as Yellow Pages or legal directories

Online Yellow Page directories

The Yellow Pages listing information cannot be copyrighted, so there are many online directories. If you're listed in the telephone company Yellow Pages, you're in the directories. An "enhanced" listing for a nominal fee may be worthwhile.

Where to get more information

There are many books and lots of Web sites on Internet marketing, but for appraisers I think it is best just to look at other appraisers' Web sites. See what you like. What do you think will attract prospects? How hard is it to find contact information?

For lists of hundreds of appraiser Web sites, go to www.appraisaltoday.com/applinks.htm

Other directories

Most of us only think about Yellow Page directory advertising, but there are many other directories, such as professional associations. If you have a geographic specialization, and are listed in a large, consolidated phone directory, advertising in a private directory for a much smaller area can work for you. In some cities there are other types of specialties such as Hispanic, Asian, or women's directories.

The most common advertising used by appraisal firms is the telephone Yellow Pages. You receive a free listing with your business phone. It reaches a wide audience, in a certain geographic area. But it is very unfocused, with relatively few of the calls resulting in an assignment. Many appraisers only have their names in the white pages for this reason.

The Yellow Pages can be used effectively in your marketing efforts by targeting a specific group. And, of course, it does allow a way for clients to get your phone number if they've lost it. If you specialize in a certain type of property, geographic area, or type of client, put it in your ad. Such ads could say, in large letters, "Specializing in shopping centers," (or agricultural, or apartments). Geographic specialization could be a city, county, or district. Types of clients could be divorce, probate, or right of way. If you don't do lender work, put it in your ad. It will eliminate many unnecessary phone calls. Look at your phone directory and see what your competitors are doing, and how you can be more effective. Look at how other business services advertise.

Listing in directories of non-appraisal professional associations is also very useful. Often associations have vendor sections. Listings in the appraiser-vendor section of the Employee Relocation Council's ERC Directory is a most effective method of getting new relocation clients. Your local association of Realtors, mortgage lender associations, or other organizations may have "affiliate" listings.

Obtaining a designation from an appraisal organization, and a listing in their national directory, works, particularly if it is a well-known organization in your geographic area. Any club, service group, or other organization you belong to that publishes a membership directory can be a source of new clients and referrals, especially if it lists your business or occupation.

Few appraisal firms advertise in publications, but it can be effective if you're going after a particular market segment that reads a publication. For example, space ads in local or regional lenders' or attorneys' associations can be effective in getting your name out there.

If you have the ability to communicate in another language, and are working in an area with a significant population that speaks that language, be sure to communicate your skills to prospective clients. For example, advertising in a Hispanic Yellow Pages if you speak Spanish.

Stationery, invoices, brochures, and business cards

Business cards are another source of advertising. You could turn yours into a mini-brochure by printing material on both sides, or use a fold-over card, with 2 pages. Cards designed to fit into a Rolodex, so that clients could find them easier, are also popular. Have several different cards made up, for use with different markets. Be sure your phone number and fax number can easily be read. Don't be cheap about handing them out... they're inexpensive advertising.

What kind of an image does your business stationery project? Is it what you want? If you specialize in low cost, fast-turn around appraisals, inexpensive stationery may work. But for most other markets, stationery conveying a more distinctive image is better. If much of your client communication and bidding is via letters, it is very important to have good quality stationery. If you're not sure what you want, start collecting samples of stationery you like, especially from your competitors. Print shops subscribe to companies who specialize in clipping "swipe files". Designs that would apply to the real estate industry are available.

Invoices and bids are another source of advertising. Are your invoices convenient and easy to use? Do they have a personal message, such as "Thank you for your business."? Can your invoices and bids be turned into a brochure, explaining your services and expertise? Again, printing companies have examples available to assist in making a decision.

Advertising specialties and direct mail

Advertising specialties, such as calendars, pens, and scratch pads with your company's message, can be excellent promotional devices. Everyone loves to get a gift. Call one of the larger companies listed in the Yellow Pages under advertising specialties and get a copy of their catalog.

Items that clients are likely to use on a daily basis are often the best, such as calendars, coffee cups, and scratch pads. Distinctive gifts can often help clients remember you. Check with an advertising specialty salesperson for the latest items.

Many firms distribute such gifts at Christmas, but it can be done at any time. In large quantities, items such as pens are inexpensive. Or, you could go with a few, expensive items, such as embossed leather folders for select special clients.

When we first opened our appraisal company we selected a small stand up spiral paged desk calendar. We had our logo, address, phone and fax numbers. These were given to our clients. We purchased and mailed 100 the first year and 250 the second year. We decided not to send any the third year. You should have heard the outcry! We didn't realize how popular the Christmas calendars had become in two years. We reordered immediately. This past year we mailed over 500 calendars. They are now an office budgeted item.

With direct mail marketing you can send your advertising material to selected clients. The package you send to prospective clients, with a letter, resumes, and work samples, can be turned into an effective direct mail package. Instead of a loose leaf collection of pages, have it inexpensively bound.

When doing small, targeted mailings, *always, always* follow up with a phone call the next week, asking if they received the package, have any questions, etc. For potential clients, making a personal visit is very important, to reinforce your company presence to the prospect. Many appraisers send out packages, but few follow up with a personal visit.

An introductory letter with a brochure can also be very effective with prospects. Sample packages can get expensive. For non-lender prospective clients, samples are often not appropriate. If you don't want to take the time to follow up with a phone call, a less targeted mass mailing can be used. For example, send a letter and brochure to all local attorneys or accountants. Plan on doing regular mailings, not just one time.

Chapter 8 Use writing to promote your business

Writing is an easy way to build up referrals

All appraisers write. Appraisers never seem to be timid about expressing an opinion. Why not use your writing skills and opinions to get more exposure for yourself and your business in the marketplace? You don't have to be an professional writer, just readable.

Writing should be an integral part of your marketing plan. The value of the written word cannot be overestimated. With a phone call, you communicate only with one person, who may or may not remember what you said. By putting your information in writing you are more easily remembered, while eliminating possible misunderstandings.

I'm sure you'd like more people to know who you are, and what you can do for them. Generally, business owners spend substantial amounts of time and money trying to get printed press coverage. It can be accomplished, but it does require a network of contacts, and certain types of material. To do it well usually requires a fairly substantial long-term and financial commitment, or hiring a public relations professional. There are easier, more direct, and less costly methods of getting into print. You can target specific media publications, those most likely to be read by your potential clients, or persons likely to give you a referral.

Get started by writing personal notes

The easiest type of writing is thank you notes. Most of us have received a few personal thank you notes, and those missiles are usually remembered. Send the notes to real estate brokers/agents, other appraisers, title company employees, and those who were particularly helpful on an appraisal. Send them to clients, referral sources, or anyone else who has helped you or provided you with business.

Notes are easily written in a few minutes, between phone calls at the office, or at home while watching television. Note cards are inexpensive. They can be blank, illustrated with a scenic photo or drawing, or with a pre-printed thank you. They can be purchased with a slot for including your business card. Cards are available from local and mail-order office supply companies, or you can design a unique note.

How to get into print

You do need to make a commitment to regular writing if you want to get marketing payoffs from writing for newspapers, newsletters, magazines, or publishing your own newsletter. Patience is important. It takes, at the minimum, several articles or letters before people start remembering your name. Newspapers usually have a limit on how many letters per month they will accept from the same person. If you're writing a column or articles, you need to do it on a regular basis: weekly, monthly, etc. Once your material is published, editors are more willing to accept repeat articles or columns from you.

Letters, articles, and columns for local publications usually should be short. One to two double-spaced pages is a good length. Focus on one specific topic that can be covered in a limited space. National publications usually require much longer articles. Thank goodness for word counting software. If an editor wants 500 words, that's what you can offer. A double-spaced page will generally contain 225 to 275 words.

To become more well known in a certain geographic area, letters to the editor of local newspapers are useful. Those likely to be printed are usually somewhat controversial. Read published letters to get an idea of what the editors want. Local real estate related topics could be: actions of your local planning department, city government, assessor, or other public entities. They're always available targets. You can also discuss national real estate related issues such as tax reform, or changes in FHA requirements. Be factual ... be right!!

If you are trying to do a column for a real estate section, discuss the appraiser's approach to buying or selling, or what types of remodeling or updating add value. In this type of story, "How to," "When to," and "Why" are important questions that need answering. Newspaper editors like short sentences, not overly long paragraphs, and writing to a 6th to 8th grade education level. All trade terms must be explained. Editors like to use the KISS principle. For the uninitiated, these four letters are the abbreviated term for "Keep It Simple, Stupid."

If you are asked or commissioned to do an article or a regular column, editors do not expect you to be either an English major or have taken journalism as part of your educational background. Cleaning up the article or column is an editor's job; that's what they do. Copy editors or rewrite specialists look over your work to make sure it fits the space, is technically correct, and is readable.

Editors will not use old news or outdated material. If your writing is not clearly defined by the time your raw copy is edited and put into print, you may not recognize the articles. Editors expect you to have expertise on subject matter. Some editors clean up the grammar and punctuation, while others employ proof readers. If you have trouble with grammar or punctuation, perhaps you can have an English major, teacher, or friend clean up your copy.

Letters to professional or trade publications can also be effective. The "trades" are always looking for free material. The idea is to get your name in print. Local, state, and national publications for real estate agents, appraisers, mortgage brokers, developers, investors, relocation companies, or lenders are all media sources.

It doesn't seem like a letter to the editor of a national publication would help your business. But you'd be surprised how many people read them. An out-of-the area client needing a local appraiser, or an appraiser needing to make a referral, may have read your letter. They may not remember where they saw your name, but it is familiar. Most of us will give work to people we have heard of, and are familiar with. I have received assignments from distant relocation companies who remembered seeing my name in a publication, or as a national committee member in a trade directory.

It's often easier to start with newsletters for local chapters of organizations to develop your own writing style. You don't have to have original material. You can volunteer to report on last month's dinner speaker or workshop, a conference you attended, member profiles, licensing updates, or almost any topic of interest. Remember, the objective is to have more name recognition, not to become a professional writer. As you become more experienced and comfortable, you can move on to more analytical articles, and offer material to national trade publications.

If you want to make a greater impact, consider regular articles or a column. These articles are generally accepted on a non-fee basis. The reason to start with the trade journal or newsletters is to get practice writing. It's not too likely you'll get published in the *New York Times* or the *Harvard Business Review*, but many local newspapers and newsletters need material, and are very willing to publish articles or columns from correspondents. Most professional and trade publications welcome articles by practitioners for their publications. Try to include a photo with the article, so readers are more likely to remember you.

Writing for a newspaper does require selecting a real estate topic of interest to the general public. The writing should be at 6th to 8th grade level, at the highest, with short sentences, as previously discussed. It should be very easy to understand, with no jargon or technical terms, unless you explain them in the article. Always have a non-real estate person read the piece prior to submission. Obviously, the residential real estate market has the most general public readers. You could write on how to sell your home more easily, what improvements have a fast/slow payback, etc.

If you do primarily commercial or agricultural properties, write about topics that relate to those markets. Such topics could include tax law changes, investing in real estate, effects of zoning/planning changes, why retail vacancies are high/low, agricultural land values, etc.

Publishing a quarterly, semi-annual, or annual newsletter or special report can be a very effective way of communicating with existing and prospective clients. Many accounting firms do this, primarily by purchasing newsletters written by a newsletter service with their company name on the front page. Unfortunately, this type of service doesn't appear to be available for appraisers, so you will have to write your own.

Special reports can be one aspect of real estate, such as apartments, home sales, etc. Clients (and other appraisers) often eagerly anticipate these types of reports. More general newsletters have articles on both the appraisal company (personnel bios, recent assignments, etc.) and general real estate topics, local or national such as taxation, trends, etc.

Writing a newsletter can be a hassle, so be sure to make a commitment to doing it on a regular basis. Production can be done on inexpensive desktop publishing programs, like Microsoft Publisher. A mailing list can be maintained on an inexpensive, easy-to-use program, or done in a wordprocessing program. Appraisers throughout the U.S. produce and distribute promotional newsletters. However, the number is relatively small.

How to use marketing-oriented letters to increase your business

Every appraisal firm sends out letters for such purposes as information, marketing, complaints, etc. Some letters are:

- Included with an appraisal
- Included with a sample appraisal package sent to a lender
- Included with a correction to an appraisal
- A response to an inquiry about doing appraisals
- A thank you for a referral or a job well done
- A reply to being kicked off an approved list
- Past due billings
- A request for a meeting for a sales presentation

All of these letters can be used as sales tools, if appropriately worded.

Why do I need to develop effective letters?

Most appraisers hate one-on-one personal selling. With letters, you don't have to talk to anyone. They don't take much time to send out, particularly if you have a set of fairly standard letters to use as templates.

Letters are an easy sales reinforcement tool. Send them out whenever you can. They're not as effective as personal contacts, but can definitely reinforce a business relationship. Most people like to receive personal letters.

Some of the techniques in this article may seem strange and uncomfortable to you. But they have been tested and used for many years. In fact, this article has a conservative approach to sales-oriented business letters. Give them a try.

The key to an effective letter: speaking directly to the reader

As with your other marketing efforts, a letter that speaks to the reader's problems or concerns, or compliments the reader, has a greater impact.

For example, which of these two letters appeals to you most? They were sent after the appraiser ordered a new software program.

1. Dear customer,

Thank you for your order. You will be receiving your new software within the next 2 weeks.

The Order Department (no signature)

2. Dear Mr. Johnson,

We hope that Real Estate Management System 5.3 will help you increase productivity in your appraisal practice.

If you have any problems, or have any questions, please call us at 800-555-3333, from 6 AM to 8PM. We know that getting used to a new program can take time. Sometimes new users need some assistance. We're ready and waiting for your call, if you need us.

You should receive your new software within the next 2 weeks. If there are any delays please call us.

I appreciate your business, and consider you a valued customer.

Many thanks,

Andrea Ardus, President
The Real Estate Analyst

P.S. You made a wise decision in purchasing Real Estate Management Systems 5.3. Users report that it has paid for itself within a few months.

Analysis of Letter #1: My name is not in the salutation: too generic. Doesn't even say "Dear Appraiser." Who is the "Order Department?" Who should I call if I don't get my software or can't install it? Did I make the right decision buying their software?

Analysis of Letter #2: Used my name in the salutation - more personal. Signed by the company president. Says what the program can do for me (benefit). The close (Many thanks) is more personal than the usual "Sincerely." The letter tells me what to do if I have a problem, and compliments me in the P.S. Overall, it sounds like a company that I'd like to continue doing business with.

Key parts of a letter

Good letter writers take the time to really think about the key parts of their letters:

1. First paragraph.
2. Last paragraph.

3. P.S. at the end.

Tests have shown that the most frequently read parts of a letter are the first sentence and the P.S. Other frequently read parts are the salutation, signature, first paragraph, and the last paragraph. Focus your efforts on these parts of your letters.

The first sentence and paragraph

Your first sentence must speak directly to the reader, preferably telling them about the benefit you will provide, or are providing. Or, how they helped you (thank you letters).

For example (letter to a relocation company prospect), "In today's tough real estate market, accurately predicted values can make the difference between keeping and losing a valued corporate client. My firm has an accuracy level of plus or minus 2 percent over the past 2 years on our predicted values."

The last paragraph

Include another important message you want to convey to the reader. It can be a thank you, an invitation to call you for new assignments, or a reference to another benefit.

The P.S.

Always try to include a P.S. as it is almost always read, even if nothing else is read.

Use the P.S. to refer to a key benefit in the letter, or to tell the reader again what you want them to do. For example, "My firm always completes assignments on time. You can trust us." (Benefit). Or, "My firm is very experienced in appraising foreclosed properties. We can give you accurate, realistic, values and advise you on any repairs to make your properties more marketable. Please consider us for your future assignments."

Salutation

Everyone loves to see his or her name in print. Try, if at all possible, to address the letter to a specific person, rather than "Appraisal Department" or "Cosmic Mortgage Brokers". Then it will be much more likely that the letter will be read and remembered.

Should you use Dear Ms. Jones, Dear Mrs. Jones, Dear Susan Jones, or Dear Susan? That depends on who the letter is being sent to and your type of relationship. Generally, for business correspondence, being more formal is safer if you're not sure. On the other hand, "Dear Susan" is more personal, implying you have a good business relationship.

Request for action

In the P.S. or last paragraph, always tell the person what you want them to do. You can repeat what you said in previous paragraphs.

For example, say: "Our firm is available for any rush orders, with experienced appraisers. Call us." Instead of: "Thank you for your order."

I vs. We

Don't be afraid to use "I" if you're signing the letter. It makes it more personal and direct.

For example, write "I am looking forward to doing business with you" rather than "We are available for assignments."

We vs. You

In your letter, the use of the word "you" is very important. This makes it speak directly to the reader. Talk about your reader instead of yourself, particularly in the key sections of the first paragraph and P.S.

Keep it short

Don't have a paragraph more than five or six lines.

Don't have a sentence with more than eight to twelve words in it. When in doubt, break up a long sentence into two shorter ones.

Don't use appraisal jargon, unless the letter is to another very experienced appraiser.

Don't use stilted phrases, such as those commonly used in letters of transmittal.

If you're not sure, read the letter out loud. Then you'll see long sentences, awkward phrasing, etc. The idea is to make the letter conversational.

In other words, the easier a letter is to read, the more likely it will be read.

You must be benefits oriented

Don't start your letter by saying how great your firm is. Instead focus on how you can help the reader.

For example, use "Your referral to a lender you use regularly let's us help you close your deals faster. I know the local market and am able to reply quickly to any questions they may have." Don't just say "Thank you for the referral."

In a letter enclosed with a lender appraisal you could say, "Call us if you have any questions. I will respond within 1 hour to your call." Don't just say "Enclosed is the appraisal of XXX Market St."

Visual aids by using type and layout

Emphasizing certain words with boldface type, italics, or underlining is a good idea. The reader is drawn to these specific words.

Indenting a paragraph you want to emphasize is another technique.

Using bullets, dashes, or asterisks, instead of a paragraph is another excellent technique to get your letter read. Reading a list of features or benefits is much easier than wading through the same material in a paragraph format.

Complimenting the reader

Making the reader feel good is worthwhile. For example, they made the right decision hiring your firm (and why), how they helped you (referral), etc.

Standard letters

Just like you develop different resumes for different markets, you can develop standard letters, to be customized as needed. Computer generated letters are easy to customize to fit the situation. Having standard letters also makes it more likely you will send a letter!

Letter included with a lender appraisal

Don't start with the words "Thank you." Instead, start with a benefit to the client. For example, "I hope my appraisal makes your underwriting easier. In writing my appraisal report, I made sure that I complied with your specific appraisal requirements."

In the P.S. thank them. For example, "I appreciate your business. Please call me at 1-800-555-3333 for any future assignments."

In the last paragraph you give another benefit. For example, "I know how important it is to close a loan quickly. Please call me if you have any questions about my appraisal. I will return your call within 2 hours".

Letter to a referral source

Start with how your referral source helped you and your client. For example, "Mrs. Jones really appreciated your referral of my firm for an appraisal on her home for estate purposes. She isn't sure if she wants to sell the family home now that her husband has passed away. In my appraisal I suggested some improvements that will make her home more marketable, and told her she could call me any time if she had any questions. I'm sure she'll remember you if she decides to list her home!"

In your P.S., you could say, "I really appreciate your referral. I look forward to helping your friends, business associates, and prospects in the future. Please call me if I can be of assistance."

Letter to a prospect - follow up to a meeting or phone call

A sample first paragraph is: "Working for a government agency is tough in today's cost-cutting and downsizing climate. Making the right decision about who to hire as an advisor on whether to keep or sell your excess properties is important."

The P.S. could say: "I really enjoyed our recent conversation about the future of government downsizing, and hope I can help you with your upcoming project. Please call me at 1-800-555-3333."

Letter to a prospect - setting up an appointment or time for a phone call

A sample first paragraph: "Jane Jones of Big Bank suggested I contact you because you are looking for appraisers specializing in appraising homes in low income areas. I know how important it is that appraisals conform with your bank's Fair Lending guidelines. All the appraisers in my firm have attended Fair Lending seminars and have extensive experience in low income areas."

A sample P.S.: "I can help you meet your CRA targets. Please call me at 1-800-555-3333."

Letter to a client you have lost (maybe)

In the past year, with the dramatic declines in lending volume, many appraisers have received letters saying they were dropped from a fee panel. Unfortunately, some called the lender, ranting and raving, or sent a nasty letter. Don't ever do that. There is another way.

The reason they are trimming their fee panels is that the more appraisers they have on it, the higher the cost of maintaining the approved list.

Instead of doing nothing, or complaining to the lender, send a letter complimenting them on their cost cutting in these tough times. For example, the first sentence says, "I know how tough it is these days to keep profits up in the mortgage lending industry. Cutting your fee panel management expenses helps." Then you go on to say how your firm has worked for them for XX years, with excellent ratings and never missing a deadline.

In your P.S., if you think there may be some hope for being reinstated, ask for a meeting, where you can do a sales presentation. If you think there's no hope (or are too disgusted to talk to them in person), tell them you really liked them as a client and hope to work for them in the future when business picks up.

In other words, don't burn your bridges. You never can tell when your contact person at the lender goes to work for someone else, or when a lender may have a merger and need more appraisers.

Where to get more information

In this article we assume that you are able to produce a letter with no typos or incorrect grammar, and that is clear and easy to understand. If you have difficulty, you're not alone. Although appraisers make their money writing, few are good writers. Check with your local book store or library for books on business writing style. Or, you could ask a local English teacher or graduate student to review your standard letters.

At our local big book store (Barnes & Noble), there were 30 to 40 books on writing techniques for business. About 10 were on writing business letters. Only a few had much on writing sales-oriented letters appropriate for appraisers. Most were a compilation of very generic letters, or were for writing letters for mass mailings. The book we found most useful was Business Letters That Get Results by J. Hamilton Jones, published by Bob Adams, Inc.

Use your lender list applications to market your business

By Doug Smith, IFAS

Jumping through hoops completing a potential client application in the appraiser selection process is sometimes seen as a difficult task, often put off to the last minute.

The application process, however, becomes less daunting to an appraiser if seen as simply an extension of marketing your practice. The key to marketing always is first understanding the customer. The application process, then, is simply presenting information that meets the needs of your customer, your potential client.

Email improves your letter writing

It may seem somewhat counter intuitive that e-mail is improving the writing abilities of appraisers. At least such terms as "pursuant to your request," or "please find enclosed," are phrases not frequently found in the e-mail messages I receive.

In e-mail messages, we speak directly, succinctly, making the point of the message the order of business. The terse economy of our e-mail messages sets a good example for letter writing.

Writing an effective letter to a potential client is one of your marketing tools. It introduces both you and your practice to the potential client. An effective letter starts with a short introduction summarizing the reason for writing, then proceeds to a logical body of information and concludes strongly.

Write a letter as you would an e-mail message and leave out "pursuant to your request, please find, etc."

Panel applications and job applications are similar

When it comes to making an application to join a lender's panel, you're doing no different than a person applying for a full-time job. With this in mind it is important to remember three important agenda items of anyone interviewing to fill a job.

Those seeking to fill a position have three basic questions:

1. Can the applicant to the job?
2. If the job is offered, will the applicant accept?
3. Will the applicant fit into my organization?

In the application process everything presented should be directed to the three questions. Call them the information chutes. To complete the application process your material chucks information down one of these three chutes.

Certainly a well-written resume, your license, and your experience address the important issue of whether you meet the standards of the client.

Letter writing and application form tips

The tone of your letter, however, and the enthusiasm shown by a response sometimes outweighs all the information that you send. Your application package must convey the message you want the client's business and you will respond to their needs. In tone, your letter should be friendly, warm and leave no doubt you would be a good fit on the lender's panel.

Some lenders provide an application and a list of requirements. These should be filled out completely and have as much of a professional look as any appraisal report you present. That may require you to keep that old typewriter operational. In marketing it is always the best practice to look your best.

Your presentation package says a lot about your company

The next step is to prepare your presentation package. Your package should be like a sandwich.

1. The top slice of bread - cover letter

The top slice of bread is your cover letter. The cover letter needs the most attention. Often the first impression turns out to be the lasting impression.

Your cover letter should have everything in your package in summary form that can be absorbed in the space of time of less than 15 seconds.

In the first three sentences, introduce yourself and let the reader know this is your application package. In the body of your letter, use bulleted information summarizing your experience, education, equipment and capabilities. Remember, you only have a few seconds to make an impression. Bulleted phrases can be absorbed in a glance.

End the letter warmly showing some enthusiasm for applying and directing the reader's attention to the rest of the package.

2. The meat - application, resume, and requested copies of any other information

The meat of your sandwich consists of your application, your resume, and the requested copies of any other information.

Don't forget to include your coverage area. Enclose a completed W-9. That inclusion conveys you are ready to start.

3. The final slice of bread - references

The final slice of bread of your application package is your reference section.

The lender will want to know if you fit into their organization and more than likely will contact some references.

Therefore, lend some assistance by laying out your references, as you would in a resume.

List the information about your reference, address, phone number, fax number and probably in keeping with the times, an e-mail address.

But go beyond the simple list of your references. In an adjacent column summarize your dealings with the reference. This gives the person handling the application process the reason to call the reference and the information given becomes a discussion reference point.

4. Package the sandwich

Last, send out your sandwich wrapped in a package that conveys the urgency and enthusiasm of a person truly interested in obtaining employment.

Again look your best by typing the address label or even sending the application by overnight mail.

The application made to join a lender panel is the culmination of your marketing effort. It is your singular opportunity to make the first impression in business relationship that may pay great dividends in the future. Approach the appraiser selection process as an important extension of your marketing efforts and always look your best.

Sample Reports - don't make a Federal Case

Providing sample reports gives more appraisers angst than even making cold calls. Whether or not you provide samples and what the sample reports are is a marketing decision.

Your compliance with the request speaks volumes about how you will fit into their organization, your ability to do the work, and whether or not your real intent is to perform services for the client.

The request for samples should not be taken as an opportunity to lecture your potential client about USPAP, confidentiality, or the fact that your credentials speak for themselves.

Often providing sample reports is a perfunctory exercise and they are ignored. At best, they receive a cursory glance with an instant decision made that your reports meet the criteria are and standards of the lender.

However you solve the concerns you have about providing samples, the samples are another opportunity to market yourself and your practice.

Your willingness to provide samples sets the tone of your relationship. Surely you have clients who allow you to provide a sample report. If you're reluctant to ask clients to help you, then follow USPAP instructions that say, "When all confidential elements of confidential information are removed through redaction or the process of aggregation, client authorization is not required for the disclosure of remaining information, as modified." (USPAP, Statement 5)

Select the samples with care and make sure they are your best work. Samples really are your best marketing tools; it is what you do best.

About the author

Doug Smith has an appraisal practice in Butte, Montana. He is a certified general appraiser doing both residential and commercial appraising with a specialty in hotel appraising and feasibility studies. He has an MBA from the University of Montana, and is a member (undesignated) of both NAIFA and the Appraisal Institute.

He can be contacted at hotelman@montana.com.

Newsletters - an easy way to promote your business

Business has slowed down for many residential appraisers. Now you have time to do something different for your business. Sending out a newsletter on a regular basis is an easy way to connect with current clients, prospects, and referral sources.

Many businesses, such as accountants, real estate agents, hair stylists, and auto repair companies send out periodic newsletters. Why? As a "reminder" to their regular customers. But few appraisers send newsletters.

Will you get any business?

Most of us neglect our current clients in our marketing efforts. We don't spend enough time contacting past clients to see if they need our services. When we get a prospect call, we don't follow up later. Many of us get referrals, but don't follow up, except for a "thank you" card or phone call.

Newsletters are an easy way to remind everyone that we are available for assignments. They are not a brochure, but are a "soft sell" that reminds current and past customers that you are available. You may get some new clients by sending it to your prospect list. Referral sources remember that you're available for referrals.

How many appraisers send newsletters?

Very few appraisal companies send out regular newsletters. Why so few newsletters? When we're busy, or not busy, we "don't have time."

We don't want to do any marketing. We just wait for the phone to ring.

How often should you send your newsletter

Quarterly is best for most appraisers. Monthly is too frequent as it takes too much time. Annual is too infrequent, as you regularly want to remind referral sources, clients, and prospects that you are available for work.

What about email newsletters?

They can work well and there is no printing and mailing costs. They are probably best as a PDF attachment or as HTML. You can easily set up a distribution list in your email software. Keeping an accurate email list takes time and commitment as email addresses change frequently.

Don't let the first issue be the last issue

I have seen many appraisal newsletters that were only produced once or twice, usually because they were too complicated or there was no commitment to regular publication.

A simple one-color, two-page newsletter that is regularly mailed is much better than a 12-page newsletter that is irregularly sent out.

If you won't make a commitment to continue, don't take the time to do the first issue. Spend your time on a more productive marketing activity.

Newsletter length

Newsletter consultants say that shorter is better than longer for promotional newsletters. You want to be sure your material gets read.

Two to four pages is a typical length. For pre-printed newsletters, the four-page newsletters are usually printed on 11" x 17" paper, folded.

Most marketing newsletters are self-mailers, with a space on the last page for a mailing label.

Mailing costs

Mailing out 500 newsletters, pre-folded, should take about 2.5 hours for stamping and labeling. Or, you can pay a mailing service to do it. Get some estimates. In our area, services charge $ .65 per piece to label, stuff, and stamp.

Estimate about $ .75 per newsletter for postage and printing for a 4-page newsletter, folded, first class, one color. Bulk mail costs less than first class and two-color costs more than one color.

Writing time

Figure on at least two hours per page for writing time after you have gathered your data and ideas. More time is required for the first issue, especially if there are statistics and graphs. With practice, your editorial time will decrease.

You can write your own newsletter or an associate appraiser or support staffer can.

If your firm is unable to make a commitment to write regularly or to take the time to work with a freelance writer (check with local schools or Writers Digest), don't plan on doing a newsletter. There are other marketing activities you can do.

Don't count on your associates to regularly produce articles unless they are experienced writers who can meet deadlines. If they do write articles, how will they be compensated or encouraged to write for free?

Newsletter layout

You can use a program such as Microsoft Publisher to produce your newsletter, or use Word or WordPerfect.

Again, who in your company has the time to do this? You may have a secretary available. If not, you can hire someone else to do it for you. See who does the layout for local real estate newsletters, which is typically inexpensive.

Layout for a simple two page newsletter should be under $100.

What should you put in your newsletter?

The most successful newsletters (least likely to be "round filed") are those that contain information of interest to the reader. Why do you read one newsletter regularly and another one piles up on the floor? The one you read has topics you feel are important to you, or contains current information that you need today.

When deciding what to put in your newsletter you must know what your readers want. Over 80% of the appraisal firm newsletters I reviewed had information on local real estate markets with data presented. Some focused on the same market(s) and others spotlighted a different market in each issue. The others were more "generic" with mostly information about that firm and/or news and comments on national topics.

The more interesting appraisal newsletters I read had an interpretation of the data and predictions for the future. Several had interesting editorial comments on the state of today's real estate or appraisal markets.

Articles written by principals or associates with bylines (their names) can highlight specific expertise in your firm.

A small section on what's happening in your firm is important. Some newsletters profile an employee in each issue.

You could include a calendar of local events, interesting quotations, or whatever else you think would make people more likely to read it.

Appraisal newsletter services

Why aren't there any newsletter services, providing a template or preprinted newsletter for appraisers, like accountants have?

Reasons include:

• Appraisers' needs vary widely, so a newsletter service providing a template for everyone won't work for most appraisers
• Appraiser market is too small - not enough appraisers are interested in the product
• Appraisers are too cheap

What about reprinting material?

Government written material can be used without permission. Before reprinting an article from any other source, be sure to ask permission.

Some sources are:

• Your appraisal association
• Local association of Realtors or MLS
• Press releases (no permission is required)
• Web sites

Reprint permission is usually easy to obtain for publications such as an MLS newsletter, Web site material, etc.

You can quote material, such as a paragraph or two, included within quotation marks and referencing the source, without getting permission. This is called "fair use."

NAR's reprint series

The National Association of Realtors has an excellent reprint service. Go to www.infoinc.com/nar . The price (per month) is $19.95 Newsletter Print-Only Option and $39.95 Newsletter, Website, Email Reprint Option.

You can reprint up to 25 news stories a month. Most are delivered by email when you sign up for NAR's free email service. (On the home page, click on Get Today's News By Email. You can sign up for Personalized Email, for example, the Commercial news.

The service has many different types of news releases. Most are for home buyers and sellers, but some are good for lenders.

What about Web site publication?

Putting your newsletter on your web site is a great idea, as a supplement to your primary distribution via postal mail. You can keep past issues there so readers who lost an issue can go there to read it.

I don't recommend Web-only distribution as it is a lot easier to read something that comes in the mail or by email than to go to a Web site once a quarter.

Example

On the plus side, there is lots of news and reprint information available for the residential real estate market.

On the minus side, most appraisers don't include data and market analysis (suitable for newsletters) in their appraisal reports.

For example, your newsletter focuses on residential real estate. You send your newsletter to everyone who has given you a referral, all your prospects, and current and previous clients.

You could include statistics from your local MLS, or you could do your own statistics, using your MLS (included in many MLS software). You could subscribe to NAR's reprint series, including stories on home appreciation and remodeling.

An appraiser's successful newsletter
By Tawfik Ahdab

In years past, I used to walk into mortgage broker offices and banks to let them known that I existed. Guess what: that's not enough. You and every aggressive competitor you have does that. Handing out your card and identifying yourself as an appraiser who does good quality work and who has terrific turnaround times right now is not enough to set you apart from your competition.

One way to stand out without paying inordinate sums on advertising is to develop and issue a product that will attract the attention and gratitude of people who can hand over or refer business to you.

The time it takes to develop this product is worthwhile because it is primarily useful to you in your own work.

I print and distribute real estate market statistics with commentary. No, not just plain old MLS statistics, but analyses of the overall market. I look at permit activity, rates of value appreciation based on resales of the same homes over a relatively short period of time, analyze mean (average) price per square foot of new homes year by year, comment on the adequacy or inadequacy of supply, infer shifts in demand by observing shifts in sales volume by price segment, report shifts in the percentage of terms of sale such as cash, conventional, VA, FHA, and trust deeds, comment on the prevalence or absence of sales concessions depending on the price segment, etc.

The latter is not appraisal. It is market analysis. This is an extension of the appraiser's job, and I consider it crucial not only for me to do my job properly, but also for keeping me in the minds of Realtors and bankers in my market area.

You will not achieve success overnight, but it will happen much more quickly and inexpensively than otherwise. If you're in this profession for the long haul, I urge you to make the move.

I have an email list for distribution. Just about the only people who don't receive this are private parties (I don't like to give investors/speculators or developers information for free when I can charge for it in a consulting assignment).

By extension, I get recommended for appraisal work by many people, including attorneys and builders.

This I have found is the best marketing: to share your insights into the local market with those who might find this information useful. You provide it for free while teaching them something. They respect you for it. This is the secret to my success.

Let me add that I didn't mention mortgage brokers anywhere. That's because I do very little work for them (accepting orders only as a result of referrals) and also because they wouldn't care about the data because they're not in the real estate business per se.

It begins as market analysis, which you should engage in to sharpen your appraisal skills and to master your understanding of your market area.

Based on that, you can adapt and repackage your market analysis conclusions to obtain new, and retain existing, business.

That's the main point here. You're not going to be in the free report writing business. The time it takes to do this is worthwhile for your practice in itself. My point - and it has been made several times and in several ways so far - is that by distributing the data and your interpretations thereof on a periodic basis, you will broadcast your expertise and thereby gain elevated stature, i.e. focused exposure for, and heightened respect for, your appraisal practice.

A reminder to all: there's nothing wrong with starting small. Just be sure that you're not issuing raw statistics. That's what the Realtors do when they want to impress the public or the media. You need to interpret the statistics for your audience or readership. That's the real value-added service.

Who wants your newsletter?

Sit down and think about what you want to study. Whatever it is, the principal criterion is that your study, however simple and brief, should be USEFUL to local lenders and Realtors. You can walk into their offices with a copy in hand and ask to speak to the loan officer or the principal broker. Hand him/her a copy of your report and start talking away. More importantly, ask questions about what problems lenders and Realtors may be having in interpreting the market and try to figure out a way to help them. You are the market expert after all, while they're just salespeople. Even the experienced loan originators and Realtors will be impressed by your ability to illuminate market trends or conditions based on solid data and objective quantification.

Quantification is the key to success here. Why, do you ask? Because most Realtors are not comfortable with facts and figures. Save for the most clever among them, their faces go blank when they read my stats. What's crucial is to interpret statistics for them, and discuss their meaning in a narrative format that they can truly understand. Hence the value of what you write, and not just the cold facts that you report.

It takes a full day to update the reports and perhaps a few more hours to polish the written English. It takes much longer to compile the historical data.

How your analysis helps your appraisals

I consider it time well spent. First, the research results in a solid foundation for my analysis of market conditions and provides factual support for my market conditions comments. There's nothing worse – that is, less useful - than the standard, bland, static market conditions comments you see in many reports. If I'm appraising somewhere, I'm appraising a property in the context of the market in that somewhere, and in the context of what's happening there now.

Secondly, this information is also useful for doing retrospective appraisals, helping to understand or recreate market condition information as long as the effective date is not too distant in the past.

Thirdly, this information is important in also permitting me to observe, quantify, or infer certain market trends, as well as to track changes in these market trends on an ongoing or even ad-hoc basis.

The last three reasons to spend time doing this type of research are for my own benefit as an appraiser. Market analysis - like a visual property inspection and data analysis, refinement, and selection - is, in my mind, a crucial undertaking that separates the appraiser's work from the AVM and that contributes significantly to the superiority of the appraiser's work product.

Get more business

The other reason why this time is well spent is that by issuing these reports to the real estate, lending, and government communities, it earns me great respect (and I emphasize great) since it instantly demonstrates to the world that I know my market to the point of being RELIED upon as an authority on the housing market.

Believe me when I tell you that the time spent doing the research for preparing and writing these reports pays off in spades because:

I pick up the best lenders - banks, portfolio lenders, and credit unions as regular clients.

I get unsolicited (and sometimes undesired) mortgage work referred to me by grateful Realtors who find my reports useful and often even incorporate some of my materials in their own marketing. That's not the same as being recommended because I come in at the desired value. In fact, I have never come in low more often that I have in the past 6 months. The point is that if I come in low, it's because the property is mispriced in the market, because I'm not ignorant of what's going on. Heck, every week it seems that I get phone calls from Realtors who need help discussing a prospective listing because their CMA data are poor. I do it for free as proof of good will.

I earn additional income providing consulting services to developers (one client was good for $11,000, which is based on a $250 per hour rate), and even help the city planners by discussing housing priorities and other matters which affect housing. It gives them feedback from a RELIABLE and neutral private sector source. In return, city officials are eager to reveal upcoming projects under development as well as discuss policy issues with me. The mayor, city council members, planning commission members and the local county commissioner occasionally call me for my opinion regarding this or that.

I get quoted in print or on the radio, and address industry groups such as the Homebuilders' Association, the Chamber of Commerce, and Rotary.

How much would I have to pay to create this much buzz and get so much work otherwise? Free and powerful publicity based on a painstaking but worthwhile effort.

I hope those who read this take up the challenge. It will set you apart in your market.

Where to get more information

The author is a certified residential appraiser in Eugene, Oregon. His web site is www.pvg.net .

For a sample copy of Tawfik's newsletter, send an email to tawfika@comcast.net . The commentary above is reprinted with permission from www.appraisersforum.com . Go there and read lots more very informative (and sometimes controversial) comments.

Chapter 9 Communicating with your clients

The client is NOT always right!

The person who says "The customer is always right" has never had to deal directly with customers (clients). Clients are not always right, but they are always our clients.

For most of us, the ideal appraisal client relationship is when the client emails the appraisal request, we email back an appraisal and they pay immediately (or COD). No client hassles.

What's bad about angry or annoying callers? It goes way beyond the actual call. It makes us upset for hours and sometimes days, taking time and energy away from more important tasks such as eating without taking antacid pills.

But without clients, you can't have an appraisal business. To have a successful appraisal business, you must be able to successfully handle difficult clients and client complaints.

Why do you care about how you handle complaints and problems?

1. Researchers have found that it typically costs 5 times as much to get a new customer as it does to keep an existing customer.

2. Typically, 1 out of every 4 dissatisfied customers will stop doing business with you, and only 1 out of 25 of them will tell you why.

3. Dissatisfied clients tell other existing and potential clients not to do business with your company.

Handling angry callers

What do you do when a client calls and angrily says they never received an appraisal, or an under-writer screams that your appraisal is the worst they've ever seen and you're going to screw up the entire loan? The caller may or may not have a legitimate complaint. The key to handling angry or aggressive callers is to not let yourself become emotionally involved.

1. Diffuse the situation. Let them vent their anger or frustration. Don't take it personally. Listen, but don't respond until they are through.

2. When they are through, indicate that you have heard them. You don't have to agree with the complaint, just summarize it. The caller may know that you probably can't do much about the problem, but at least someone listened to them.

3. Make sure you have identified the problem, are talking to the right person, and that the client is talking to the right person. It doesn't do much good to talk to the loan officer's secretary, or to have your secretary try to handle a complicated appraisal issue. The client's information may not be correct, or the problem may not be correctly defined.

4. Don't become negative. Make yourself not think "What right does he have to say they didn't receive the appraisal. We sent it out last week!" Instead think and say, for example, "Let me check and see when the appraisal was sent out".

5. Empathize, don't sympathize. An empathetic response is "I can understand how that can make you angry". A sympathetic response is "I would really be angry too". Use an intellectual, not emotional, response. Empathizing allows the caller to feel important.

6. Refer to the caller by name. It personalizes the conversation and makes it harder for the caller to attack you.

7. When you hang up, remember "out of sight, out of mind". Don't let an angry caller ruin your day.

8. There are no dumb questions, only dumb answers. Don't' be a "know it all", and make your client feel dumb. Don't launch into a complicated discussion of the cost approach when an underwriter really only wants to know about the ratio between land and improvements.

Handling "Clients From Hell"

You've finally gotten fed up with Sally Smith, the ignorant underwriter who can't read an appraisal and is always calling with very rude and insulting comments. So you decide to respond in the same way, being just as rude and insulting, saying "If you knew how to read, you'd see it in the report!" Or, "I don't care if your loan ever gets funded!" You feel great...for a few minutes. Of course, Sally Smith proceeds to tell everyone in her company that you're a jerk, and they spread the tale to other companies. Who's the loser? Not Sally. It's you!

These clients try to get you to be just as rude and insulting as they are. They feed on nasty responses. Don't let them win.

Remember, they are almost never mad at you personally. They are mad about a situation.

If you are offended by foul language, and it's a barrier to being able to solve the problem, say "Excuse me. I can't help you if you insist on using that type of language. If you continue, I will hang up." Often, when you hang up, the person calls back and apologizes. Or, if this happens to one of your employees, you can call the person and discuss the use of profanity with them. They almost always apologize.

Remember, it's the person, not their company, that's being rude and obnoxious. Don't lose a good client because of one of rude employee.

Resolving the problem

First, be sure you understand the problem. Remember, the client may not understand it, or may not be giving you all the information.

Don't leave the client hanging. Come to some sort of resolution before hanging up the phone. Some possibilities are:

1. Ask him or her what you can do to solve the problem. If they need a minor address change, ask them how soon they need it. They may not need it tomorrow.

2. Talk about future assignments. Say, for example, "On the next assignment, we'll be sure we have your correct address."

3. If it's your fault, be sure to accept responsibility and not make excuses. Your client will appreciate your honesty.

4. Be sure to act promptly.

5. Re-state what you have promised to do, and take notes on it, so there is no misunderstanding.

6. Report back to the client, even if there's nothing to report. For example, calling in a few days to let them know the corrected report will go out next week on Tuesday.

7. If appropriate, diplomatically show your customers how to keep the problem from happening in the future. For example, a faxed appraisal order was not received. Suggest to your client that they call and leave a message that they are sending a fax, or tell them that you will send a faxed reply back.

What if you can't resolve the problem?

Problems exist because a client says she has one. You can't get rid of a problem because no reasonable person would see it as a problem, it's the client's fault, or it's not your fault. If you can't give the client what he or she wants, try to at least set a positive tone.

Look for a common ground you can agree on. Be willing to compromise, if possible, as rigidity tends to make clients more aggressive or feel helpless.

For example, a mortgage broker wants you to change your report so it is misleading or fraudulent, and you refuse. Obviously you've not solved his or her original complaint. But you could suggest alternatives, such as trying a different lender. Also mention that licensing law puts much greater controls on appraisers, and few are willing to risk losing their licenses. Don't get mad or threaten the broker. From his point of view, he's not subject to USPAP and he just wants to put a deal together and make some money.

Another common situation is changed turnaround times. Your client requests a commercial narrative report, with a 6 week turnaround. After 2 weeks, the client calls and says now they need it in 4 weeks. You are very busy, and no one has started on the appraisal. You can't complete it in the 2 remaining weeks unless you totally re-organize your other jobs. You try to work out a compromise of 5 weeks, or a substantial increase in the fee and offer an associate a big bonus for taking the rush job. You also suggest to the client that they let you know as soon as possible next time so it will be easier to rearrange schedules, if necessary.

How client complaints can help you

Often a client problem will pinpoint problems in your administrative systems. Complaints are an excellent source of quality control feedback. Don't forget to thank your client!

Courteous and professional complaint handling by your company is an example to your more difficult clients. Nobody wants to look like a jerk.

Where to get more information

There are many books, articles, audio tapes, and seminars on customer service. Unfortunately, most are oriented toward retail or manufacturing organizations. But the same techniques apply in all types of businesses.

Since most appraisal complaints are handled over the phone, your local telephone company may have classes or literature on handling problems.

You can also develop in-house materials, such as sample phrases to be used, and have practice sessions on dealing with "clients from hell". Practicing can really help.

Firing a client

We all have clients that create "problems," occasionally or all the time.

Every minute you spend working on a problem from one of those clients is time (and money) lost from your good clients. Or, much more important, time from family and friends.

Many accounting firms have an annual "audit" of their clients, ranking them, but few appraisal firms do this.

Why "clean out" client's if you're not busy? So you can concentrate on your good clients and have time to give new clients a tryout for your approved client list. Plus, do some marketing.

How many of those clients you "helped out" with a quick turnaround when you were really busy ever called you for another assignment? How many assignments do you get from value checks?

Many appraisers complain about their clients. But it is your choice who to work for if you're a fee appraiser. You can find compatible clients. Of course, many of us would like to receive and send our assignments by email, have no phone calls, and get paid a good fee within 2 weeks. But there aren't many clients like that.

Regular client ranking is important for all appraisal firms, but it's particularly important for one-appraiser firms where time is crucial.

If you don't have any clients you want to "fire," congratulations! You can use this article to evaluate new prospective clients and rank your current clients so that you can give them your best service.

Your best clients and the 80/20 Rule

How often do we take an order from a new client and make our regular, reliable clients wait?

Remember, often 80% of your business is from your reliable, loyal clients.

Your best service should be reserved for your best clients.

The Aggravation Factor

Some appraisers focus on getting paid, but there are additional very important factors.

Your "problem" client always pays on time. But, they haggle over the fee and the value, regularly requesting "revisions." Or, they call every day asking about "status."

How long do you spend "steaming" after an annoying call from them? This is time lost, and more important, you are upset and distracted from what you need to get done, whether appraisals or family time.

When not to accept new clients

I get calls every day from mortgage brokers wanting to get an appraisal done. Many ask for "value checks", but not all.

I just say I'm backed up for 4 to 5 weeks. That seems to be most acceptable to them.

Why don't I take work from them?

I've never heard of them and don't want to take the time to check them out.

They won't know my name when business slows down. They may even be out of business.

They may call me all day long asking for "appraisal status."

They are not local (located in my city) and collection can be a big problem if I bill them.

I don't know what lenders they work with and don't want problems. For example, some lenders don't like "legal, nonconforming" on appraisals, which is on almost every appraisal I do in my city, as the homes were built long before zoning regulations were enacted.

When to take a new client

Yet, on the next call, I may take on a new client. Why?

The call is a referral. I always, always, am polite with referral calls, particularly from real estate agents and attorneys, my primary referral sources. If I can't help them, I will try to find someone who can.

It is a market I have been trying to break into. For example, I recently received a call from an attorney for a bankruptcy appraisal. I said yes and put it ahead of my regular clients.

What about fees?

Some prospective clients are fee sensitive, some are not. I don't try to compete on fee as they have always been able to find someone cheaper. Sometimes, if it is an assignment or client I really want, I will try to compete by offering a lower fee.

Which clients to "fire"

The Client Rating List on the next page gives you different rating factors.

What is most important to you? In my business, from the day it started, I have always been obsessed with past due billings. I would prefer not to do the work rather than not be paid. So, one of my top criteria is no payment problems. I also don't work for any clients who call every day asking for appraisal status. It makes me too angry.

How to check out a client

Before extending credit, always try to check out a prospective client. You can also check out a current client. Sign up for the Deadbeat list at www.deadbeatlistings.com for $50 per year - a bargain! You can also go to www.appraisersforum.com and search for the company's name.

Client rating list

Information provided
(about subject, borrower, etc.)
- 4 Conceals information
- 2 Hopeless, late, or missing
2 Scattered, but workable
6 Good, only a few pieces missing
8 Excellent, always gives full data at time of placing order

Client's appraisal guidelines
- 3 Very strict: any unusual properties are a big problem
- 2 Somewhat flexible, but usually requires additional support
10 Follows Fannie Mae or other fairly flexible written guide lines
12 Has their own, very flexible, guidelines

Client's communication of appraisal guidelines
- 4 Very unclear, changes from one reviewer or underwriter to another
- 2 Written down, but no one pays any attention
5 Fairly clear, and most use them
8 Clearly communicated, and everyone uses them

Extra addenda, information required, or questions
- 5 Always wants "extra comps" or additional data
- 2 Long phone conversations with the reviewer or underwriter
7 Sometimes calls with reasonable questions or requests
10 Only calls if there's a "typo", such as an unsigned report

Client's time frame
- 4 Always a "rush"
- 2 Jobs frequently turn into a rush
1 Demands a certain turnaround time
4 Accepts "typical" turnarounds
7 Will accept whatever you can give them

Client's time pressures
- 5 Daily calls on an "appraisal status"
- 2 Calls start about halfway through the quoted turnaround time
7 Only calls after the deadline
10 Never calls

Attitude towards appraisers
- 5 Most are incompetent or lazy
- 3 A necessary evil and somewhat of a nuisance
1 Just another vendor
6 Protects us from making a mistake
8 Provides valuable service that we rely on

"Value checks"
- 15 Gives job to highest value
- 5 Wants to find out the probability of a "minimum" value.
5 Just wants a general range of values - list of sales
10 Never heard of value checks

Collection of fees
- 20 Doesn't want to pay if didn't "come up with the right number"
- 15 May never receive
- 1 Always over 90 days
4 Pays within 90 days
7 Pays within 30 days
8 Pays on receipt of bill
10 Pays in advance

Fee structure
- 5 Always goes for the lowest fee, and haggles
- 3 Shops around: one appraiser is as good as another
5 Prefers our business, but will go elsewhere
12 Wants service and will pay for it
15 Thinks we're the greatest - pays premium

Client's potential
- 4 Terminating: will not be using fee appraisers
- 3 Decreasing: will be feeing out fewer appraisals or using more AVMs
- 2 Only gives us work during busy times
2 Level: no changes expected in use of fee appraisers
5 Gives us work when business is slow
8 Growing: will be giving us more assignments

The Key to Client Retention: Quality And Service

It doesn't do much good to spend a lot of time and effort getting new clients if they're not satisfied with your quality level and customer service. The key to keeping your clients is providing the quality and service they require. Researchers have found that it costs 5 times as much to get a new client as it does to keep an existing client.

Every appraisal business has conflicts between production and quality. No appraisal is perfect, and more research or writing can always be done. If production is very high, quality may suffer and you may lose clients. But clients regularly pressure you for shorter turnaround times. Then, if you do take "short cuts," they're not satisfied with the appraisal's conformance with their quality standards. Or, they want you to quickly return their phone calls, yet complete their appraisals on time.

If you took an appraisal and gave it to five different appraisers to review and evaluate, you'd probably get five different opinions. Each of them has a different opinion of quality, based on their individual standards or requirements. To understand how to apply quality management techniques, you must first accept the idea that ***Quality does not mean goodness. Quality is conformance to requirements***.

Requirements must be clearly stated so they cannot be misunderstood. Quality problems become non-conformance problems.

You have quality problems if:

1. Your appraisals deviate from client requirements. For example, missing deadlines, or missing pages on narrative reports.
2. Your staff spends lots of time handling non-conformance to standards. For example, fixing reports after the client complains, or answering never-ending questions about appraisal status on late appraisals.
3. Everyone in your company sets their own requirements. For example, some appraisers turn in their reports early, some on time, and some late.
4. You don't know the cost of non-conformance. For example, you don't know how much clerical time is being spent on "fixing" appraisals to correct errors.
5. You don't think it's your problem. Your appraisers and support staff are causing all the problems.

Setting requirements

Your requirements come from your clients, and from your own business and professional objectives. For example, one of your appraisal firm's competitive advantages is always completing appraisals on time. You market your company as able to completely comply with complicated federal regulations. These are requirements for your company with no deviation by associates or sub-contractors.

You must *ask* your clients what their requirements are. For example, a lender client wants all appraisals dropped off at a branch office by noon the day before they're due. You include this in that client's list of requirements. Or, another client wants a listing included on every residential appraisal. Each client has different requirements. Work with your clients to set requirements. For example, sometimes your appraisals are late because you don't have the correct phone numbers and best times to call for an inspection appointment, or you don't get copies of leases. Work with your client to correct these sources of non-conformance. Make sure your office staff and associates are on board.

What is quality?

How many times have you blamed your employees or independent contractors because an appraisal was "kicked back" by a client, or a phone message from an important client got lost? In an appraisal company, the owner/managers determine quality by the requirements they set and monitor, and by how they themselves conform to the requirements. The commitment comes from the top.

It's your problem if an appraiser isn't given enough time to complete a report without errors, or you don't have enough support staff for phone coverage or a reliable answering machine. How much of a hassle is it when a client calls about an incorrect address, report inconsistencies, or a special addendum that was not included? It takes much less time to do it right the first time. Don't wait for the client to call you. Or even worse, the client never calls you again because of your error.

The secret of prevention is to look at the process and determine the opportunities for error. For example, after investigation, you or your office manager finds out that there is not an accurate record of specific client requirements for special addenda, and that no one can find the addenda. To correct the problem, you or your office manager sets up an organized system with a data card for each client, and/or a file drawer with all the special addenda. When an order comes in, your clerk checks the card, pulls the appropriate addenda, and makes a notation on the order form that the addenda must be sent out with the appraisal.

Quality is measured in dollars. The cost of quality is the cost of non-conformance. How much extra time did it cost to re-do an appraisal that was rushed out at the last minute, past deadline? How much did it cost to spend 20 minutes on the phone with a reviewer because a short explanation of why an old comp was used was left out of an appraisal to save time? We often forget this expense when figuring overall cost of business.

To see how well your quality program is doing, conduct a periodic audit of your appraisals. Pull out samples and review them. See if they were completed on time, without errors. Ask your clients how you're doing and if they've noticed any improvement. You can send out a mail-in survey, or call them on the phone. Ask about how soon their phone calls were returned, if any corrections to appraisals were needed, how courteous your employees were when speaking on the phone, etc.

Saying to your appraisers, "From now on all appraisals will be completed on time!" won't accomplish much. You need to talk with them to find out why they are late, and how timeliness can be improved. Also talk with your support staff to see if they're having problems. For example, not enough time to get the report ready to go. In other words, the whole company needs to be involved. That's assuming, of course, your own appraisals are never late. You must set the example!

The role of internal appraisal reviews and checklists

Reviews you do within your company are very important in your quality program to avoid sending out non-conforming appraisals. Many companies use support staff for clerical reviews. Such sources of errors as consistency, missing pages or addenda, and addresses are checked. More experienced support staff could check for direction of adjustments and whether or not the appraisal makes sense. Again, a written checklist is very helpful.

Some companies have the appraisers check each other's work. If necessary, the final review could be done by a principal. But a principal's time is very valuable, and it seems more cost effective to use lower level personnel to do the initial reviews. Clerical personnel is often particularly adept at spotting typos. In some firms employing multiple appraisers, one experienced assistant handles the review work.

Checklists are very helpful in maintaining quality. They help make sure we don't forget items, such as recording a property's physical characteristic or the days-on-market for a comparable sale. In your quality program, they also provide a written record of work performed, when you do periodic audits.

Have you ever forgotten a critical question when getting information on a comparable sale after you've spent days trying to contact the source? Has your staff ever forgotten to include an extra copy of the appraisal for a client you occasionally work for? Have you ever forgotten to get a client's fax number, and needed it after they closed their business? Frustrating, isn't it? Did you ever worry if you double-checked the calculations on a building drawing when you reviewed an appraisal? (Many appraisal lawsuits are over square footage).

Checklists help reduce errors and omissions. They take only a few extra minutes to fill out. You need the information anyway. Some commonly used checklists are:

1. Appraisal orders. Reduces such errors as incorrect client address or phone number, or borrower's name.
2. Property inspection. Makes sure you don't forget to check such items as roof type, electrical capacity, etc.
3. Comparable sale confirmation and data. So you don't forget to ask an important question like how long it was on the market.
4. Lease data. Make sure you have such items as executed copies of leases.
5. Internal reviews. Document your quality control system.
6. Client requirements. Keep up on the latest changes and reduce corrections.

To develop your own checklists, see what other appraisers are doing. Look at preprinted checklists from vendors or clients. Ask other appraisal business owners or office managers for copies of their checklists or forms. Ask your associates if they are using any checklists. No two appraisal practices are the same, so plan on developing your own company checklists.

They don't take much time to develop. Just make a list of all the information you need. Make up a trial checklist and test it before going to a final list. It's not a good idea to change lists very often, as it's hard to find and destroy all the copies of the old checklist. Also, people get used to a particular checklist and hate to change.

An internal review checklist is almost mandatory, if only as a record that an appraisal was reviewed, and what was cited in the review. Using a 2 or 3 level review system is recommended. The first level is a clerical review, where clerical errors are checked. The next (optional) level is a peer review, where another staff appraiser checks the report. At the top level the principal or supervisor does the final review. Each level needs its separate checklist. The list below includes possibilities for a clerical review of a residential appraisal on a URAR form. Most of these also apply to commercial reports.

- Owner and property address, including zip code.
- Legal description.
- Type of ownership.
- Census tract.
- Neighborhood boundaries make sense, and percentages add up.
- Subject lot size, dimensions, and zoning.
- Do the photos match the description - subject and comps.
- Room count matches drawing.
- Building square footage correctly calculated.
- No missing gaps on grid on 2nd page.
- Adjustments are in the right direction.

- Previous purchase of the subject.
- Appraisal date.
- Comments on use of old sales, large percent adjustments.
- Appraiser name(s).
- Special client requirements (use lender checklist).
- Report signed.

Conflicts between professional and client requirements

Appraisers have professional standards. Our appraisals are subject to USPAP. Lender clients are subject to various government regulations. Each client has requirements, which may conflict with our professional standards. All professionals have these conflicts: accountants, attorneys, doctors, etc.

Professional standards change over time, and different geographic areas can have different interpretations. Use your appraisal network, Appraisal Foundation literature, newsletters, articles, and seminars to keep up with the changes.

Each appraiser and appraisal company has to decide where they stand on professional standards. Some are totally "by the book", with no exceptions allowed, and others seem to throw out the book, and go with whatever they think they can get away with. Only you can decide where to draw the line. We all are known to occasionally step over our line (accidentally or intentionally), or get very close to the line. It's very important to know just where that line is.

Don't forget that not all clients are aware of USPAP and federal regulatory appraisal requirements. For example, if a new loan officer at Bank XYZ wants to find out if you can "come up with" $150,000 before giving you the assignment, you could let them know that it is a violation of federal banking regulations to accept an appraisal assignment based on a pre-determined value. If they are a low level employee, they may not be aware of this regulation.

Keeping track of client requirements

If you do residential lender work, your clients refer to "Fannie Mae guidelines," but they all seem to interpret them differently. It's the same situation with regulators, such as the Office of Thrift Supervision (OTS) and Office of the Controller of the Currency (OCC). Requirements are answers to questions as, "How old can the comps be?" or "How soon do you have to have the appraisal completed?" or "How extensive a cost approach do you want?" The answers come from the client.

You must keep accurate data on client requirements to maintain quality. Ask for their written requirements. Whenever you find deviations from the written requirements, update them. Not every underwriter or reviewer reads and understands their own company's requirements. Don't completely rely on written requirements. Often they are old and outdated. Some requirements are included to protect the lender, and they don't really expect appraisers to conform to them. Try to find out your lenders' real requirements.

Your clients can set any standards they want: unrealistic turnaround times, extensive documentation and support, contemporary comp photos (not from old negatives), etc. Arguing or complaining to a loan officer, underwriter, or junior reviewer is not productive. They don't set the standards. Talk with the person who sets them. See if you can get the client to be more realistic or increase your fee. If you aren't successful, you'll have to evaluate whether or not you want to continue working for them.

Don't expect your client to do what you want. You work for them, and they tell you what they want. You know your costs, you make the decision.

Client Surveys Tell You How You're Doing

Many businesses take customer surveys, but few appraisal firms do them. A client survey can tell you what your clients like and dislike about your company, and can give you leads on marketing opportunities and ideas for improving your appraisal services. Even if you don't find out anything new or valuable, your clients will be glad they were asked about their opinions. You'll stand out from your competitors, as they're not taking any surveys. You can also use the surveys as a sales tool, letting them know you're available for appraisals, short speeches, etc.

It may seem a hassle to ask your clients about how you're doing. But if you do, you won't regret it. You will be surprised with some of the results. For example, the lender you thought was unhappy with your turnaround may feel that the quality was high enough to justify the longer time. All they want is for you to keep them notified of the appraisal's status and completion date. Or you may find out that one of your associates is frequently rude and brusque to homeowners. Instead of losing clients, you tell the associate to be more congenial during inspections.

You don't have to hire a marketing research company to do your surveys. They can easily be done in-house. You're just trying to find out what your clients think, and are not trying to do a research project, with carefully designed surveys and sampling techniques. If you're not sure what questions to ask, just ask some users of appraisal services. They'll tell you what feedback they'd like to give to appraisers. That's where we got many of the questions used in this chapter.

First decide who, what, and how

Your first steps in surveying your clients is to decide who you want to survey, what information you want, and how you will get it. For example, you have a small number of local lender clients and want to know how you compare with your competition and how you can improve your services, so you use a telephone survey. Or, you work for a large number of non-local lenders and want to find out about what they really want: fast turnaround, verbals, returning phone calls the same day, faster delivery of appraisals, etc., so you use a mail-in survey. Or, you want to expand your government agency work and would like some ideas and/or referrals from your current government clients, so you conduct in-person surveys at lunch or breakfast meetings.

Surveys can be formal or informal. An informal survey can be a lunch or breakfast meeting with a client. Formal surveys can be done by anonymous or non-anonymous mailed questionnaires, or telephone surveys. Formal telephone surveys typically use a script, but they can be more free-form to get more candid responses. If you have many one-time clients, you can send out a brief survey with each appraisal. Most of the appraisers we talked with use informal telephone surveys done by the principal and/or the associate appraisers.

Mail-in survey tips

Mail-in surveys require more planning than more informal surveys, but don't require person-to-person contact, and can work for appraisal firms with a large number of clients. One problem is getting a high response rate (questionnaire return rate). Some ideas on increasing response are:

1. Always enclose a SASE (self-addressed stamped envelope).
2. Make the questionnaire short and easy to fill out.
3. Enclose a new $1 bill. This always gets people's attention. A bright new penny taped to the survey with the caption, "A penny for your thoughts," works also!
4. At the top of the survey sheet, write a brief explanation and thank you.
5. Always leave enough room for comments.
6. Start with innocuous questions, like size of the company or respondent's position in the company. Then gradually lead up to more controversial questions, such as: "How do we compare with other appraisal firms?"
7. When doing a ranking, say from 1 to 5, always put on the top of each ranking list which is the high and the low. For example:

	Always				Never
Meeting turnaround	1	2	3	4	5

8. If it's a large survey and you want to make the statistics more valid, ask several questions twice, in different formats (i.e., open-ended and ranking), to make responses more valid.

An excellent way to figure out how to ask questions is to look at other questionnaires. We don't have copies of any written surveys done by appraisal firms, but there have been academic surveys of lenders done. Check with your professional association. If you buy any products, you probably receive customer surveys, usually designed by marketing professionals. Keep copies. Get copies of rating cards at restaurants and stores.

The *Appraisal Journa*l, published by the Appraisal Institute, had two articles reporting the results of client surveys: "*1993 Survey of Appraisal Clients*" (July, 1993), and "*What Clients Want from Appraisal Reports*" (April, 1993). The surveys focused on commercial appraisal report features, and can give you a good idea on layout and format of questions. One article mentioned that although]professional researchers recommend not using open-ended questions, their survey had a very good response rate on those types of questions.

Telephone survey example: Mortgage brokers

The appraisal firm has a large number of local mortgage broker clients. Business is slow. The interviews are done by the associate appraisers on the phone or in person. The appraisers are each assigned 10 brokers to contact. The appraisal firm wants to find out each client's specific needs, and if the firm has any overall significant problems with a majority of the clients. The survey has two purposes: to find out what clients want, and as a marketing effort.

The questions are:
1. Were our appraisals completed on time?
2. What turnaround time do you prefer?
3. Was there any feedback from the lender on the appraisal? Was it okay? Did our appraisers cooperate with the underwriters or reviewers requests for additional information?
4. How are our fees compared with other appraisal firms?
5. Which is more important to you? Quality (few "conditions") or low fee?
6. Were your phone calls returned promptly?
7. Were you notified quickly if there were any problems, such as difficulty getting access to the property?

8. Do you prefer or not prefer any particular appraisers? Why?
9. Do you have any suggestions on how our appraisers can better meet your needs?
10. Would you like to have a short presentation made to your staff on what appraisers do?

The results are tallied, evaluated, and kept as future references when dealing with specific clients. Sometimes problems show up, such as 80% complaining about turnaround times. The survey above could easily be modified for direct lenders, or different segments in the target groups.

In-person survey example: Commercial lender

Lengthy, comprehensive appraisal reports have been the firm's primary business. But the principals are anticipating that their clients soon will want shorter, less expensive reports and the appraisal company wants to be ready for the changes.

The surveys are taken in person by one of the principals at a business breakfast or lunch, or in the interviewee's office. The purpose is both feedback on previous appraisal services and information on new client requirements. In this informal survey, the client is asked to be an expert on future trends, advising the appraisal firm.

Feedback on past appraisal assignments:

1. Have your phone calls been returned promptly? When would you like to have them returned?
2. When you have requested additional information, did we take too long? How fast do you want the information? How well do our appraisers work with your reviewers? Any problems?
3. Have we met your turnaround requirements? Have we communicated sufficiently about late reports?
3. Have any of our reports, or sections of reports been difficult to follow or contained too much irrelevant information?
4. Did we provide you with enough current market information? Do you want a discussion of available listings? Do you want a market participant survey?
5. Were our reports readable and reasonable? Were the type and length suitable for your needs?
6. Are our fees competitive? If they're high, are they worth the extra money? What extra items would you like to have to pay a higher fee?
7. Are there any of our associate appraisers that you prefer/don't want to use?
8. How do we compare with other appraisal firms you've used on price, turnaround, etc.?

Information on future assignments:

1. Are you planning on ordering shorter, less comprehensive reports? Will you be expecting to pay lower fees?
2. Do you know of any other local lenders planning on going to more limited reports?
3. Will you accept a commercial form report instead of a narrative?

Mail-in example: Brief questionnaire sent with appraisals

This appraisal company is in a resort/retirement area and has a large number of one-time, non-local lenders. A short questionnaire can be sent out with each appraisal, on a letter with a stamped envelope or large stamped postcard. Postcards can easily be designed on any word processing program and printed by a local printer.

Dear Ms. Johnson:

We would like to make your job easier by giving you better service on your appraisals. Please give us a few minutes of your time to fill out and return this brief questionnaire in the postage-paid envelope. We really want to know what we're doing right (and wrong).

1. Was the appraisal received on time?

___ Yes

___ No

2. In comparison with other appraisal firms on timeliness, were we:

___ Above average

___ About the same

___ Below average

3. Were all of your requirements met?

___ Yes

___ No

If no, what did we fail to do?________________________________

____

4. Did we return phone calls promptly?

___ Yes

___ No

5. Did we keep you informed on any appraisal or access problems?

___ Yes

___ No

6. In comparison with other appraisal firms you use, are our fees:

___ Higher

___ Lower

___ About the same

7. Would you prefer:

___ A higher fee with a faster turnaround

___ Fewer addenda and comps for a lower fee (for commercial, a shorter report)

___ Keep it the same as it is now

Do you have any other comments you would like to add?

____

____

Thank you very much for your assistance.

Sincerely yours,

Ann Andrus

Principal

The Andrus Appraisal Company

Chapter 10 Marketing to Appraisal Management Companies and Mortgage Brokers

Appraisal Management Companies - should you work for them?

With the substantial increase in business in the past until two years ago, appraisers were much less concerned with "evil AMCs." But business has slowed down and is predicted to decrease 20% to 26% in 2006. Maybe it's time to look for a few good AMC clients.

Although almost all AMC work is at less than typical appraisal fees, AMCs kept many experienced, knowledgeable appraisers in the appraisal business during the appraisal recession of 1994-1997.

No good data is available, but the bank consolidations in the past few years, and concerns with "problem appraisals" from mortgage brokers, have increased lender use of AMCs.

What is an AMC?

Appraisal management companies manage their clients' appraisals. They contract with appraisers to do the appraisals, review the reports, and send the reviewed reports to the client.

Not all third party companies ordering appraisals pay less than the "going rate." Some pay a full fee to all appraisers. I receive my full fee for REO appraisals and relocation appraisals, for example, which are ordered from companies managing the entire REO or relocation process. In this article I discuss AMCs who typically pay less than the typical full appraisal fee.

Although many appraisers won't agree (or are uncomfortable with this), the "model" used for AMCs is a fee appraisal company that works a very large geographic area.

Another way to look at AMCs is as appraisal brokers, who find appraisers to complete the appraisals desired by the client, and receive a payment or commission for their work.

AMCs use staff and/or independent contractors for appraisals and reviews.

The appraisers are part of the fee received by the AMC.

Appraisers are paid after their reports are reviewed (most common) or after the AMC is paid (like some appraisal firms).

When did AMCs start?

The oldest AMC I know of is Lenders Service, near Pittsburgh, PA, which was founded in 1967.

In the past 10 years, many new AMCs have started in response to the predominance of the mortgage lending business by large banks, thrifts, and mortgage banking companies.

"One stop shopping" - an increasing trend

Many AMCs are part of a larger company offering title, flood, appraisal, settlement, and other services.

Instead of trying to start an AMC from "scratch", many title companies purchase one or more AMCs or larger appraisal firms.

What is the AMC market share?

According to Jeff Schurmer of TAVMA (Title/Appraisal Vendor Management Association), in 2006 under 5% of purchase loans are done by AMCs, probably because many are originated by mortgage brokers who don't use AMCs.

About 10% of refi loans used AMCs.

Why do lenders use AMCs?

Lenders use AMCs because they offer "one-stop shopping" for appraisals (many companies also offer title reports and other services). With more and more mergers creating larger and larger lenders, managing a national or large regional fee panel is too much hassle.

The appraisal fees the lenders pay to the AMCs are typically higher than they would pay to fee appraisers, but they don't have the expense of fee panel management, and managing their appraisals (ordering, reviewing, etc.).

Many AMCs don't pressure appraisers for value, so lenders see them as more objective.

The most likely lenders to use AMCs are large regional or national banks, thrifts, and mortgage banking companies. Finding an appraiser for a one-time loan in a remote area can be a challenge unless you have a very large fee panel.

Another trend is lenders owning AMCs, such as LandSafe (Countrywide).

What are the minuses for lenders?

When lenders use AMCs they give up control over the appraiser and the appraisal.

During busy times, AMCs are not always able to complete reports on time.

Because of the lower fees, there can be quality problems if trainees are used, or experienced appraisers try to complete them too quickly.

In some parts of the country the majority of loan originations are done by mortgage brokers who prefer to choose the appraiser. Some real estate agents also like to have some control on appraiser selection.

Local lenders using a relatively small local fee panel don't have much incentive to use an AMC. They lose feedback from their appraisers, and the fees paid to the AMCs are typically higher than are paid to the fee panel appraisers.

What about fees?

When an AMC takes a contract, they typically agree to get appraisals for all the client's deals in a specified geographic area (often the entire U.S).

AMC fees can vary from 40% to well over 100% of your typical appraisal fee. Fees vary by supply and demand.

Getting 50% to 80% of your standard fee is acceptable to some appraisers. But, if you use associates who are only receiving 25% (or less) to 40% of a standard fee, obviously there are problems. Sometimes trainees are used as they are willing to work for low fees to accumulate hours.

If there are lots of appraisers and low demand, the fee is lower. If demand is high and there are few appraisers available, they will pay close to your standard fee.

If they need an appraisal in a rural area with only a few appraisers who are already busy, they may have to pay well over the standard fee.

AMCs typically receive a higher fee than you would charge a lender. However, that fee also includes a review. In today's mortgage broker driven origination market, many wholesale lenders send all their appraisals out for review, which is often included in the AMC appraisal fee.

For example, you charge $300 for a URAR. The AMC charges the lender $450 and pays the appraiser $160.

From the lenders' side, they receive an appraisal ($300) plus a review and don't have to manage the appraisal process - maintaining an approved appraiser list, ordering, tracking, reviewing, and accounts receivable.

What about payment problems?

Just like other clients, some AMCs have significant payment problems and others are never a problem. You certainly don't want to work for an AMC who doesn't pay you until they have been paid.

For AMCs and other out-of-the-area clients, collection can become a big problem, so be cautious about whom you work for. When you bill them, you are extending credit.

Some AMCs want the appraiser to collect at the door, with the borrower giving the appraiser a check made out to the AMC for the full fee, who pays part of the fee to the appraiser at a later date. These AMCs are typically small with limited capital. Many appraisers will not work for them.

If the AMC is small and privately held, only take a few assignments (or none) before checking them out or seeing if they pay.

What about turnaround pressures?

AMCs compete on the basis of price, turnaround, and quality. In today's very competitive lending market, turnaround is very important. Some promise very short turnarounds and hire staffs of clerks to continuously call appraisers for "updates."

If you are concerned with turnaround pressures on difficult appraisals, see if the AMC has an appraiser on staff you can speak with to get an extension of the turnaround.

What about value pressures?

In the past, very few AMCs had value pressures (i.e., say "if you can't get this value, the assignment is canceled") but there has been an increase in this type of appraisal pressure. Just don't work for them. Why work for a low fee and then get hassled about value?

Why work for an AMC?

Because of the lower fees, one-appraiser firms seem to work best for AMC work. If you have to split the low fee with an experienced appraiser, that person isn't making much. Trainees are an option, but some AMCs will not accept trainee work.

New appraisal companies can get started with AMCs, particularly if breaking into the local lender market is tough.

Some appraisers don't like the fast turnarounds, i.e., 1-3 days. Working for a low fee and a fast turnaround are definite minuses.

However, there are some benefits to working for appraisal management companies:

• If you don't have any other work, it's better than nothing.
• Unless you work for an appraisal management company, you won't be able to get work from certain lenders.
• You won't be hassled by mortgage brokers and underwriters.
• Access to lenders without having to be on a lot of fee panels.
• Only one company to deal with instead of many with conflicting requirements.
• Some are very loyal to their appraisers, especially if they continue to work for them when business is strong.

Typically you don't communicate with the lender who ordered the appraisal. That can be a plus or a minus. The plus side is no phone calls. The minus side is not being able to communicate about problems or ask any questions.

What AMCs should you work for?

Appraisers seem to be most satisfied working for AMCs who:

• Regularly send appraisals - not just their "rush" assignments
• Pay when they say they will (or, preferably, pay quickly)
• Don't call 2-3 times a day for "appraisal status"
• Don't require desktop appraisals before giving the assignment ("comp checks", "pencil checks", etc.)
• No value pressures
• Minimal "stupid reviewer conditions"
• Have staff review appraisers
• Have appraisers in upper management

How do you find these AMCs? Ask other appraisers, research the companies, or just give them a tryout on a few appraisals.

In addition to the topics above, here are some additional topics to research. Some of the information is available on an AMCs web site. Calling the vendor manager can answer other questions.

• Part of a large corporation or a privately owned small company
• Number of employees
• Number of many staff/review appraisers
• Number of appraisers in upper management positions
• Looking for appraisers now or in the future in your geographic area
• Geographic area of coverage
• Payment terms
• Turnaround requirements
• Electronic transmission requirements
• Licensing and experience requirements

Which AMCs are looking for appraisers?

When I called the AMCs, the answers ranged from "We don't want any new appraisers" to "We're actively soliciting for new fee appraisers. Are you interested?"

During the appraisal recession from 1994 to 1997, lots of appraisers were willing to work for AMCs. When business picked up in early 1998, many quit doing AMC work because they could get full fee work.

If you're in a rural area with few appraisers, almost all AMCs are looking for fee appraisers.

Some are very picky about who is on their list and some take all licensed and certified appraisers.

What about review work?

Some AMCs do contract review work and use fee appraisers.

Lists of AMCs

A good sources of AMC company information are Title and Vendor Management Association (TAVMA), a trade association at www.tavma.com . Click on "About TAVMA" in the upper left of the home page. The list includes companies that don't offer appraisal services but most, if not all, of the major AMCs are members. Click on the links for company information. Contact the Vendor Management or Appraisal Departments.

A list of AMCs is available at www.appraisalbuzz.com with a $49.00 membership. Click on "Membership" at the top of the home page.

How to research an AMC

- Go to its Web site.
- Search Google for the AMC and the word appraiser or appraisal.
- Contact appraisers who have the AMC listed as a client. Their Web sites will come up on your Google search above. Make up short a list of questions such as value pressure, invoice payments, fees, loyalty, etc.
- Go to www.appraisersforum.com and search for the AMC name. See what other appraisers have to say.

Mortgage Brokers – who, what, where, and why

During the residential lending boom years, many salespeople became mortgage brokers to make money (such as car salespeople). Some were not concerned with making a good loan, but were focused on making the loan where they could make the highest money for themselves.

With the subprime meltdown in 2006-2007, many of these new brokers are leaving the business and are returning to other type of sales, such as used cars.

For many appraisers, a primary rule is that appraising would be great if we didn't have to deal with clients and their needs and problems. Understanding your clients is very important to your business.

Since mortgage brokers originate an estimated 68% of residential loans, they are the largest client type for residential appraisers.

Many residential appraisers work for mortgage brokers. More and more commercial real estate deals are done through mortgage brokers. (Many of them call themselves commercial mortgage bankers, but they are more like brokers.)

Information is readily available on institutional lenders and mortgage bankers, but relatively little data is available on mortgage brokers.

In states where residential mortgage brokers do a large percent of originations, such as California, Florida, and Texas, most residential appraisers work for mortgage brokers.

Information for this article came from the National Association of Mortgage Brokers (NAMB), previous studies, and industry trends reported previously in this newsletter.

What is a mortgage broker?

There are many different parts of a mortgage transaction. The loan must be originated (someone sells the lender's loan and takes the application), required documents assembled (appraisal, credit report), the credit and collateral underwritten, the loan decision made, the funds disbursed, and the loan serviced. Often the loan is sold after the initial funding.

For consumers, using a mortgage broker gives them access to a wider range of lenders, although they are limited to the lenders the mortgage broker is approved with.

How far the broker goes beyond origination is a very gray area. Most package the documents, some underwrite, and some fund the loan temporarily. Generally, mortgage brokers do not go beyond origination and packaging.

Most brokers originate the loan, package it (including the appraisal), and submit it to a wholesale lender for underwriting, approval, and funding. When the loan funds, the mortgage broker is paid, typically as a percent of the loan.

One definition, used by David Olsen, is "specialized mortgage sales agents or resellers of national wholesale programs."

What's the difference between a mortgage broker and banker?

Mortgage banking firms tend to be much larger companies than mortgage brokers. Some are subsidiaries of banks.

Mortgage bankers typically fund the loan originated by the mortgage broker, pay a commission, package the loan with other loans, and sell the package to an investor such as Fannie, Freddie, another lender, or Wall Street directly.

In contrast, few mortgage brokers fund their loans. Instead they sell them to wholesalers, such as mortgage bankers and regulated lenders.

Some mortgage bankers service the loans, and some sell the servicing.

History of the industry

Prior to the 1980s, mortgage brokers filled in the gaps left by thrifts and savings banks, which dominated the industry. Brokers were in much smaller markets such as private money, seconds, and some commercial lending segments.

De-regulation of the thrift industry in the late 1970s with the loss of the 0.25% interest rate advantage over banks, and historically high mortgage rates in the early 1980s, causing shifting of investor funds from thrift deposit to money market funds, resulted in a serious loss of profits in the thrift industry. Staff reductions and branch closings occurred.

By 1983 when rates started to decline, laid-off loan officers and managers saw an opportunity and started mortgage brokerages that specialized in originations and did not normally do servicing or financing.

In the mid-1980s, securitization by Fannie Mae, Freddie Mac, and financial services companies increased, leaving the thrifts behind. To control costs many banks and thrifts set up wholesale divisions, relying on mortgage broker originations.

Other factors are the relative lack of regulation of mortgage brokers compared with lenders, and accounting changes for lenders favoring purchased loans over originated loans.

When a retail lender (or any funding source) acts as a wholesale lender they are outsourcing originations to mortgage brokers.

Study after study has shown that mortgage brokers are "low cost" originators, particularly in contrast with retail bank residential loan officers.

How many mortgage brokers are there?

In 2004, there were 53,000 mortgage brokerage companies that employed an estimated 418,700 people. Mortgage brokers originated 68% of the home loans in 2004.

Year	No. of brokerages
1987	7,000
1988	8,400
1989	10,100
1990	11,900
1991	12,500
1992	13,900
1993	18,500
1994	16,500
1995	19,700
1996	22,900
2004	53,000

Source: Wholesale Access. Note: data from 1997 to 2003 was not available.

What percent of originations are done by mortgage brokers?

These numbers parallel the number of brokerages, with declines in 1994, and an increasing percentage since then.

David Olsen predicted a stable market share for 1997, particularly in the A paper market.

	Market share
1987	20%
1988	31%
1989	37%
1990	34%
1991	42%
1992	45%
1993	50%
1994	45%
1995	50%
1996	53%
1999	47%
2000	55%
2001	61%
2002	65%
2003	65%
2004	68%

Are mortgage brokerages small or large?

In 2004 the average number of employees was 7.9, down from as high as 9.3. The 2006 data will be available in July, 2007. Check at www.wholesaleaccess.com for the updated information.

Where are mortgage brokers most prevalent?

As can be seen below, the number of mortgage brokerages increased significantly between 1996 and 2004 in the top 10 states for 2004.

Rank	State	1996	2004	Percent increase 1996-2004
1	CA	7,000	9,271	32%
2	FL	1,681	7,310	435%
3	TX	1,369	4,701	343%
4	PN	647	2,204	341%
4	GA	544	1,884	346%
6	CO	860	1,705	198%
7	IL	689	1,669	242%
8	NY	956	1,662	175%
9	WA	690	1,590	230%

Looks like California didn't have a big increase since there were so many there in 1996.

What are the hassles of working for mortgage brokers?

Appraisers like to say they "protect the lender." Many lenders are concerned with accurate property values and disclosure of any problems.

But when you work for a mortgage broker, the lender isn't your client directly. Often, you don't know who will fund the loan.

In contrast with salaried loan officers at a bank, mortgage brokers don't get paid if they don't close loans, so there is pressure to put deals together, particularly when business is slow.

Some states heavily regulate mortgage brokers. But even in those states, brokers don't have to worry about an OCC auditor in their offices. Few have to provide monetary recourse if a loan develops problems.

Just like any other business, some are sleazy and some are ethical.

If you work for mortgage brokers, you must be on as many lender approved lists as possible. Otherwise your report often has to get sent out for review, at an additional cost.

Handling ethical conflicts

One way to approach the problem of mortgage brokers that want values "pushed" or problems not disclosed is to remind them that the appraisal is subject to review. Unrealistic values and failure to disclose significant factors such as location next to a busy railroad track will be discovered on review, even a desk review.

I was attending a local business association event several years ago. Sitting next to me was a local mortgage broker. I asked her which appraiser she used. She told me the name of a local very ethical appraiser. Then she mentioned the name of another appraiser that could always give her what she needed without having any review problems.

What about appraisal ethics?

Appraisers must do what USPAP says. Mortgage brokers do not. Appraisal ethics are your decision, not the brokers.

What about pressure?

Most appraisal clients are looking (or hoping) for a number. Some pressure you, and some don't. If that bothers you a lot, its hard to be an appraiser. Lawyers, government agencies, etc. are often looking/hoping for a number, high or low.

Mortgage brokers don't get paid unless they can sell a loan. As with appraising, many brokers are new to the business and have been trained to get an appraisal to make the deal work.

You choose your clients. You choose how to do your appraisals, not your clients.

What about mortgage broker licensing?

In California, mortgage brokers must be licensed real estate sales persons. The owner of the company must be a licensed real estate broker. However, in the recent get-rich lending climate, many of the new brokers were not licensed and operated under their broker's license. The Department of Real Estate in California has been much more concerned about real estate agents than mortgage brokers.

Generally, mortgage broker regulations have been weak, even in states where they are licensed. With the recent focus on problems with subprime lending, where mortgage brokers made lots of money, there may be more effective laws and regulations.

Check with your state to see if there is any licensing now or planned, and how effective it is.

What about brokers from other states?

I don't know why, but most of my phone calls come from brokers in Southern California. Since they market nationally, they are often one-time clients.

Be sure to pre-screen and interview them. Or, just get COD and give them your honest opinion of value and accurately report the property location and condition.

What mortgage brokers to work for

Brokers who want to stay in business with repeat clients tend to be better clients than those in the business for money. They are less likely to pressure appraisers.

However, they are paid on commission. If an appraisal screws up their deal, they don't get paid.

Since the NAMB (National Association of Mortgage Brokers) has a code of ethics for their members, try becoming active in that group, or marketing to its members.

Although I seldom recommend cold calling, it can be effective with mortgage brokers. However, I still recommend pre-screening. Why waste your time getting a new mortgage broker client who only gives you one assignment, your first? You don't get any more because you won't give them the number they need.

Network at local and state NAMB meetings, and other local "ad hoc" groups. I attended a statewide meeting of the California Association of Mortgage Brokers in the mid-1990s, when the market was very bad. Brokers came up to me offering appraisal work.

What about commercial mortgage brokers?

With the recent slowdown in residential lending, some residential mortgage brokers are trying to do commercial loans. Some are knowledgeable, but most are not. One way to tell is if they ask for a “value check” before ordering the appraisal.

Very few appraisers target commercial mortgage brokers, so there is plenty of opportunity.

In contrast with residential mortgage brokers, who are often not familiar with property values, a good commercial broker will have a pretty good idea of what the property is worth before ordering the appraisal. Like residential, there is pressure to inflate values, but at least the broker knows ahead of time if there will be a "problem" with the appraisal.

Properties tend to be small, usually under $2,000,000. This may change in the future, due to the strong demand for commercial real estate loans by Wall Street conduits.

Larger loans are usually handled by commercial mortgage bankers which often actually function more like brokers, as many don't fund the loans. They work on all price ranges, up to properties in the tens of millions.

Networking at meetings is an excellent way to market. Several years ago I attended a meeting of a local commercial mortgage broker/banker group that has been meeting for over 20 years. I was one of two appraisers there. Lots of the brokers came up and spoke with me.

What does this mean for your business?

If you want do residential lending appraisals, getting non-broker work is becoming harder and harder. Appraisal management companies are an option, although they tend to pay low fees unless you are in a rural area.

If you're in an area where there are few mortgage brokers, keep a close watch on any movement towards lenders outsourcing origination and increasing their use of mortgage brokers.

Commercial mortgage brokers and bankers are an increasing trend in the commercial real estate mortgage market, although no statistics are available.

Remember, the mortgage brokers are not subject to USPAP. You are. They are just trying to make money.

Don't beat yourself up trying to fight them. Just look for new clients.

Where to get more information

To find out what brokers really think, go to www.brokeruniverse.com/grapevine , a very active chat board for mortgage brokers.

Almost all the research has been done by Wholesale Access. There is some information at www.wholesaleaccess.com .

NAMB has lots of information on their Web site, www.namb.com , mostly for consumers.

NAMB has chapters in 28 states, and has 6,000 members. Contact your state NAMB chapter, if you have one, and become active.

See if there is a local group of mortgage brokers that meet in your area. Join and become active.

Advice on Pencil Searches, Comp Runs, etc. (Humor)

Appraisers all over the country are regularly asked if they can "come up" with a value, or provide a "ballpark" estimate or range of value before they receive the assignment. These requests are called "comp searches," "look ups," "pencil searches," and other names.

According to B.J. Crowley, a Florida appraiser, "pencil search" is a long-lived term familiar to those in the title insurance/escrow business. Simply, a "pencil search" is an interim report, i.e., they do a major search in preparation for a closing. When that is done, it may be a few days/weeks until the actual closing. On the day of closing, a "pencil search" is done to make sure that the policy can be completed.

Sometimes "pencil searches" are used by construction lenders as one of the requirements for a draw. In that case, it is a search from the current date back to the last certification date. It is a term also used by title insurers for "quick and dirty" title searches that won't involve issuance of a policy, like when the occasional appraiser calls for a pencil search on a legal back to a point in time.

Today, the term "pencil search" is also used for a preliminary value or research in certain areas, usually done for free. Sometimes, a specific value must be reached or there is no subsequent paid appraisal order.

Below is a (humorous) letter posted by Christopher Gaskins on the Internet.

Dear Superior Bank,

Thank you very much for contacting our firm and considering us for your appraisal and valuation needs. Since we are a highly responsive and adaptable company, we completed your request for a pencil search as quickly as possible. Because we have not inspected the subject property, we can not form an opinion of value on it at this time. As you know, the Uniform Standards of Professional Practice governs the entire real estate appraisal industry.

Because USPAP considers a range of values to be functionally equivalent to a point estimate, we are unable to provide the range you requested without violating USPAP and potentially losing our licenses and therefore our ability to remain in business. However, we are able to provide market data from which you may draw conclusions and base your decision on whether or not to proceed with an appraisal at this time. During our initial research we located the following comparables:

(1) Seven Ticonderoga #2 HB pencils, most of which reflected moderate depreciation in both the structure and the erasing mechanisms. Cost new is estimate at $2.49 per 10 units.

(2) We found a number of more modern steel and plastic units. The first was a unit that shows significant physical depreciation due to anxious gnawing. We believe it also suffers from incurable functional obsolescence due to a lead deficiency. Cost new is estimated at $0.99.

(3) We located a slightly more upscale unit known as the "Clickster Grip 0.5mm." This property appeared to be less than two years old and was in good condition overall. It reflects a more modern, market-typical design with an elastic copolymer sheathing and a superior lead advance system. Cost new is estimated at $1.99.

(4) Finally, the most upscale unit we located was a "Pilot Dr. Grip 0.5." It has similar construction

features as Comparable 3, but with superior mechanical systems and a stronger framing structure. The estimated cost new on this property is $5.99.

Please note that because of the increasing market share of ink dispensing writing units and the rapid proliferation of computers and printers, the market for pencils, irrespective of construction methods and materials, likely suffers from external obsolescence. This will have to be thoroughly addressed in our appraisal report. Note also that replacement cost new is not a wholly reliable means of estimating current market value, so we urge you to be cautious in your reliance on the figures we have presented. Again, thank you for your time and consideration.

Sincerely,

Christopher Gaskins, MAI

The research and analysis that we performed was inconclusive. As a result, I am unable to provide you with an opinion of value.

However, we hope this market information provides some guidance with respect to your valuation needs. If you should require us to expand our search, there are other offices down the hallway that likely contain other pencils and therefore market data.

Can you make any money doing comp checks?

Some appraisers see comp checks as evil and are rude to anyone who calls asking for them. Other appraisers see them as an opportunity, especially when business is slow.

Clients can ask whatever they want. It is your business decision how to handle the requests.

Of course, most of us would prefer that no appraiser ever was asked to do them, or all appraisers refused to do them. Maybe someday that will happen.

With the recent subprime meltdown, some originators have become more cautious and are not asking for comp checks. Also, you may be able to get more assignments without doing a comp check after persuading the caller.

Unfortunately, most comp check requests are actually shopping for specific values. Since appraisers cannot accept an assignment based on a predetermined value, there is a big conflict.

Just be sure to make it clear to the client that you cannot "guarantee" that your desktop appraisal value will be the same as the value after inspection of the subject property.

Comp checks from the client's point of view

The "standard practice" for most mortgage brokers (and some non-regulated lenders) is to find out what the appraised value will be before making their customers pay for an appraisal that "can't be used." From their point of view, it is a very reasonable request.

Regulated financial institutions are very unlikely to do this because an auditor may object, especially if it the comp check is in writing.

Comp checks are staged assignments

Comp checks typically mean a preliminary value, or range of value, or minimum value that is done before ordering a formal appraisal. For residential lending they are typically desktop appraisals.

Comp checks are staged assignments, where a preliminary opinion of value is developed. If the value or value range is acceptable to the client, a full appraisal is done.

Staged assignments have been used for many years in commercial appraising, particularly for litigation support.

What about just providing a list of sales?

Brokers working a wide geographic area often don't know what median home prices are, and don't know (or don't want to take the time) to learn how to get data.

Providing a list of sales or a general range of home prices is another option. Doing a database search of properties in a specified range or home size is okay, since you are not doing any analysis, just providing raw data.

What if the value is different after doing the inspection?

Whenever you do a desktop appraisal, make it very clear to your client that the value after inspection may be different.

Of course you are paid COD so there aren't any collection problems.

If the value is less than "needed" to make the loan work, the broker may be able to try another lender or just do a lower loan amount.

What should be in my comp check work files?

Some comp checks may be used to decline or fund a loan, so be careful.

Be sure to set up a work file for each request. Then at least you will have a record of your appraisal. Don't have a problem later (or a lawsuit) because you don't have any records.

Be sure to include client name, phone number, and other contact information. If it was a fax request, include the fax. If a phone request, include the information above.

Include data you used in your desktop appraisal and notes on how you developed an opinion of value.

For USPAP compliance, you need to have a signed certification in your file plus other required information.

Setting up a form to fill out for each comp check makes sure you don't miss anything.

How to make money doing ethical comp checks

In my business, I just say that I "don't provide that service". If they just want a general idea of home prices, I tell them to go to www.zillow.com .

A good way to handle the requests is to try to turn them into clients. Some savvy appraisers do this.

Below an excerpt from an article published in 2005 in workingre.com. I have spoken with a few savvy appraisers who use a similar approach successfully.

"According to Ross Krummel, a Certified Residential Appraiser in Colorado (formerly in outside sales), when he senses a broker fishing for a free comp check, he goes fishing for a pre-paid order."

"When I get those out of state calls, I know they want a free answer about whether the deal will fly. I also know from experience that I'm not going to win them over with a quick USPAP lesson. So, here is my approach: I exchange a few friendly words with them but always ask for the address of the subject early in the conversation...."

"Once I have information, I ask them what they know about the property: its history, the market, AVMs they've run, BPOs they've secured, and whatever else it takes to make it obvious to them that neither one of us has any real notion of the property's value. And we won't, of course, until I get out to see the place and bring together the data that creates a good summation of the facts."

Krummel continues, "By now I know pretty well what the job will require and when I can begin. So I suggest that I can contact the homeowner immediately, see the place as early as the next day and turn the report around in 48 hours (if this is the case). ... Then I shut up and wait for their reply."

"If they don't want to go forward, so be it. But this routine has turned these types of calls into orders more than once for me..."

To read the full article, go to www.workingre.com .

Don't ever, ever be rude

Few of your non-institutional clients know anything about FIRREA, USPAP, etc. If you want to educate them, that is your decision.

Remember also that your rude behavior reflects badly on all appraisers, not just you. Professionals are not rude to everyone who calls asking for a service they don't provide.

I never, never advocate being rude to anyone. A Primary Rule of Marketing (and running a business) is that you never know how your rude comments will adversely affect your business.

The person's wife is an executive at a large local mortgage company you've been wanting to get work from for years. You will not get their appraisals.

Or, the person mentions to his attorney and accountant (and everyone else) that you were rude. You've been trying to get more non-lender work. You will not get their appraisals.

"Polite" short responses to comp checks you don't want

Here are a few suggestions:

• You are just leaving the office for an appointment and ask them to fax a request.
• You don't provide that service.
• Check zillow to give them a general idea.

Check with your state regulator

Some state regulators have special regulations for comp checks.

Comp checks and USPAP

From the May 2006 USPAP Q&As provided by the Appraisal Standards Board.

Topic: Appraisers "Providing Comps"

Question: I have a client that just wants me to "provide comps" from a neighborhood. Are there any USPAP requirements I must comply with to perform this task?

Response: To answer this question, it is important to identify exactly what the appraiser is being asked to do.

If the appraiser is asked to "provide comps," that would typically mean the appraiser would be exercising his or her own judgment to determine which sales are most "comparable" to the subject property. The appraiser may choose to include only those sales that he or she deems are most similar to the subject in size, location, quality, etc., which could mean that certain sales may be omitted.

In this case, the resulting data would have been "filtered" by the appraiser's judgment, which would have the net effect of providing a range of value to the client. This range of value is defined as an appraisal under USPAP; therefore, the appraiser would be obligated to comply with STANDARDS 1 and 2.

This should be contrasted to a request for an appraiser to simply provide data. For example, an appraiser asked by a client to provide "sales data of all homes located within a one mile radius" of a specific address could comply with the client's request without complying with STANDARDS 1 and 2, as the appraiser would just be providing sales data pursuant to the client's defined parameters. In this example, the appraiser must be careful not to communicate any opinions or conclusions regarding the data provided.

For related guidance on this topic, please refer to Advisory Opinion 19, Unacceptable Assignment Conditions in Real Property Appraisal Assignments and Illustration #4 "Appraisal and Market Information" in Advisory Opinion 21, USPAP Compliance.

Response to request to provide data - USPAP advice from AO 19

Editor's note: Some of the suggested responses will not be understood by the client or may be too formal. Reword them if you want.

In some situations, a client will request a service that is not an appraisal, appraisal review or appraisal consulting assignment as defined in USPAP.

The caller in this illustration is usually in the process of making a business decision and needs impartial and objective information but has not yet decided whether to pursue the matter at hand. The caller knows there is the potential for needing an appraisal, depending, in part, on what the sales data shows. The caller also believes that, if the data indicates that an appraisal is worthwhile, having that work completed by the appraiser in that subsequent assignment will lessen the time required to perform an appraisal.

The prospective client may ask: "We want you to check your data resources to see if there are sales within the past six months that are within one mile of [address]. If you find some, we may order an appraisal from you."

One possible response would be:

"If what you want is only the sales of properties shown in the databases available to me with the criteria you specified, I can do that research and send you the result. Then you can decide what you think your client's property is worth. If I do only that, it is just research and is not an appraisal."

"However, you need to recognize that there are risks if you decide to have the research done that way. If you decide to limit my work to just gathering the sales data using the research criteria you set, you are taking the risk that those criteria are both adequate and appropriate to find all of the market data relevant to your client's property. You also take the risk that any appraiser's analysis of that data would result in a value conclusion within the price range suggested by the sales data assembled using your criteria. There is no assurance that such would be the case."

Response to request to provide comp checks - USPAP advice from AO 19

Editor's note: Some of the suggested responses will not be understood by the client or may be too formal. Reword them if you want.

1. We need comps for (a specific property) that will support a loan of ___________; can you provide them?

"Maybe, but I'll need to research the market to know whether the `comps' will support a value range relative to the loan amount. In doing this, I will be deciding which sales are `comps' and what those `comps' mean. Those decisions will result in a range of value for your prospective borrower's property, which is an appraisal."

"You also need to recognize that there are risks in this kind of assignment. You should realize that my value conclusion could change if I subsequently perform an appraisal. Under the research and analysis limitations you suggest, I would not have verified some of the data and would have to use extraordinary assumptions about the market data and your borrower's property information. I would not have performed some of the analyses steps I might complete in an appraisal assignment without those limitations. If all of that is agreeable to you, we can proceed."

2. Sales Price: ___________.

"As long as the amount is only to inform me of the pending contract [or of the sale price] and is not a condition for your placement of this assignment with me, we can proceed. However, if that amount is a condition of this assignment, accepting an assignment under that condition violates professional ethics."

Note: A sale price (in a pending or a settled transaction) is part of the information an appraiser is required to ascertain in accordance with Standards Rules 1-5(a) and (b). Receiving this information with a request for service is appropriate, but accepting an assignment with the price in an agreement of sale, option, or listing or a sale price in a settled transaction as a predetermined value in the assignment violates USPAP.

3. Approximate (or Minimum) value needed: __________.

4. Amount needed: ______________.

5. Owner's estimate of value: ___________.

"As long as the amount is only to inform me of your objectives or someone else's opinion and is not a condition for your placement of this assignment with me, we can proceed. However, if that amount is a condition of this assignment, accepting an assignment under that condition violates professional ethics."

6. If this property will not appraise for at least ___________, stop and call us immediately.

7. Please call and notify if it is NOT possible to support a value at or above ___________, BEFORE YOU PROCEED!!!!

"Your request is acknowledged, but it is important for you to be aware that I must develop an appraisal before I can tell you whether the property will support the value indicated.

"It is also important for you to be aware that your statement of that amount with this request for service does not, in my view, establish a `condition' for my performing the appraisal. If you intend it to be a condition for performing the assignment, I cannot accept the assignment because it violates professional ethics."

Should you do comp checks?

Working for free is tough to do. Appraisers who do ethical comp checks say only about 1 in 10 result in an assignment. If business is slow, try it and see how it works for you.

Use the suggestions above to practice your marketing techniques and maybe get a few assignments.

Where to get more information

There has been lots of discussion at www.appraisersforum.com , almost all negative.

Read USPAP's Advisory Opinion 19.

Link to Brian Davis' well written page on comp checks - www.ourappraisal.com/LenderCompSearch

Links to documents done in 2005 by a NAIFA chapter in Oregon.

• Sample 3-page agreement at www.ifanw.com/archives/CompCheckForms/1%20%20CC%20Agreement%20Generic%20Text.pdf

• Cover letter sample - www.ifanw.com/archives/CompCheckForms/1%20%20CCA%20Cover%20Letter%20-%20Generic.pdf

• Sample certification - www.ifanw.com/archives/CompCheckForms/1%20%20CC%20Certification%20Generic%20Text.pdf

Chapter 11 Marketing To Lenders

Most appraisers work for lenders. Many of these appraisers receive almost all of their work from lenders. We always worry that lender work may "dry up." But it is possible to diversify your lender work. Lenders use appraisals for many types of uses: refis, line of credit, business loans, portfolio review, foreclosure, bankruptcy, and trust.

There are different types of lenders: banks, savings and loans, mortgage bankers, hard money, and individual investors. Lenders work with different risk levels: for example: A, B, C, and D loans. (A being the lowest risk and D being the highest risk.)

What type of lender work do you have? Is all your residential work in first mortgages for refis or sales? Is all your commercial work in portfolio review/asset management? If so, you should diversify. The primary advantage in diversifying is that the different types of uses don't have the same lending patterns. For example, in residential lending when refi's are hot, lines of credit tend to be slow. When commercial lending on refis or sales is hot, workouts would tend to be slow. People always need money. When times are tough, they may have to go to a C/D lender.

Providing appraisal review services is often overlooked by both residential and commercial fee appraisers. Reviews can provide an excellent diversification opportunity, or you can specialize in reviews.

Types of lenders

There are many different types of lenders:

1. *Size*. Large vs. small
2. *Location*. Local vs. regional vs. national. Working for a small local lender allows you to easily build a more personal business relationship. But large lenders may have assignments available on a more regular basis.
3. *Retail vs. wholesale*. Wholesale lenders require working with mortgage brokers or other correspondents.
4. *Federal agencies and GSE's* (Government Sponsored Entities), such as FDIC (Federal Deposit Insurance Corporation) and Fannie Mae. They need appraisals on foreclosed properties.
5. *Government sponsored lenders* such as FHA (Federal Housing Authority), VA (Veterans Administration), and SBA (Small Business Administration). They all need appraisals. It can be a hassle getting on their "lists", but it can provide additional, regular assignments.
6. *Commercial banks and thrifts*.
7. *Mortgage brokers*. Predominant in certain states for residential lending. Less active in commercial lending.
8. *Mortgage bankers*. Major players in residential lending. Primarily wholesale lenders, but some are moving into retail. Some are also active in commercial lending.
9. *Credit unions*. Do a small percentage of mortgage originations, but can be good clients for an individual appraisal firm.

Lender departments include:

1. *Business lending*. Need appraisals of homes and income property for business loan security.
2. *Trust department*. They tend to be price sensitive on fees, but often require annual "updates," preferably from the same appraiser. They are a good source of repeat business.
3. *Other real estate owned* (OREO). May have local, regional, and/or national departments that fee out assignments. Annual reports can give some idea of foreclosure levels in the past.
4. *First mortgages*.

5. *Seconds and home equity*. Often different departments do firsts and home equity/seconds.
5. *Appraisal review*. Many lenders fee out pre- and post-funding (quality control) reviews. Doing quality control reviews can be an excellent source of steady work, as reviews must be done on a regular basis, usually annually, and are not as volume-sensitive as pre-funding reviews.

Within a lender, there are often different departments handling real estate loans for different purposes, such as consumer and business loans and trust departments. In large lenders, different departments usually fee out the appraisals for different purposes. Different departments could be handling refi/sales, lines of credit, and portfolio review. Often, business loans are handled in a business banking department, as they make business loans secured by real estate. Foreclosure departments and portfolio review may be located centrally in another state or city. Trust departments are separate and many order their own appraisals.

Types of loans

Lenders offer different types of loans:
1. Purchase vs. refinance
2. Business vs. personal
3. Portfolio vs. secondary market

Often, smaller lenders specialize in certain types of loans, such as purchase/refi or business loans. Ask around in your appraisal network, or just call a loan officer and ask what comprises the majority of their loans: line of credit, business loans, or refi/sales. Ask if they have a foreclosure or trust department. Lender directories can also have this type of information.

Price sensitivity:
1. Very price sensitive: always goes for the lowest fee
2. Moderately price sensitive: does some price shopping, but has other criteria also
3. Not very price sensitive: wants quality and service and will pay for it.

If your fees are on the high end, you need to be sure you're not trying to get work from a price sensitive lender. If you're starting a new business, you might look for more price-sensitive lenders, so you'll have less competition. Moderately price-sensitive lenders will often give you a tryout at a lower fee. You can raise your fees later.

It's almost an axiom of lending, particularly residential, that there's a loan for (almost) every property. It just depends on what LTV, points, and interest rate the borrower has to pay. Working for lenders who are willing to make loans to high or medium risk borrowers is often a steady source of assignments. These borrowers are usually rejected by many lenders due to poor credit ratings, bankruptcy, etc. Lenders charge very high interest rates and points to compensate for the risk on these marginal borrowers or properties. The properties are typically residential and small commercial. These lenders can be good appraisal clients. Their security is the real estate. They don't want to make too high a loan. To find out who these lenders are, ask around in your appraisal network (non-competing appraisers) and check newspaper and Yellow Pages ads.

Lenders drive the appraisal business

Why look at lending in the past? Appraisers are always looking in the past for comps as it helps us understand today's values. Looking at the history of lending helps us understand today's lender market and the future of the market.

Almost all appraisers work for lenders. Most appraisers, particularly residential appraisers, do almost all their work for lenders. Although I stress getting non-lender work, lender business drives the appraisal business.

In the past 15 years, residential lender use of appraisals has changed significantly, after being fairly stable since the 1930s-1940s. Commercial lending had a huge upswing in demand during the FIRREA days of the late 1980s and early 1990s, then had a huge slump and an entire "generation" of appraisers was lost.

Residential lender work has always been notoriously fickle. A local appraiser, who retired from a lender over 10 years ago, worked for lenders for many years. He was laid off periodically as demand slowed and then rehired when demand picked up. Volume of work has huge ups and downs for residential appraisers.

Commercial work has some volatility, depending on rates, but much less than residential. However, many commercial real estate lenders shop for lower fees, particularly when the market is slow.

What does this mean? Appraisers who cling stubbornly to the past will be retiring or looking for a new job.

Lenders drive American appraisal standards

Whether or not you do any lender work, lenders drive the appraisal business.

Lenders provide the majority of appraisal business. Their requirements often set the "standard" or standard of care for both residential and commercial appraisals.

Appraising as a profession took off in the 1930s due to the bank failures. The first national appraisal associations were started then, such as AIREA, ASA, and SREA.

The Appraisal Foundation was set up as a response to coming federal regulations due to the S&L scandal of the late 1980s.

Changes in types of appraisals

Types of appraisal reports used by lenders have dramatically changed over time. I spoke with Don Martin, an Illinois appraiser whose family founded an S&L (Building and Loan) in Cicero, Illinois in 1914. He is a fourth generation appraiser.

Per Don, most home loans were done by S&Ls, who knew the local customers and markets very well. They started as "building societies" and loaned their own money, so they were conservative. In the early days, appraisals were just a values included in a line on a loan document. Later, in the 1950s and 1960s, a few lines of information was included.

Over 25 years ago, very brief residential reports done by staff appraisers, sometimes written in pencil were the norm. Commercial lender appraisals were often relatively brief narratives. Appraisal fees were relatively low.

During the FIRREA "boom times" many appraisers complained about the heavily documented reports required by lenders. But none complained about the high fees for commercial appraisal reports. Heavy reviews of residential appraisals meant fewer poorly trained appraisers could keep their clients happy.

For commercial appraisers, fees are still well below the FIRREA days, and requests for "something for the file" are not unusual. There is little or no lender demand for complete, Self Contained reports, except for high priced properties.

What does this mean? A low fee doesn't mean low profits. You must change to survive.

Refis now drive lender volume

In the past, prior to the late 1960s or early 1970s, almost all residential home loans had prepayment clauses, so few people refinanced. Appraisal volume was much steadier, as it was based on the home sale market.

Now, few home loans have prepayment clauses. They are available, but few borrowers are interested.

In contrast, most commercial loans have prepayment clauses. Thus, the refi volume is much less.

Why work for lenders?

Lenders can be very good clients. Most appraisers have lender clients that regularly give them work. Some lenders are loyal, providing work for years.

There are many different lenders and lender segments to evaluate when choosing who to work for.

In contrast, other types of non-lender work is often with one-time clients, who frequently want more than "just a value," and often require more research and analysis than lenders. Plus, you must understand what they want. For example, an executor of an estate needs an appraisal. You have to find out the effective date of the appraisal, research any changes since the date of death, get contact information for access, and may have to deal with squabbling heirs. Plus, the client may call later and say they also want today's date. That can be a lot of work for a one-time client.

Outsourcing of loan originations

Originations of residential loans have shifted to mortgage brokers in many areas. Why? Study after study showed that it was cheaper to use mortgage brokers than to originate your own loans. Appraisers, like myself, who worked for direct lenders have few options.

The shift to national lending has fueled the shift to mortgage brokers for originations, and made maintaining an "approved list" a nightmare for lenders.

Few lenders have staff appraisers who order and review appraisals, and even fewer hire trainees as they don't have any staff to do the training.

What does this mean? Get rid of your problem mortgage broker clients and look for a few good ones. They are out there. Many have two lists of appraisers they use: their regular appraiser (you) and their "lets make a deal" appraisers when their regular appraiser can't give them what they need to close the deal.

If you don't want to work for mortgage brokers, look for new markets. They are out there.

Outsourcing appraisals

According to Don Martin, over 20 years ago about 75% of residential appraisers doing lender work were employed by lenders, with fee appraisers doing only the overflow work.

Now, the numbers are reversed. Most residential appraisers are fee appraisers.

When I started my appraisal business in 1986 almost all appraisals were ordered by banks and S&Ls. I received orders from local appraisal departments and established a good working relationship with them. Mortgage brokers did a small percent of originations.

There was little pressure for value or non-disclosure of problems. The appraisal department acted as a buffer between the loan officers who wanted to make more loans and the bank officers who wanted conservative lending, if only to stay out of trouble with their regulators.

Lenders had appraisal departments, who ordered and reviewed appraisals, and maintained approved appraiser lists. Fee appraisers typically handled overflow work and sometimes were used regularly to replace a few staff appraisers. In times of peak demand, lenders hired armies of trainees.

Appraisers were selected and used according to their qualifications and performance.

I suspect it was this way for a very long time, probably since lender appraising started in the Depression of the 1930s as a result of bank failures.

What does this mean? The number of lenders who order their own appraisals is shrinking. You have few places to look for work. You need to diversify.

AVMs reducing appraisal volume and type

AVMs have been used by a few lenders for over 20 years. Tax assessment rolls have also been used. Their use was for home equity and second mortgages.

In the past 5-6 years, AVMs have become more acceptable for use with first mortgages.

As Wall Street investors become more comfortable with AVMs, their use will continue to expand.

Appraiser licensing

With appraiser licensing, and shifts to national lending, many lenders use state licensing as a minimum, and sometimes only, requirement for fee appraisers.

What does this mean? Far fewer problems breaking into the "good old boy" network. If you have special qualifications, above the crowd, you need to market them.

Appraisal management companies

With the shift from local lenders to national and large regional lending, establishing relationships with fee appraisers, who were used year after year, was very difficult. A national approved appraiser list was very expensive to maintain.

A recent development is use of AMCs to separate the loan officers from appraisers and reduce fraud problems.

Appraisal management companies have been around for over 20 years. Lenders use them to order and manage their appraisals.

What does this mean? If you don't want to work for AMCs, you need to not be too dependent on a few direct lender clients as they could shift to using AMCs.

What’s the future?

Fewer easy-money tract home appraisals, fewer appraisals for purchases, fewer loan officers as originations shift online, more AVMs, desktop appraisals and drivebys.

So what's the answer?

What type of lender work do you have? Is all your residential work in first mortgages for refis or sales for banks or mortgage brokers?

Is all your commercial work refis and purchases for banks? If so, you should diversify. The primary advantage in diversifying is that the different types of uses don't have the same lending patterns. For example, in residential lending when refi's are hot, lines of credit tend to be slow. People always need money. When times are tough, they may have to go to a C/D lender.

Having a good base of non-lender clients is always advised, for those "down" periods. But lender diversification can really help. The September 2005 issue of this newsletter had an article on lender diversification.

How to diversify your lender clients

Business for residential appraisers has slowed down to a more "normal". With mortgage rates predicted to increase, start planning now for the slowdown.

The residential lender business is notoriously volatile, with wide swings in demand. On the plus side, fees are fairly stable. The commercial lender business is more stable, but still has some volatility when rates change substantially. Also, fees can vary widely.

You can keep a steadier flow of business by diversifying your lender clients.

Refis vs. purchases

Lender clients who do a high volume of loans for purchases are a much more stable source of business.

Look for mortgage brokers who target the purchase market. Often, they have been around for awhile (through the 1994-97 crash) and have close ties to local real estate agents.

Check mortgage data for purchases in your area and see who does most of the lending.

First mortgages vs. seconds and home equity loans

Most appraisers prefer "A" paper, Fannie Mae type lending work, but there is much work for home equity loans. Many of these loans use AVMs, but some use drivebys and desktop appraisals. Just say "yes" when many of your competitors' first mortgage business dries up.

Subprime lenders

Many appraisers don't want to work for subprime lenders (B/C) as they perceive that the properties are junky and the lenders are less savory.

These types of lenders are more likely to be involved in predatory lending, so be sure to be careful who you work for and maintain the quality of your work. Many of these lenders do both wholesale (mortgage brokers) and retail (typically telemarketing).

I regularly have lists of the top subprime lenders in this publication. Many of them do retail lending and/or have approved appraiser lists.

Private investors

"Hard money" lenders who use private investors for loans are also a good source of business. However, be very, very careful to not push values or non-disclose as you are much more liable when a private individual is risking his or her money.

They can be a very good opportunity for you. Look in your local Yellow Pages for ads that say: "Bad credit. No problem." That's how they typically advertise.

They also do commercial lending.

Credit unions

Credit unions are moving more into mortgage lending and can be excellent clients. They order their own appraisals and want to be sure their customers don't borrow too much. They want to know what the property is worth and if there are any problems.

In the past, credit unions mostly made seconds or home equity loans, but in the past 20 years they have been much more active in the first mortgage market. They have been particularly active in selling loans on the secondary market, allowing them to originate many more loans than if the loans had to be held in portfolio. Although they are a relatively small part of the first mortgage market, for an individual appraisal business they can be an excellent source of business.

This market can be tough to break into, but it is worth the effort. Try contacting your local credit unions. Offer to be a "back up" appraiser when their regular appraiser is too busy.

Foreclosure work

Foreclosure work can be very profitable as they usually want more than a minimal funding appraisal report. They really want to know what a property is worth and if it has any defects.

Keep on the lookout for foreclosure opportunities. Business is best when the economy is bad, of course.

Types of appraisal products

In the "old days" residential appraisal reports were done on cards, written in pencil with a Polaroid photo of the subject exterior. At the peak of FIRREA, reports were heavily documented, with many attachments. Today, there is a wide range of report types, from a one-page exterior inspection with no value (2070/2075) and one photo to short narrative reports for high end properties with many photographs. Desktop appraisals, using one-page forms, without leaving your desk, are also done.

The most popular appraisal report for conforming Freddie/Fannie loans are the URAR and 2055 for drivebys (as of November 1, 2005).

What type of product should you offer? I recommend doing all of them. What about fees? Some appraisers are charging the same price, whatever report is ordered, as their client takes the same full fee from the borrower. It's up to you. The demand for desktop appraisals or appraiser-assisted AVMs will pick up. If you can get a decent fee, they are worthwhile. Be sure your report conforms to USPAP.

Appraisers who say they will "only do a URAR" will not be in business much longer if they only work for lenders. Refusing to do drivebys will also decrease your lender work.

Appraisal reviews

With the shift to mortgage broker originations, and national lending, many lenders have given up on maintaining approved appraiser lists and use appraisal reviews instead. Typically they contract with a large regional review company, but sometimes they will contract with local appraisers, particularly if they originate locally.

There are different uses for reviews - pre-funding, post-funding, and quality control reviews.

Pre-funding reviews are typically on a very short turnaround time and there can be pressure to "rubber stamp" appraisals. Remember, the reviewer is liable for the appraisal as well as the original appraiser.

Quality control reviews, in contrast, have much less time pressure and "rubber stamping" pressure, as the deal is done. Investors such as Fannie Mae typically require that a certain percent of appraisals be reviewed post funding.

Reviewing has become more difficult, and less profitable, as appraisal quality has declined, particularly for loans originated through mortgage brokers. Also, the easy appraisals are sent out for review much less than the tough appraisals.

Desktop reviews are often more profitable than field reviews, where you are essentially doing another appraisal, usually for a reduced fee.

Lender departments

1. Business lending. Need appraisals of homes and income property for business loan security.
2. Trust department. They tend to be price sensitive on fees, but often require annual "updates," preferably from the same appraiser. They are a good source of repeat business.
3. Other real estate owned (OREO). May have local, regional, and/or national departments that fee out assignments. Annual reports can give some idea of foreclosure levels in the past.
4. First mortgages.
5. Seconds and home equity. Often, different departments do firsts and home equity/seconds.
6. Appraisal review.

Within a lender there are often different departments handling real estate loans for different purposes, such as consumer and business loans and trust departments. In large lenders, different departments usually fee out the appraisals for different purposes.

Different departments could be handling refi/sales, lines of credit, and portfolio review. Often, business loans are handled in a business banking department as they make business loans secured by real estate. Foreclosure departments and portfolio review may be located centrally in another state or city. Trust departments are separate and many order their own appraisals.

Your current clients are gold. When trying to get work from different departments at a lender, contact your current clients first.

Local vs. national lenders

When I started my appraisal business in 1986 almost all lender work was from local lenders, or branches of a larger lender. I did very little mortgage broker work. Today, only a few local residential lenders remain in my area, typical for California.

Most commercial appraisers typically work for local lenders, the same as it was in 1986. Some work for insurance companies or other national lenders. You can establish good working relationships with appraisal departments and/or loan officers.

In contrast, residential lending has greatly consolidated, with most loans done by national lenders such as Wells Fargo, Countrywide, etc.

Some residential appraisers are still able to do most of their work for small local banks or branches of
larger banks. But that business is declining as smaller banks are purchased by larger banks.

Because of their high volume and use of broker originated loans, establishing a relationship within the lender is very difficult.

Working for mortgage brokers

If you want to increase your residential mortgage broker work, contact local mortgage brokers you work with for names and phone numbers of lender contacts. In mortgage broker work, the larger the number of lists you're on, the more work you will get. Also, there will be fewer hassles for the broker if he or she wants to use your appraisal with a lender you're not approved by.

Although lenders are moving away from approved appraiser lists, every one you are on saves the mortgage broker the hassle of a review and saves the borrower money and completes the loan faster.

Deciding which lenders to contact

Strategy is different for retail and wholesale lenders. Wholesale lenders fee out most of their appraisals. Retail lenders may or may not have staff field appraisers and offices in your area. Wholesale lenders may have local offices that fee out some work, but most appraisals are done through brokers or correspondents.

Analyze any local lending data sources and look for the lenders making the largest numbers of loans for the property types you appraise. For example, search for loans on apartments (refis and sales). Look through indexes of business publications or local newspapers to get articles on the top lenders.

When you get a solicitation for a loan through the mail, contact the lender. They may need a local appraiser.

Call lender(s) and find out if they have an appraisal department, and who to contact about getting on their approved list. Ask how many staff appraisers they have.

Contact your appraiser network to find out if lenders you are interested in fee out many appraisals, or do them in-house. Don't waste your time on a lender that has a big in-house staff and only fees out the overflow, usually when you're too busy anyway. Find out if they do wholesale or retail. If they're a wholesale lender, your assignments will come from mortgage brokers, not the lender.

Once you decide on the lenders, you need to find out who to contact. There are often two contact people: the person putting you on the fee panel, and the person actually giving you the assignments.

It doesn't do much good to get on a fee panel if the person feeing out the work doesn't know you. Finding out who to contact about getting on the fee panel in these different departments can take some detective work.

If there is a centralized appraisal department that fees out all the work, it's easy. Requiring all the departments to use the same approved appraiser list at least means you don't have to get re-approved. But usually each department fees out its own assignments, and sometimes they maintain their own approved lists (or at least have their "favorite" appraisers).

To find out who actually assigns the appraisals, call the person who approved you for the fee panel. An introduction to the person on the order desk might make a difference.

Contact appraisers you don't directly compete with, who work for the lender, and ask them who to contact in the different departments. Also, you could "cold call" the departments and find out who fees out the assignments.

Be sure to check out any postings about problems with the lender, or post a general inquiry, at www.appraisersforum.com in the "Good, Bad, and Ugly" section.

What to look for in a new lender client

Don't waste your time getting work from clients who will only use you once as you can't give them what they want. Be sure to find out the prospective client's requirements, such as:

- Turnaround time
- Special software requirements
- Fees
- Pressure for value or nondisclosure of conditions
- Underwriter hassles
- Possibility of future work.

Remember, you decide who to work for.

What about commercial appraisal work?

In contrast with residential lender work, most commercial appraisal work is done the "old way," where small approved appraiser lists are maintained, appraisals are ordered by the appraisal department or a loan officer (smaller banks), little pressure for value or non-disclosure of problems, and long term relationships can be maintained with clients. Appraisers are often selected on the basis of performance and quality.

On the minus side, appraisals are typically on a bid basis and fees can be very changeable, depending on local demand. When business is slow, appraisers bid low. Even when business is strong, your competitors still may bid low. Bids can vary widely for the same assignment. In contrast, residential fees vary little.

Commercial mortgage brokers and bankers

Commercial mortgage lending is far behind residential lending in the use of mortgage brokers and bankers, but it is an increasing trend.

Traditionally, mortgage bankers worked with life insurance companies, and many still do. However, in a recent development, large lenders such as Wells Fargo Bank are willing to pay commissions to mortgage bankers.

In commercial real estate lending, "mortgage banker" seems to be the preferred term, although many operate more as brokers than bankers. Technically, mortgage bankers do preliminary funding of loans.

Some commercial appraisers work for hard money mortgage brokers, who work strictly on commission, typically placing the loan with private individuals.

To get some leads, attend a local meeting of commercial mortgage bankers. For hard money lenders, try the phone book.

If you do appraisals for a mortgage banker or broker now, ask them for names and phone numbers of lenders you can contact.

Real estate agents and brokers

Real estate agents and brokers are excellent sources of referrals for mortgage lenders. Ask agents you know which lenders they prefer. See if they will write a letter or make a phone call for you.

If you don't have any relationships with real estate agents or brokers, it's time to establish some.

If you're a commercial appraiser, use the sales confirmation process to see if the broker knows of any lenders you can contact. Establish relationships with brokers by attending local commercial MLS meetings, or Society of Industrial and Office Realtors (SIOR) meetings.

For residential appraisers, an easy way is to go on weekly home tours. The agents are trapped in the houses, ready for you to contact!

Lender mergers

Whenever a merger of two lenders occurs and you are on the approved list of one of the lenders, you have an opportunity to increase your work from the merged lender.

FHA appraisals

By 2007 Most of FHA's loans have been taken over by conventional loans which were much less hassle than FHA loan procedures. FHA's loan limits have lagged far behind conventional limits. FHA's market share has plummeted and relatively few appraisers have been doing many FHA loans.

I quit doing FHA appraisals in 1987, the year our prices went well over the FHA limits.

In the past few years, FHA has been trying to change its image to the "new" FHA, by simplifying their forms and eliminating some required repairs. This has included having booths at appraisal conferences.

FHA's reverse mortgage program is by far the most popular, with about 90 - 95% of the loans. I know several local savvy appraisers who are getting lots of these appraisals.

A new bill, passed by the House and pending in the Senate (hopefully will pass by the end of September) would increase FHA loan limits to conventional levels. The subprime implosion may motivate Congress to pass the bill. Other related bills are also pending.

What's the difference between FHA and conventional appraisals?

When you do FHA, you really need to look at the property as well the site/neighborhood more carefully.

Per Doug Smith:

The big difference is that you have to know the FHA requirements which means you have to have in hand the 130+ page hand book and know it well.

An example: Sites "New and proposed construction within Runway Clear Zone are ineligible." No dwelling or related property improvement may be located within the engineering (designed) fall distance of a high voltage transmission line." There are other site specific requirements that are not part of Fannie Mae concerns.

The analysis of physical improvements is in greater detail and more specific. Take basements for instance. "The following requirements apply to the valuation of below grade rooms.

1. The Window sill may not be higher than 44 inches from the floor
2. The Window sill must have a net clear opening (Width x height) of at least 24 x 36 inches
3. The window should be at ground level; however compensating factors may allow less.

In all cases, use reasonable care and judgment. If these standards are not substantially met, the basement area cannot be counted as habitable space."

So the standards overall are more specific and require more research and understanding of the hand book.

I think every appraiser would do well to read the FHA handbook and gain insight in how to really look at a property whether they do FHA work or not.

There are other differences. There's a few more steps for a REO appraisal and an appraisal for a Manufactured Home. Appraisal of Indian Lands calls for more knowledge. There are a few vocabulary points. FHA publishes a protocol for filling out the Fannie Mae form that they expect to be followed.

What does FHA do?

FHA does not fund mortgages. It insures them. When you do an FHA appraisal, you are working for FHA, not the borrower. You work for a lender or mortgage broker, the same as for conventional loans.

Declines in FHA loans

Per a Congressional Budget Office analysis:

"Once considered an innovator and dominant player in housing finance, especially for those borrowers who were not adequately served by the private market, FHA is no longer a major participant in the mortgage insurance industry."

"According to FHA, its market share has fallen from about 8 percent in 1999 to about 2 percent in 2005. Since 2002, FHA has experienced a sharp decline in the volume of single-family loans it guarantees, with total guarantees falling 60 percent from $147 billion in 2003 to $58 billion in 2005."

I was not able to obtain any forecasts, but it seems reasonable to assume that FHA loans will increase.

Changes effective January, 2006

FHA went beyond adopting the four new Fannie Mae forms.

In addition to adopting the new Fannie Mae forms, FHA also scrapped the extensive Form HUD-92564-VC, Notice to the Lender (Valuation Conditions/VC form), and form HUD-92644-HS, Notice to the Homebuyer(Homebuyer Summary).

With the elimination of these forms, FHA called for appraisers to report all valuation conditions, including repairs, alterations and/or required inspections, within the appropriate section of the applicable Fannie Mae Appraisal reporting form.

Integration of repairs within the appraisal

Thus, FHA appraisals have become very similar to typical appraisals completed for lenders reselling loans to Fannie Mae. An important difference, however, is that appraisers must rely on existing FHA procedures for guidance in the valuation of insured properties. This comprehensive set of procedures and standards is found in Appendix D of Handbook 4150.2, CHG-1, Valuation Analysis for Home Mortgage Insurance for Single Family One-to Four Unit Dwellings.

Instead of following an extensive checklist, FHA appraisers must integrate their findings into the standard Fannie Mae Report. Any and all references to Valuation Condition (VC) items addressed in Chapters 2 and 3 of Handbook 4150.2 are to be addressed in the appropriate section of the applicable appraisal reporting form. For example, Chapter 2, Section 2-2-E, entitled "Slush Pits" instructs: "if there is any readily observable evidence of slush pits, mark the "yes" column in VC-1."

The new protocol requires the appraiser to address this condition in the site section of the appraisal report and note that the property may not be eligible for FHA financing, referencing the information found in Chapter 2.

De-emphasis on minor property deficiencies

The second major change in FHA appraisal procedures is a de-emphasis on minor property deficiencies. FHA now only requires repairs for those property conditions that rise above the level of cosmetic defects, minor defects or normal wear and tear.

This shift in emphasis, however, does not release the FHA Roster Appraiser from reporting all readily observable deficiencies, as well as any adverse conditions discovered performing the research involved in completing the appraisal, within the reporting form.

FHA now permits an "as-is" appraisal for existing properties with minor property deficiencies that do not affect the safety of the occupants or the security and soundness of the property.

Minor property deficiencies

Just what are the items FHA refers to as minor property deficiencies? The following are some of the items that no longer require automatic repair for existing properties:

• Missing handrails
• Cracked or damaged exit doors that are otherwise operable
• Cracked window glass
• Defective paint surfaces in homes constructed post 1978
• Minor plumbing leaks (such as leaky faucets)
• Defective floor finish or covering (worn through the finish, badly soiled carpeting)

On the other hand, examples of property conditions that may represent a risk to health and safety or the soundness of the property include:
• Inadequate access/egress from bedrooms to exterior of home
• Leaking or worn out roofs (if 3 or more layers of shingles or leaking or worn out roof, all existing shingles must be removed before re-roofing)
• Evidence of structural problems (such as foundation damage caused by excessive settlement)
• Defective paint surfaces in homes constructed pre-1978
• Defective exterior paint surfaces in homes constructed post-1978 where the finish is otherwise unprotected

In another effort to streamline the lending process, FHA no longer mandates automatic inspections for wood destroying insects in the absence of evidence of active infestation, wells unless there is evidence of possible contamination from several defined elements, septic systems unless evidence of system failure and for flat and/or unobservable roofs.

Those items still requiring inspection include:
• Standing water against the foundation and/or excessively damp basements
• Hazardous materials on the site or within the improvements.
• Faulty or defective mechanical systems (electrical, plumbing, or heating)
• Evidence of possible structural failure (e.g., settlement or bulging foundation wall)

Appraiser discipline

Per Doug Smith: The second difference is that FHA does not fool around with mistakes. A big chunk of the handbook deals with discipline if you make a mistake that turns up in a review. They do monitoring reviews. They separate problems into categories. "Ordinary Negligence", (first offence-repeated offence "Gross Negligence", "Willingly or knowingly" and "Maliciously Repeatedly."

There are a whole series of penalties. When I first came to Missoula, I was reviewed on a manufactured home REO appraisal and had to accept a CE course to continue being a FHA appraiser. It is a whole lot more serious if you make a mistake than it is for Fannie Mae.

Special requirements

In the past, FHA required that appraisers turn on heating systems to see if they worked, had special sketch requirements, etc. They have dropped many of these requirements, but some appraisers who have been on the list think they are still required.

FHA requires that appraisers get access to crawl space and attics. For attics, the requirement is "head and shoulders" in the attic. A large flashlight is very useful (both for visibility and fending off any varmints). Flash photos are also a good idea.

Photos of all 4 sides of the home are required, a street scene showing a portion of the subject site in the photo, and the grade of the lot if proposed construction.

FHA does not use the 442 and uses its own form, Compliance Inspection Report.

How to get on the FHA Roster

Getting on the Roster is much easier than in the past. The exam is only 10 open book essay questions included in the application. An exam was mandated by Congress.

The requirements are:

- State licensed or certified (no trainees)
- Pass exam
- Not be on GSA and HUD exclusion lists
- Submit a completed application form (HUD-9253)

What about trainees?

FHA does not allow trainees to do their appraisals.

FHA REOs and reviews

Both reviews and REO appraisals are handled by contractors that cover a wide geographic area. M&M (Marketing and Management) contractors handle the foreclosed properties, including getting appraisals. The fees are low, but it is a reliable source of business.

To get a list of M&M contractors, go to www.hud.gov and search for M&M.

What about reinspection after repairs?

A typical fee is $75 for re-inspecting a property to see if the repairs have been completed. This may be a low fee if you have to travel very far.

Should you do FHA appraisals?

Many appraisers quit doing FHA because of low volume and perception that the appraiser is more liable. FHA is more likely to discipline than conventional.

FHA does have additional requirements. Reading and understanding the 150+ page manual is a challenge.

If the bill is passed, FHA lending will increase, which is an opportunity for appraisers.

Where to get more information

Go to www.hud.gov , look on the right side of the page for Housing Industry, then Appraisers. Lots of information for appraisers is there, including applying for the Roster.

I have a **Special Report on FHA appraising**, which includes lots of HUD information. Go to www.appraisaltoday.com/products.htm to order

Reverse mortgages - An excellent opportunity for appraisers

FHA's Home Equity Conversion Mortgage (HECM) is the oldest and most popular reverse mortgage product, accounting for 90 to 95
percent of the total market.

FHA endorsed a record 10,888 reverse mortgages during the month of March, which represents a 56 percent increase over the March 2006 level of 6,990. So far this year (As of mid-April), FHA has endorsed 53,064 loans, compared to 33,141 during the same period last year.

Proposed FHA legislation will make the loans more available.

Per Doug Smith, "Appraisers have to keep their eye on what those 72 million baby boomers are doing. A person born in 1950 is 57 and is wanting now to get into a reverse mortgage. In the next few years reverse mortgages are going to increase. Many persons are retiring with mortgages and soon find out they can not keep up with the payments on their retirement income."

How many loans are made?

Here are the stats for FHA:

FY 2006 76,351
FY 2005 43,131
FY 2004 37,829
FY 2003 18,097
FY 2002 13,049
FY 2001 7,781
FY 2000 6,644

Who originates reverse mortgages?

Although there are a few local reverse-mortgage lenders, the three nationwide lenders are FHA (which has over 90 percent of the market), Fannie Mae and Financial Freedom. Lehman Brothers does reverse mortgages over FHA limits but has a relatively small market share.

The largest reverse mortgage originators are Financial Freedom (subsidiary of IndyMac), Wells Fargo Mortgage, Seattle Mortgage and GMAC.

For originators, reverse mortgages require more "hands on" contact with the borrower. Relatively few mortgage brokers originate them.

Where to get names of originators

A good way to get broker contact information is to look for their ads in retirement publications, such as retirement community newsletters, Yellow Pages, newspapers, and other advertising.

For a list of originators by state, with contact information, go to www.reversemortgage.org .

Where to get more information

National Reverse Mortgage Lenders Association at www.nrmlaonline.org , oriented toward originators. They also have www.reversemortgage.org , oriented toward consumers. Both have general information.

Chapter 12 Marketing Review and Foreclosure Services

Marketing review services

If you've been in business for some time, you probably have done occasional fee reviews. Why not expand your fee reviewing to diversify your appraisal practice?

Reviewing is not for everyone. Some appraisers like it and some don't. Appraisers who like reviewing frequently mention the opportunity to see how other appraisers handle adjustments and problems and write their reports, which can help you be a better appraiser. Sometimes appraisers who have been in the field for a long time and are bored turn to reviewing to keep up their interest in appraising.

Those who don't like reviewing prefer to do the appraisal themselves rather than "second guess" another appraiser, and don't like the turnaround requirement for pre-funding reviews. If you have to contact appraisers, you may not have the right temperament for diplomatically getting them to make changes. Some appraisers are not comfortable with desk reviews and only do field reviews. It's your decision. If you haven't done any reviews, take on a few and see if you like it.

All those who need appraisals can utilize appraisal reviews. Some are:

1. Lenders: pre-funding, quality control
2. Attorneys: reconcile differing appraisals, whether or not to rely on an appraisal, rebuttals
3. Public agencies: reconcile differing appraisals

Review forms and checklists

We located several sources of commercially available review forms. The two-page Fannie Mae 2000 is familiar to many appraisers, and is available from many software vendors and forms suppliers.

Individual lenders have also developed their own forms. Ask your client which form they want you to use. If the form doesn't conform to USPAP's Standard 3, you can include the additional information in the form or attach an addendum. If the client does not require the use of any particular form, use the one you like the best, or make up your own.

Many lenders have developed commercial review forms for internal use. For example, a checklist for site data could include: topographical features, soil and subsoil conditions, zoning restrictions, ingress and egress, availability and description of utilities, off-site improvements, etc. Develop a checklist appropriate for the types of reviews you do. Checklists for each review client's compliance requirements are also very useful. Check with staff reviewers you know for copies of their review checklists or forms. It takes a lot less time to use a checklist than to write up a long narrative.

The amount of appraisal time required for reviews can be greatly reduced by using internal checklists and clerical support. For example, a commercial narrative checklist could include such consistency items as property address, reconciled value, and income approach value. A residential checklist could include census tract, flood map data, and site calculation accuracy. Clerical support can greatly increase the productivity of a reviewer. Checking calculations, report consistency, data accuracy (i.e., flood zone, recording date and price, etc.) can be done by an assistant after minimal training.

Lender reviews

Pre-funding reviews require a very fast turnaround, as it is typically the last requirement before funding the loan. For residential appraisals, 24 to 48 hours is common for desk reviews. A little more time is allowed for field reviews, but there is still significant time pressure. Commercial desk review time requirements vary. Because of these time pressures, many residential pre-funding reviewers tend to do reviews almost exclusively. Commercial reviewers with typically a much lower volume just try to fit them into their schedule, which may be difficult.

Review reports vary from brief checklists to 50 page narratives, depending on client requirements. Be sure to ask the client what they want. Sometimes you may be communicating with a non-appraiser, who may get recertification/update and review confused. Or they may not be clear on whether or not they want your opinion about the appraisal's value and what they want to do if you have a different opinion on a desk review.

Sometimes on a field review you'll find out that the appraisal didn't give an accurate picture of the subject property and you'll need to do a new appraisal or have the client order one.

You'll also need to be clear about the client's review standards. Hopefully, they have written guidelines. Ask if they have any special review forms. You also need to determine the unwritten rules, such as how strict they are and what they do and don't like to see in appraisal reports. Find out if you are expected (or allowed) to communicate with the appraiser, and whether or not the borrower and/or the appraiser will receive copies of your review report.

When doing pre-funding reviews particularly, you may need to speak with the appraiser. Handling this with an empathetic and professional attitude is very important to successful reviewing. An adversarial confrontation doesn't help anyone. Focusing on such non-important items as typos is not really productive (although it may be an indication of sloppy work causing other more important problems). Start off the conversation on a positive note, about a section of the report that was well done. Be careful of your choice of words, by saying: "You need more support." Don't say the appraiser is wrong.

If changes in the appraisal report need to be made, it's much better to have the appraiser, rather than the reviewer, make them if they affect the value or analysis. Remember, if a reviewer has a different opinion of value, he or she becomes subject to Standard 1 of USPAP and goes from a reviewer to an appraiser. To the fee reviewer, time is money. Try to get the appraiser to make the changes so you don't have to write up a long review report. You can also help your client by speeding up the review process.

Non-lender reviews

Not all reviews are done for lenders. Attorneys frequently use appraisers to review appraisal reports for weaknesses or strengths. Contact local attorneys, letting them know you're available for review or consulting on appraisal reports. Sometimes reviewers are asked to evaluate two or more differing appraisal reports to reconcile the two reports. Public agencies also need appraisal reviews, particularly if they don't have any staff appraisers. It's cheaper to do a review than to get another appraisal. Contact the agencies.

These assignments are often from referrals, or current or former clients. Be sure to let client and potential referral sources know that you are interested in reviews, as many appraisers are not. If you don't tell them, they won't know.

Commercial review marketing tips

Pricing of commercial reviewing is similar to commercial appraising, usually on a bid basis. If you underbid, you have a problem. Reviewers learn to look for property types and geographic areas they are familiar with. If it's an unfamiliar property type or area, they bid higher. They also consider who did the original appraisal. Some appraisers require major reviews and sometimes a whole new appraisal by the reviewer.

Before bidding, you need to get a clear idea of what the client wants: desk review for compliance, field review with opinion of value, etc. Also find out what type of a report they want, i.e., form, narrative, or mixed; and what is to be included in the report. Many reviewers prescreen by driving by the subject property before giving a quote. Some request the name of the appraiser and even a copy of the appraisal before bidding. Ask around to determine what types of fees are typical in your area for commercial reviews.

Reviewers often say that personal relationships, or "who you know" is very important in obtaining review assignments. Just sending a package to a lender won't do much. You can review in a much wider geographic area than residential reviewers, as familiarity with the property type and geographic area is not as important as appraisal and reviewing experience. Many staff reviewers work on properties in widely dispersed areas. Commercial reviews are typically pre-funding, but portfolio and quality control reviews are excellent hidden opportunities.

Start with your current lender clients. Ask if they need any review work: prefunding, quality control, or portfolio review. Check with smaller lenders to see if they need review services. Let the large lenders with appraisal staff know that you're available for overflow work.

Residential review marketing tips

Like residential appraisals, review fees fall in a fairly narrow range. For example, if URAR standard fees are $300, desk review fees range from $75 to $125. Field review fees tend to be similar to "drivebys", ranging from $150 to $200 if the standard URAR fee is $300-$325. Ask around to see what other local appraisers charge.

Residential reviews are similar to residential appraisals: time is money. A difficult review, where you have a different opinion of value and disagree with appraisal methodology, can be a money loser. However, in contrast with commercial reviews, usually the volume is large enough that difficult reviews tend to be balanced out by easy reviews.

The figures given above as examples may not be within the pricing range in your geographical target area. They are used to indicate the pricing relationship between "full" appraisals and other types of assignments. Prices vary widely throughout the United States.

Small appraisal companies that do reviews tend to work a relatively small geographic area so they can be more productive, particularly on desk reviews. Larger companies can have appraisers specializing in certain geographic areas. Remember, the turnaround requirements are very fast on pre-funding.

Try to get both pre-funding and quality control reviews, as there is substantially less time pressure on quality control reviews. Also, when the appraisal lending business is slow, you'll still have quality control review work.

Start by contacting your current clients and see if they need reviews. If you do mortgage broker work, try contacting retail or wholesale offices of lenders of lenders nearby. There will be some pressure to work wide geographic areas, but this usually doesn't work for smaller appraisal firms, or larger firms with only a few reviewers. However, if you can build a large review staff, it will be easier to get assignments, due to the large geographic area you can cover.

Where to get more information

Dick Sorensen, author of the humor below, has a good book on reviewing, Appraising the Appraisal: The Art of Appraisal Review, available at www.appraisalinstitute.org . The book is mostly for commercial appraisal reviews but there is excellent information applicable to residential reviewing.

Official Megabucks Bank Apprisal Review Form (humor)

OFFICIAL
MEGABUCKS BANK
APPRIASAL REVIEW FORM

Identification of Report Being Reviewed
Address 123 Easy Street, Pleasantville, USA

Date of Report: 01/01/2000 (subject to Y2K disaster)
Date of Value: Whatever date works for you

Appriasal Firm: X-S Value Appraisals, Inc.

Loan Amount: $250,000
Value needed to make deal work: Loan Amount / .80 = $312,500 or more

Reviewer's Conclusion (a) ACCEPTABLE

(b) Unacceptable*

*Before checking (b) above, reviewer should refer to certification items (3) and (4).

Reviewer's Comment: The appraisal report was complete, adequate, relevant, and used appropriate methods and techniques to assure a reasonable value. (Other comments should be forwarded via fax to 1-800-JOB HUNT)

Assumptions & Limiting Conditions

My liability for this review is limited to the value of the paper it is written on.
No third party reliance is permitted (fourth, fifth & sixth, is OK)
I am so compitint.

Certification

(1) Reviewed in conformity with USPAP (Unprofessional Standards of Poor Appraisal Practice) and FIRREA (Financial Incompetent Reporting, Reviewing Enhanced Appraisals)

(2) Performed in consideration of meeting the required loan amount.

(3) Continuation of my job was contingent upon reporting predetermined results (or else!)

(4) My compensation is contingent upon closing this loan.

Signed: I. N. Competent, Reviewer Dated: Today

Many thanks for Dick Sorensen, MAI for this great appraisal humor!

Marketing foreclosure services

Stages of foreclosure

The foreclosure starts after a lender declares a loan to be in a default status. Most lenders consider any loan with payments that are 90 days or more past due to be in default.

Once a lender notifies a borrower that his or her loan is in a default status, the lender instructs his or her attorney or trustee to initiate a foreclosure action against the borrower. The attorney or trustee then files a foreclosure lawsuit and notice of lis pendens or a notice of default in the same county where the deed to the property being foreclosed on is recorded. After a notice of lis pendens or a notice of default is filed and recorded in the public records, it becomes public information.

How active is your foreclosure market?

Foreclosure activity varies widely. The primary factor is the strength of the local economy.

In my area, the San Francisco Bay Area, the only time I got much foreclosure work was in the late 1990s. Even though property values had dropped as much as 60% in the previous 10 years, borrowers kept making their payments as the economy was strong.

Here are some indicators to check:

• Are there many short sales listed in the MLS?
• How high is the unemployment rate? Is it increasing?
• Are there many for sale signs?
• Check local newspapers or other sources for statistics on notices of default or lis pendens.

When do lenders need appraisals?

Appraisals may be ordered at any point in the foreclosure process:

• Driveby at any stage before the actual foreclosure.
• Full appraisal after the foreclosure.

Why do lenders need appraisals?

They want to know the market conditions, condition of the property, repair costs, and sometimes different values: As is, as repaired, as is quick sale (90-120 days usually), and as repaired quick sale (same length of time).

Pre-foreclosure delinquency data

Delinquency statistics are collected by the Mortgage Bankers Association (www.mbaa.org) and other groups. The delinquency rate is the proportion of borrowers at least 30 days late with a payment. Delinquency rates are always higher than foreclosure rates.

Delinquency data tells you if foreclosures are expected to increase in your area.

The Mortgage Bankers Associates compiles a delinquency report every quarter.

What services are needed in the foreclosure process?

Appraisers and real estate brokers are used for valuation, repair costs, and market conditions. Sometimes brokers are paid a nominal BPO fee and other times they work for free, hoping to get the listing.

Local contractors are used for repairs and cost estimates.

Securing the properties (after tenant vacancies) is also done by different companies.

Real estate agents are typically used for selling the properties.

Is there value pressure?

Sometimes real estate agents pressure appraisers for low appraisals as they are required to sell the properties for at least as much as the appraised value. This depends on the lender's policies.

Who manages the foreclosure process?

Some lenders handle their own foreclosures. But many lenders are not set up for handling the foreclosure process. Lenders don't want foreclosures. In recent years they have increased their efforts to manage the pre-foreclosure process, such as counseling delinquent borrowers.

Loan servicers are the first to know if there is a problem. Sometimes they do the foreclosure management.

Companies specializing in foreclosure management are often used by lenders.

Freddie Mac and Fannie Mae have foreclosure management departments.

Using public information to find lender, foreclosure management companies, and servicer names

Find the names of companies filing default notices or lis pendens. This is usually available in public records online. Or, contact the county offices and find out which newspapers are used for the public notices. Or contact your local foreclosure-reporting service.

How to find out who orders foreclosure appraisals in your area

Here are a few ideas:

- Ask the real estate agents who handle local foreclosures.
- Check with title companies for properties foreclosed on by banks or foreclosure management companies.
- Go through notices of default and lis pendens.
- Mortgage servicing companies.
- Freddie Mac and Fannie Mae.
- Do a Google search for foreclosure management, REO management, etc. Look for local and non-local companies. Check their web sites to see what services they offer.

Check the sheriff foreclosure court house step sales for lender names.

Contact the local banks that are most actively making residential loans and that are keeping them on their books. Locate the attorneys that handle foreclosures for the banks by calling the banks and inquiring as to whom they use - tell them you need an attorney who is experienced with that for some property you own. (Thanks to Joe Milkes for this suggestion).

Freddie Mac at bpodirect.com.

Some states have Community Development Housing and first time homeowner programs. They may hold loans. Check credit unions. They don't always sell their loans.

States vary

Check your state regulations on foreclosures.

What about FHA?

HUD foreclosures are handed by companies who bid on a geographic area. The appraisal fees tend to be low, but they are a good source of work if there are many FHA foreclosures in your area.

Go to www.hud.gov and search for Management and Marketing Contractors.

How foreclosure appraisals are different

If you do FHA or VA foreclosure appraisals, there are specific requirements. Conventional lender requirements vary, so be sure you know what they want.

Special requirements include "quick sale" of 30 to 90 days, repair cost estimates, and special REO addenda (available in most forms software programs) which can include listings. Market analysis is critical as you are advising your client on the marketability of the property.

Often there is a BPO and an appraisal, which the client may compare.

Properties may need much work and have infestations such as fleas.

What about fees?

Unfortunately, often fees are similar to those for mortgage appraisals, even though more work is required. Try to get as high a fee as you can.

Safety issues

There can be some safety issues. If the home needs much repair work, be careful with stairs (inside and outside) and floors (may collapse) and other problems.

Ask if the home is secured (locked and broken windows replaced or covered with plywood). Sometimes there is someone living there (usually homeless). If you are at all concerned, do not do the inspection by yourself. Sometimes you may need a police escort.

Should you do foreclosure appraisals?

When work slows down, foreclosure appraisals can provide steady work with no value pressure from lenders. On the minus side, additional work is required and you may not be able to get increased fees.

For most appraisers, the only special expertise needed is cost estimating.

Where to get more information

Several education providers offer seminars - McKissock, NAIFA, some local providers, and others.

There are some very informative postings at www.appraisersforum.com . Search for REO.

Chapter 13 Marketing to Attorneys, Accountants, and Relocation Companies, and Public Agencies

Most appraisal firms are looking for more profitable, more reliable, more interesting appraisal assignments, or a stable source of work. Lender work can be a real hassle, is not always very profitable, and properties are limited to what is "lendable."

Appraisals for tax and legal purposes are an excellent supplement to lender work. You can accept different types of assignments, or specialize in a certain type of work, such as casualty loss. Relatively few appraisal firms actively seek work from government agencies. The paperwork can be a hassle, but it can definitely be profitable.

Relocation appraisals pay higher fees than lender work, but relatively few residential appraisers do them. Many are intimidated by the 4 pages of forms to fill out, don't like the fast turnaround requirements, or don't want to have to explain their appraisals to a non-appraiser. But relocation appraising can be lucrative and rewarding.

Why appraisals are needed by accountants and attorneys

Individual tax issues:

- Casualty loss
- Charitable contributions
- Probate/estate/trust
- Gifts
- Tax-deferred exchanges
- Depreciation allocation
- Tax assessment appeal

Business tax issues:

- Change from personal use to business use
- Purchase/sale of a business
- Contribution of property to a corporation
- Contribution to a partnership
- Distribution from a partnership
- Pension funds - if real estate is owned
- Value of a business if employees are paid with stock
- Tax assessment appeal

Legal-related work:

- Bail bond security
- Zoning and land use
- Lease renewals and options
- Bankruptcy
- Marital dissolution
- Easement and boundary disputes
- Insurance coverage or claim disputes
- Almost any issue relating to real property can cause disputes and result in the need of an appraiser

When a lender calls, they're looking for an appraisal of current value of real estate. For tax and legal purposes, the date has often passed, or there is more than one date. For example, marital dissolution may be as of the date of separation. Additional values may be needed. For divorce, both today's date and the date of separation may be needed. For estate work, dates of death of both husband and wife may be required.

You also must be sure you understand all the valuation problem(s). Find out who the parties are so you know if you have any conflicts of interest. Be sure you know what the property is, and whether there are additional properties. What exactly is the issue: simply today's value, value before and after a loss, change in value over time, etc? What interests are being appraised? Is it part, or all, of the property?

Request any available information, such as title reports, termite or structural inspections, previous appraisals, condition of the property as of the effective date of the appraisal, access problems, any assumptions of the appraisal, etc. For more complex, higher fee assignments, you may never write an appraisal report. If you testify, one of the most frustrating aspects is having to set aside time for a court appearance, only to have it postponed, often several times.

Getting started in legal-related work

Don't worry, your first assignment will probably not be a major lawsuit where you'll be grilled by attorneys for hours! Most appraisers start with fairly straightforward assignments, such as appraising a house or apartment building for divorce purposes. Most of the time you won't have to testify in court. If you do have to testify, it will probably be before a judge without a jury. If you're worried about testifying, start with assignments that very seldom require testifying, such as appraisals for tax purposes.

Almost all legal and accounting appraisal work comes from referrals from people who know you, or know of your reputation. They can come from private individuals, real estate agents, local business owners, attorneys, accountants, or almost anyone. If you've been in business for a while and are reasonably well known in your community as a well-respected local fee appraiser, you will receive calls to do appraisals from attorneys, accountants, one of the parties in a divorce, or from estate executors (probate).

For most appraisers, the greatest difficulty in getting started is making the commitment to take the assignments, even if you are really busy and have to turn down lender work. The calls always seem to come when you're really busy! Fortunately, often the turnaround is fairly flexible, so you can usually fit them in.

Before anyone can hire you, they have to know who are, what you can do for them, and that you want their work. Some marketing methods are:

1. Send out brochures to real estate attorneys specializing in family law (divorce, probate) or real estate law (more complex problems), and CPAs who specialize in tax work.
2. Put an ad in the local directory of expert witnesses used by attorneys.
3. Speak at local Bar Association meetings or accounting organization meetings, or set up a special seminar. Speak at local title companies. Have a list of available speech topics, relevant for each group.
4. Network at the local chamber of commerce meetings or service groups such as Rotary. Become active and more well known as the local real estate expert.
5. Contact, and keep contacting, local and state government agencies to get on their appraiser lists.
6. Contact:

- Charities, charitable consultants, and financial planners for appraisals for gift purposes.
- Pension administrators for appraisals for pension fund market value.
- Title companies for more complex valuation issues, such as easements.
- Business attorneys for contributions to partnerships and corporations, and bankruptcy.
- Call the U.S. Trustee office in your area and obtain a list of bankruptcy trustees to contact. Generally, the debtor, creditor, and trustee need appraisals.

Court testimony

Often, the hardest part in getting started in appraising for legal purposes is getting qualified as an expert witness. Many cases settle, or don't need your testimony, just your appraisal. You can be "qualified" only by the court, typically just before you testify for the first time.

An expert witness has knowledge beyond common experience that is of benefit to the judge and jury. You must have special knowledge and skills. Your opinion must be based on a special body of knowledge or methods. An appraiser experienced in the property type and valuation issues in question would be qualified. Expert testimony is an art and an acquired skill. The more you do it and understand about it, the better you become. The first time you testify, you will be nervous. Don't worry about being disqualified or being thrown out. Just answer the questions succinctly. If you don't know the answer, say so.

Eminent domain and condemnation work is a very specialized type of appraising, with its own definitions and rules. Expert testimony is often required. In most states, the greatest volume of work is from road construction, or major public projects, such as redevelopment work. Often the fee appraisers have public agency experience before starting their businesses. It can be difficult to break into, but can be a very interesting and rewarding appraisal specialty.

If court testimony is not anticipated and the appraisal is relatively straightforward, a reasonably qualified appraiser with reasonable fees is often adequate. This is a good way to break in. However, if court testimony probably will be required, or the complex analysis is required, attorneys will want to get the most qualified, experienced appraiser they can hire.

Attorneys on complicated cases will want to have the experts with the best qualifications, including professional designations. Most attorneys have heard of the MAI (or MIA, as many call it), so they will be inclined toward using appraisers with MAIs. The reason is partly historical. Over the years, MAI designated appraisers have tended toward specializing in litigation work, particularly for eminent domain/condemnation, so the designation has become well known to attorneys.

An appraiser with an MAI designation may, or may not, be the most qualified. For example, if you are asked testify on a home in your small town, and all your appraisal work for the past 10 years has been residential in that small town, you would probably be more qualified than an appraiser with an MAI who has only done a few, if any, other residential appraisals in the town. On the other hand, if the MAI-designated appraiser, experienced in eminent domain work for the state highway department, is testifying on a complicated highway condemnation in your small town. If you've never done that type of an appraisal assignment, he or she would be more qualified.

Fees and collection for legal-related work

Because of the extra work required, fees are higher than for lender work. The more likely you are to go to court and the more difficult the valuation issue, the higher the fee because of the additional time required. Legal-related work is an excellent specialty for "picky" appraisers who research and document every detail, as attorneys will pay for the time required.

Fees can be by the assignment or by the hour. Also let the attorney know your hourly rate for court testimony and preparation. Typically a minimum number of hours, such s 4 hours, must be paid by the attorney. Traveling to the courthouse, sitting around, and preparing for testimony take time.

If you're planning on starting with fairly straightforward appraisals, such as for divorce purposes, ask around and see what other firms are charging for appraisals and expert testimony (typically by the hour, with a minimum charge).

Appraisers can have the same problems that other business owners have collecting from attorneys. If you're providing a written appraisal, be sure you get paid before giving a value, preferably before you start doing any work. If you're billing hourly, be sure to send regular itemized billings and closely monitor your accounts receivable.

Public agency work is particularly notorious for taking a long time to pay, so be sure you can handle waiting for payment, especially if it's a large fee!

Where to get more information

The Appraisal Institute is the primary provider for books and seminars. Go to www.appraisalinstitute.org .

Appraisals for trusts and estates - an excellent diversification opportunity

Most of my current appraisal work is for estates and trusts. Many are multiple appraisal assignments. A few years ago I completed a 13 property assignment with a $15,000 fee. What types of properties did I appraise? All were residential rentals, homes, 2-4 units, and apartment buildings. The estate had almost 100 properties. Over 80 of them were single family homes. I had previously appraised six of the properties two years ago, when the first spouse passed away.

Many appraisers are worried about their futures - will appraisers be needed 5, 10, or 20 years in the future? Most appraisals are done for lending purposes. Lending has been changing to placing much more emphasis on the credit worthiness of the borrower than the value of the collateral.

Even if there are problems requiring appraisals in the future, lending is a notoriously cyclical business. Why not try working for other types of clients who provide a more stable source of income?

An excellent option for both commercial and residential appraisers is appraisals for estate, trust, and gift purposes.

With the recent popularity of living trusts, and sophisticated tax avoidance methods such as family limited partnerships, appraisals are needed both for tax planning purposes prior to a property owner's death and for settling an estate after death.

Why do I like estate and trust appraisals? I very seldom have turnaround pressure, value pressure, and payment problems.

Why do we have an estate tax in this country?

It was started to make sure we didn't have the inherited aristocracy of Europe, which controlled much of the wealth there until recently.

Many states have eliminated estate taxes as they are very unpopular.

When are appraisals needed?

Although we usually think of appraisals for estate taxes when someone dies, actually many appraisals are needed for other purposes.

As an overview, a non-exhaustive list of when an appraisal could be needed is:

1. Sale to a relative
2. Partitioning an estate among the heirs or beneficiaries
3. Sale to a non-relative
4. Prior to listing the home for sale
5. Partial interests
6. Alternate valuation date - estate tax purposes (if the property value declines after the date of death)
7. Gifts and gift trusts (to charities or children, typically)
8. Determining the basis for capital gains tax
9. Family limited partnerships and other types of trusts/partnerships

What if you only do residential or commercial appraisals, not both?

You can hire another appraiser to do the appraisal types you don't do, or appraisals in a geographic area where you don't work. Or, you can refer the executor or attorney to another appraiser. I have done both. I usually take a very minimal fee, or no fee, for handling the appraisals done by other appraisers.

What if the estate ("death") tax is repealed?

The current federal estate tax law is set to expire in 2011, unless there is congressional action. Currently the estate tax exemption rises every year until 2009:

2005: Exemption is $1.5 million; top rate is 47 percent.
2006: Exemption is $2 million; top rate is 46 percent.
2007: Exemption is $2 million; top rate is 45 percent.
2008: Exemption is $2 million; top rate is 45 percent.
2009: Exemption is $3.5 million; top rate is 45 percent.
2010: No Estate Tax
2011: Exemption reverts to 2001 levels, $1 million and a top rate of 60 percent.

Whether or not the estate tax will be repealed or another law is passed is unknown. The bipartisan Joint Committee on Taxation estimates that a permanent repeal would cost $271 billion over 10 years.

In 2004, the center estimated that only 330 smaller holdings were subject to the estate tax, about 2 percent of the total number deemed taxable. They paid $95 million out of the estimated $17.6 billion in estate tax revenues the government collected. About 99 percent of the tax is paid by the richest 5 percent of Americans, according to the center.

Most of my estate work is to establish a new capital gains basis as of the date of death. This is particularly important when the first spouse dies, as the real estate is a "pass through" to the surviving spouse and no taxes are due at that time. When the second spouse sells a property or dies, capital gains taxes are due, but only for an increase over the basis established when the first spouse dies.

Who orders the appraisals?

For residential appraisals (up to a few homes or small income properties) I am often called by the executor, who gets my name from a real estate agent or out of the Yellow Pages. Usually the attorney or accountant asks the executor to obtain an appraisal. For larger estates, the appraisals are typically handled by attorneys.

Who orders appraisals:

1. Attorneys (estate distribution, tax issues)
2. Accountants and enrolled agents (tax returns)
3. Beneficiaries of gift trusts
4. Executors and administrators
5. Trustees

Appraisals for non-tax purposes

I regularly do estate-related appraisals for non-tax purposes.

The executor sometimes needs values to partition an estate. For example, the decedent has two children, one gets the house and the other gets the stocks, but the estate is to be divided equally between them.

Or, two or three properties are left to the children but the will doesn't specify how they are to be divided.

Sometimes the beneficiaries can't agree on “how much they can get” from the property. One of them may not trust real estate agents and think they 'will try to list it low.' The executor gets an appraisal.

If a relative or a private party wants to purchase the property from the estate, the executor will probably want an appraisal as part of his or her fiduciary duty.

Who can do the valuations?

The IRS does not specify that a licensed appraiser has to do the appraisals. The owner can provide a value, a real estate agent, or just about anyone, except for gift returns (see below).

For larger estates, a licensed appraiser is preferred. If the return is challenged, the IRS will bring out their very qualified experts to refute the estate's valuation. An appraiser with superior credentials and methodology and local experience is preferred as the tax court and circuit courts often look to the best appraisal done by the most competent appraiser rather than "splitting the difference."

If there is no estate tax liability, for example, because of the marital deduction, sometimes a letter from a real estate agent is used. However, this "appraisal" will be used for establishing the basis for future taxes, and can be challenged by the IRS.

I always mention the possibility of an IRS challenge when the caller is reluctant to order an appraisal or is shopping for a low fee.

Appraisals for gifts

IRS rules for appraisals on gifts is stricter than for estates, primarily due to issues with personal property valuation, such as paintings.

IRS Form 8283, Noncash Charitable Contributions (over $500) requires that the appraiser sign a declaration, including "I declare that I hold myself out to the public as an appraiser or perform appraisals on a regular basis ... I understand that any false or fraudulent overstatement of the property value ... may subject me to the penalty under section 6701(a)."

When someone donates property to a charity, or gives a part annually to their children, an appraisal is required.

Appraisals for trusts and family limited partnerships

When one of the owners dies or trusts and partnerships are restructured, appraisals are needed. The appraisals are typically requested by the attorneys handling the trusts and partnerships.

Probate appraisals

When a person dies and the will is probated, an appraisal is needed of the decedent's assets.

In many states, fee appraisers are appointed by the judge to appraise the real estate. To get these assignments takes some luck (right place at the right time) and persistence (keep trying to get appointed).

In California, probate referees are appointed by the probate court and perform real property, personal property, and business appraisals. There are only a few for each county. They must pass a test and be appointed.

Check out your state's regulations.

Low vs. high values

As in other types of appraisals, such as divorce, I try to go in the mid-range of value. If nobody likes my value, it's probably okay.

I am usually hired by the executor. They often ask for a low value. But, if they are setting a basis for future sale, a high value is to their advantage. Or, they decide to use your low (or high) value to try to sell the property.

For example, a property is valued at $275,000, rather than $300,000, and is sold 10 years later for $400,000. The taxable gain would be $100,000 if previously appraised at $300,000 and $125,000 if previously appraised at $275,000.

What about IRS audits?

Every federal estate tax return is hand screened by experienced estate tax examiners to be classified for audit. The overall audit rate is approximately 20 percent for federal estate tax returns, almost 10 times the audit rate for income tax returns. The audit rate varies by the size of the return. For example, a $1 million return vs. a $10 million return.

A 20 percent estate tax penalty applies for estate gift tax understated valuations, if the value is 50 percent or less of the correct value. If 25 percent or less of the correct value, a 40 percent penalty applies.

The IRS examiner's handbook says that they should request copies of appraisals done within five years of the death and copies of listing information on the subject property within three years of the death.

Date of value and retrospective appraisals

Always ask about the effective date of the appraisal. If the appraisal is for an estate, it is seldom today's date, unless the person died today. I have been requested to do appraisals as far back as 1955.

For trust purposes, where no one has died yet, the value is typically today's value.

The executor can choose either the date of death, or a date six months later for the effective date of valuation (alternative valuation date). Let the executor know which would provide the lower if prices are declining. If the value is higher 6 months after death, the date of death value must be used.

If the property is held in joint tenancy and an estate tax return is not filed, an appraisal may not be done at the time of the death of the first joint tenant. Later, when the surviving joint tenant (typically the spouse) dies, the estate needs to establish the basis as of the date of the death of the first joint tenant. This may be many years later.

How far back in time should you accept appraisals? My fee escalates the further back in time. Even doing an appraisal with a date two years ago can be tough. Maybe the property has been sold and there is a new owner, the market may have changed substantially, etc.

For example, I recently accepted an appraisal dated back to 1992 for a house. The property had been sold in 1998 and a major rehab was done about a year prior to the sale. It took quite a bit of research and many phone calls to find someone who had worked on the house and was familiar with what had been done. What was my fee? Fifty percent over my standard fee, and it was too low.

Every 3-4 months I am called about a value of a home 40 to 60 years in the past. I tell the caller to go to the Assessor's office and pay whatever they charge to research their old records. My fee would be very, very high. I would use newspaper advertisements, assessment records, and deed recordings. It would definitely be an interesting challenge!

Appraisals done as close to the required date as possible are more accurate and reliable than those done sometime later. If challenged by the IRS, a current appraisal is more credible than one done at a later date. Be sure your fee is high enough to justify the amount of time you will have to spend.

Tips on doing retrospective appraisals

My #1 tip is don't underbid! Although it would seem that being able to use old comps would be great, it is often difficult to get additional information from the listing and selling agents, as they are focused on the present, not the past.

Be sure to find out what has changed since the date of death. The more changes, the higher the fee as you will have to review repair bids, interview those who were in the house before it changed, etc.

The farther back in time, and the more the market has changed, the more difficult the appraisal. My market (San Francisco Bay Area) is very volatile and has experienced large declines and large increases in value. I review an appraisal I did during that time period to see what the market was like.

Although typically you don't go very far forward in time, I have gone forward as far as 6 months and made a negative time adjustment due to significant increases in value. I check the pending and listing dates to see how close they are to the effective date of the appraisal.

If the property has been sold and there is no interior access available, it can be very difficult to determine the condition on the effective date of the appraisal. I have interviewed neighbors and relatives, building department records, and sometimes contacted the current owners.

My most difficult retrospective appraisal was only 6 months in the past, but the home had been transformed from a crackhouse to a beautiful home by the heir. The work was done by a relative with very limited documentation. I interviewed lots of people.

Three dates

In your reports you will have three dates:

1. Effective date of the appraisal. (Usually date of death.)
2. Date of inspection.
3. Date of the report.

Be sure to include all three dates in the appraisal report. I put them in bold face type in the neighborhood section and the reconciliation sections on form reports and in the letter of transmittal and near the value conclusion on narrative reports.

I always include the statement: Appraisal assumes there have been no changes to the subject property between the effective date of the report and the date of inspection. Or, I discuss any changes between the two dates.

Undivided fractional interests

The use of fractional interests is increasing for tax planning purposes and for estates. Unfortunately, most of the fractional interests are valued by business appraisers or accountants, not real estate appraisers.

The value of the interest is usually less than its pro-rata share. For example, the decedent (or trust) owns a 10% interest in a shopping center worth $1,000,000. The value of the interest is less than $100,000 (1/10 of the total value), as they are very hard to sell, with a limited market.

Some appraisers charge a hefty fee for them, such as 50% to 100% of the cost of the real estate appraisal, and other appraisers only charge $1,000 or less. Methods used include sales of local partial interests, data services of partial interest sales, and court cases.

Most appraisers don't do partial interests and tell the attorney to get someone else. But many appraisers could do them if they took the time to get up to speed.

Obviously you wouldn't want to spend a lot of time for a low fee, such as a house appraisal. For house appraisals, often a short narrative report is used.

For multi-property trusts/estates and commercial properties longer reports are advised, using data from sources such as Property Profiles.

What about fees?

Executors have a fiduciary responsibility to spend money wisely. Many want to be sure they don't overpay for services such as appraisals.

When you receive a call, be sure not to just quote a fee. I always ask about their situation.

For example: What is the date of value? (I have been doing appraisals for over 25 years and am familiar with the past.) Do they plan on selling the home? (I can offer advice on fixing it up, the current market, good local agents, etc.) Are the heirs local or distant? (I can provide a report with lots of information for out of the area heirs, if needed.)

How many properties do they need appraised? (I can handle all of them and will find qualified appraisers to do the nonlocal appraisals.)

Do they need a partial interest appraised?

If the caller insists on lower fees, remember that your turnaround time can be long, so you can use the appraisals to fill in the slow periods.

I almost always require payment up front or 50% up front and 50% on completion. I will bill attorneys I have dealt with before who paid promptly.

Some problems with estate appraisals

Unfortunately, the anticipation of money (greed) from estates seems to bring out the worst in some people.

Problems I have encountered include:

• Not clear on effective date of the appraisal. (I call the accountant or attorney.)
• "Crazy" heir calling me night and day. (I returned the full fee. I was the third appraiser to do so.)
• No estate checkbook set up for payments. (The executor can be reimbursed from the estate.)
• Bounced check from estate checkbook. (I inquire when the account was set up and how money will be put into the account if it is recent.)
• Relative occupying the property who doesn't want to move out. (Similar to a tenant being evicted, but worse. I try to move as fast as possible during the inspection and try to get them to allow me to take interior photos.)
• Relatives fighting over jewelry, glassware, etc. during my inspection. (I just try to ignore them.)
• Insist on paying really low fees. (I tell them to call someone else.)

What geographic area is best for this work?

I live in the San Francisco Bay Area, which is a prime market for estate and trust work. The population greatly increased after World War II and many of those who moved here are setting up trusts or passing away.

Home values have increased substantially in the past 3-4 years, with many areas increasing over 50% in value. Real estate prices are high, with the median price of homes at $569,000. More and more people are over the current estate tax exemption. Education levels are higher and more people are setting up trusts for their assets.

What if you're in an area with lower priced real estate? Your potential market will be smaller, but there are always out-of-state heirs who need to find out what their property is worth, charitable donations, etc.

If one spouse passes away today, it is safer to get an appraisal to establish a new basis, as the property and other assets could be much higher when the second spouse dies. Even if homes are selling for $80,000, establishing a new basis at $80,000 with an appraisal will really help if the property is ever sold.

Alternate valuation date

The estate can use a lower appraisal as of the date of death, or an alternate valuation date 6 months later, if the property has not been sold. When prices are declining, and the date of death is recent, you can offer to do another appraisal, for an additional fee, of course.

Bank trust departments

In the past, banks handled many trusts. Appraisers sometimes had to work for lower fees, but they did regular reappraisals of the same properties.

Now, the bank share has dropped substantially, replaced by companies that specialize in trusts.

Accountant market

Last month I sent my accountant the information required for my 40-page estate tax return. The form said to attach appraisals for real estate and valuable personal property.

Accountants filing estate tax returns want to be sure there are no problems. They will often try to get the taxpayer to get an appraisal from a qualified appraiser if they think the estate will be over the current exemption.

Many accountants are aware of the stepped-up capital gains basis issues and will try to get a current value even if no estate tax return is filed. You need to persuade them that an appraisal is more credible to the IRS than a letter from a real estate agent or the owner's opinion of value.

Higher net worth people are more likely to need appraisals for tax planning and filing. Larger CPA firms with high income individuals are a possibility. Ask your accountant who handles that type of client. Enrolled agents (specialize in tax work) are another possibility.

You could try a mailing before tax lien dates. Or, advertise in a local accountant newsletter or state publication. Networking with local CPAs can also work.

Non-profit market

Organizations that administer gift trusts, such as hospitals, colleges, and other non-profit groups, need appraisals. Contact them directly. Many advertise in local newspapers or magazines.

Attorneys

Attorneys are the source of most estate and trust appraisal assignments, if only because they tell the executor to get an appraisal. For smaller estates you may be contacted by the executor instead of the attorney.

Marketing to attorneys is primarily by referrals, but you can also send brochures and letters to attorneys who specialize in this work. Get a copy of your local Bar Association's directory to see who specializes in estate, trusts, and probate.

Contact any attorneys you know and tell them you're interested in doing appraisals for estates and trusts. Ask them which attorneys specialize in that market.

Join a local chapter or group of attorneys specializing in this type of work. You will get more work if you are active.

Once you get work from an attorney, you can form a relationship for future work and referrals.

Yellow Page advertising

I am always surprised by how many active appraisers aren't listed in the Yellow Pages, only want lender work, aren't members of the local chamber of commerce, aren't active in their local appraisal or real estate groups, don't want one time clients, etc.

For me, Yellow Page ads works well. I advertise in two local city directories, and the phone company directory. Five years ago, I eliminated all ad copy except for "Estate and Trust" for my three space ads. My estate/trust work has quadrupled.

Referral sources

Referrals for estate, trust, and gift appraisals can come from just about anywhere. Most of my referrals come from real estate agents. Some come from local accountants, a neighbor, Chamber of Commerce members, etc.

Handling multiple property estates

I have received assignments to appraise multiple properties where some of the properties are in areas where I don't appraise. For those properties I hired local appraisers.

Some appraisers just do a "pass through" on the fee. For example, the appraiser charges $500 and you charge the client $500. Other appraisers charge a nominal administrative fee. It's your choice.

Rather than making the clients look for other appraisers, I find the appraisers for them, or at least provide a few pre-screened appraisers for them to call.

Should you do this type of work?

I don't really know why so few appraisers work for estates and trusts. There is seldom much turnaround pressure, few or no payment problems, and reasonable fees. Any value pressures, if any, are typically much less than for lenders.

If you are in an area with lower priced properties, doing appraisals for estate and probate purposes may not give you a lot of work, but does provide an excellent diversification opportunity. Also, sometimes there are multiple properties to appraise.

Many appraisers don't like to do litigation and/or divorce work because of the hassles and court testimony. Appearing in court is very unlikely for this type of work, unless it's a very complicated and large estate and it ends up in tax court. Even if you do have to testify, it won't be in front of a jury, just a judge.

In the past, many residential appraisers didn't like to do work for one-time non-lender clients. But the market has changed, and non-lender work can keep you going when the lender market is down.

Most of the business is by referral, so you need to get your name well known in the legal, accounting, and real estate communities.

Where to get more information

The IRS Web site at www.irs.gov is a "gold mine" of information. Click on the search icon at the bottom of the page and search for estate tax. Scroll down the screen if necessary.

In this brief article I can only touch on some of the most important points. Being knowledgeable about estate, trust, and tax issues makes your appraisal services more marketable and convincing.

The tax laws and issues are complicated and keep changing. Classes and seminars are available in many communities. Check at your local adult school or college.

Many books have been written for laypersons on estate planning, probate, and trusts. Check at your local library or book store. Books published by Nolo Press are well written.

Be sure to find out about the laws in your state. Each state is different. Check at your local library or ask an attorney where to get more information. Some states have inheritance taxes.

Getting started in relocation appraising

Tired of the lender rat race? Looking for clients who really want to know what a home is worth and are willing to pay for it?

Business slowed down? Looking for non-lender work?

Relocation appraising is my favorite type of appraising. They really want to know what a home is worth, as they will be making an offer to the transferee based on my appraisal, and one or two other BPOs or appraisals. You aren't given a number to see if you can "come up with" a value to support that number.

Why don't appraisers want to do relocation (and other types of non-lender work)? They want to stay with what is familiar and don't want to change, even though lender work is very cyclical and can be a real hassle. Remember the horse and buggy manufacturers?

Lender vs. relocation appraisals

Like other types of non-lender work, lender appraisers may have difficulty adjusting to the very different orientation.

I spent many years trying to convince very knowledgeable local lender-oriented appraisers to do relocation work without much success.

In lender work, you are discouraged from being picky and reporting every little problem you see. But relocation work is the opposite. You are requested to accurately portray any problems that may cause the property to be difficult to sell. Another way to look at the difference is to see a relocation assignment as if it was an appraisal done for a friend or relative who has to sell his or her home and can't wait for the buyer who will pay top dollar. You would tell them about what they need to do to fix it up, the competing listings, recent sales, and the overall market conditions i.e., sellers or buyers market. Some of your lenders may want the same information, but they tend to focus on closed sales, and require today's "as is" value. Many lenders have restrictions on the data that can be used, such as recentcy of closed sales or similarity of sales to the subject.

Because they focus on closed sales (the past) lender appraisers tend to be high in soft and declining markets, and low in increasing markets. But relocation appraisers are graded on how accurately they predict the sales price. In relocation appraising you are asked to predict the future, typically projecting the value in 90 to 120 days.

Appraisers who zip in and out of a home with only a few brusque comments don't do well in relocation appraising. The relocation companies expect you to dress and act professionally, to spend a minimum of ½ hour at the home, and to be sensitive to transferee stress.

Many lenders see residential appraisers as a homogeneous group, with one appraiser as good as another. Relocation companies are very picky about who they use. They must have as accurate appraisals as possible.

Predicting future value

One difference between a relocation and a lender appraisal is that relocation companies typically want future value. They want to know what it will probably sell for in the future, usually 90 to 120 days. They also want a realistic assessment of the property condition, and the marketability of the home. If the home isn't sold by the transferee, the relocation company buys it and has to re-sell it.

Many appraisers say they can't predict the future. But every appraisal using the income approach, such as a 2-4 unit property appraisal, predicts future rental and expense income. To predict the future on a home, you must use trends, listings, and particularly, pending sales. You must evaluate the market for the home. Closed sales are very useful, of course, but they are the past.

REO vs. relocation appraisals

If you do foreclosure appraisals, you will find relocation appraisals very similar, with emphasis on "as is" values, recommended repairs, fast turnaround, and providing information on listings.

Relocation appraisals may be more profitable as they don't require two values or repair estimates like REO appraisals. Also, relo fees are higher.

Volume of work

Relocation volume has been very low here in the San Francisco Bay Area, as homes were easy to sell. Since the market slowed down last fall, relo work has picked up.

Your business address will affect the amount of relocation business you can get. If you're in a small town with a very stable population, you won't get much work unless a local company does a major move. In contrast, if you're in a city with a high proportion of residents who move frequently, you'll have the opportunity for more business.

If you're in a city with one or more larger employers that will be relocating, or that transfers employees regularly, there will be more appraisal work available.

If you're not in a city with many transferees, hopefully there's a larger nearby city where you can get more assignments.

The future of relocation appraising

The relocation industry is increasingly using Brokers Price Opinions as they are much less expensive than appraisals.

There were some appraisal companies that used to specialize in relocation appraisals, but many have had to increase their lender and other types of work.

Overall, relocation appraising has declined. However, it is an excellent non-lender diversification opportunity that can keep work coming in when lender work dries up, as it inevitably will. Plus, it is very satisfying appraising, where the client wants an honest opinion and you are not just a "deal killer" like lender work.

Fees

Because of the additional work required, fees are higher than lender appraisals. Fees are fairly standard in each geographic area, like lender work. For example, if lenders typically pay $350 for a URAR, a typical relocation fee could be $750. Like lender fees, they tend to fall in a fairly narrow range.

Another reason for the higher fees is the fast turnaround required, typically calling the transferee for an appointment within 48 hours, verbal within 3 to 5 days after inspection, and written within 5 to 10 days after inspection.

What type of form is used?

The Employee Relocation form is 6 pages long, but 2 of the pages are boilerplate, leaving 4 pages to be filled out. The format is very similar to the URAR form. There is much more space available for comments on each sale and the subject property description.

Three listings are required, and an analysis of each listing. Data on days on market and price changes are particularly useful.

How will your appraisal be compared with the other appraiser(s)?

An employee of the relocation company will compare the two or three appraisals plus possibly a broker's analysis, looking at consistency in such items as square footage, time and forecasting adjustments, sales and listings used, description of the subject and sales/listings, etc.

They will try to reconcile the appraisals, if possible. Sometimes the two appraisals are very different because the appraisers have different opinions about the market and the subject's marketability and the appraisals can't be reconciled and an additional appraisal may be ordered.

Answering questions is a part of doing a relocation appraisal. Relocation companies don't always call, but they often do.

How long do the appraisals take?

Writing, of course, takes longer as there are 4 pages. However, some appraisers do long appraisal reports for lenders, so the time may not be much longer.

The inspection and research may or may not take longer than lender work, depending on what you're doing for lenders. If you don't look at listings or do much research on sales, and zip through a home in 15 minutes on lender assignments, relocation appraisals will take more time.

Also, you are expected to call agents to get information on listings and sales, and on the status of the current market, which takes time.

How are you evaluated by the relocation companies?

Each relocation appraisal is a test of how close you come to the sales price. This is the primary performance evaluation criteria. You are also evaluated on turn-around time. Many relocation companies also use transferee evaluations. They ask questions such as how courteous you were, whether you were punctual, and if there are any complaints.

Larger companies maintain databases of appraiser performance. Those with higher performance ratings get used more often. If you're consistently way off the sales price, you could be dropped off the approved list.

Who chooses the appraiser?

Most relocation companies allow the transferee to select the appraiser. The transferee is provided a list of appraisers to select from. Typically they are allowed to choose 2 or 3 from the list, and sometimes are allowed to use appraisers not on the list. Transferees often ask their real estate agent to recommend appraisers on the list.

Of course, most appraisers don't like this selection method. You are interviewed by a transferee who typically doesn't know much about appraising. More sophisticated transferees ask questions to see if you'll give them a high appraisal, such as "how are prices doing now?"

If two appraisers are used, and the values are far apart, typically 5%, the relocation company often selects a 3rd appraiser. Or, if three appraisals are required, the transferee may pick two and the relocation company one.

Is there pressure to "low ball" values?

Unfortunately, there are few appraisal clients who aren't "looking (or hoping) for a number," whether high or low. Relocation companies are primarily concerned with taking a loss on sale because they overpaid for a home. In declining markets they are especially worried because they may not be purchasing and marketing the home for some time. That's why they need future value.

As usual, the appraiser is caught in the middle between the transferee and the relocation company. Relocation appraisers try to get as close to the sales price as possible. They don't like to be too high or too low. You feel pretty dumb if you're really off. Putting up with pressure from some relocation companies is just part of the job.

Appraisers accustomed to working for lenders who are always pushing for a high value can have difficulty adjusting to a "realistic" value for relocation companies, particularly in declining or very slow markets.

How do you get started doing relocation appraisals?

Be sure to get listed in the E-R-C (Employee Relocation Council) directory (202-857-0905). Many smaller relocation companies don't have their own lists and use this directory to obtain appraisers.

Most relocation companies want to use experienced relocation appraisers, of course. Like getting any new client, the best time is when everyone's really busy and has to turn down work.

Get a copy of E-R-C's Relocation Appraisal Guide. Try to get both the old and new guides. They also have seminar audio tapes and an online course.

Be sure to have an experienced relocation appraiser to call with questions about the first few appraisals that you do. Most are very helpful, particularly if you're not a direct competitor.

Even if you do compete with local relocation appraisers, they may be trying to recruit better appraisers for relocation work. It's really a hassle to spend lots of time explaining why your appraisal is so different from the other appraiser's when that other appraiser is unknowledgeable about local trends, has only lender experience, or can't measure correctly.

How do you expand your relocation business?

Real estate agents are an excellent source of referrals. Often the home you're appraising is listed or about to be listed. The transferee asks the agent if he or she knows a good appraiser for their relocation. Let your local real estate agents know you are looking for relocation work.

Attending an E-R-C conference is a very good way to network and connect faces with names, as you seldom have an opportunity to personally meet many of your relocation clients. Appraisers who have attended say that it was well worth their time and expense.

Contact the relocation companies and ask to get on their fee panel, or their back up panel on a trial basis. Their names and addresses are available from E-R-C.

Where to get more information

The E-R-C (202-857-0905) at www.erc.org , an industry trade group, publishes a directory of appraisers and brokers (available in some libraries), a guidebook on relocation appraising, a directory of relocation companies, and a monthly publication called Mobility, and an online relocation appraisal course. They sponsor national conferences and appraisal seminars. Their Web site has lots of information.

Relocation Appraisers and Consultants (RAC) is a small organization for experienced relocation appraisers. They have lots of information at www.rac.net . Check out the articles in the Library section.

Marketing to Public Agencies

Government agencies at all levels need appraisals – federal, state, county, and city. Marketing to local agencies is often much easier than state or federal agencies.

Relatively few fee appraisers work for government agencies. Most probably think you have to be one of the "good old boys," or have a large MAI-run appraisal firm. Yes, it does help if you're a big firm when bidding on large 6-figure contracts, and the "good old boys" will automatically receive many Requests for Proposals (RFPs) or bid solicitation notices. But government agencies are often really trying to be non-discriminatory and open up their contracting opportunities to more companies. There are many opportunities out there.

Government is definitely not a growth industry in terms of employment. But agencies still purchase and sell properties, have excess properties, and need to change uses of properties. Like other types of businesses, they are expected to utilize outside services to keep payroll costs down.

Procedures, paperwork, and marketing are much more complicated than working with lenders, but you will have much less competition, as most appraisal firms don't want to hassle with government work. This chapter only touches the surface of this relatively complex market for appraisal services. If you're interested, take the time to learn how to "work the system." You may find it very profitable.

If you are able to do both residential and commercial appraising, and consult in both areas, you will be able to get more work. If you only do residential, 1 to 4 units, your opportunities are more limited. Looking through various federal government publications, we did note that the General Services Administration (GSA) needs appraisals for disposition of residences and city lots. Local governments frequently need appraisals for homes for development or road expansion purposes.

The "Yellow Book"

The Federal Government has special requirements for acquisitions – "Uniform Appraisal Standards for Federal Land Acquisitions", called the Yellow Book.

Subcontracting

If you don't want to try to get big contracts yet, consider working as a subcontractor for a prime contractor. For appraisal firms, this could be another appraisal firm, an engineering firm, or other type of contract that may need appraisal work done. Residential appraisers can make their services available as a subcontractor on larger assignments to commercial firms that don't do residential work.

Subcontracting is often overlooked by small firms, but can provide excellent opportunities as the prime contractor handles most of the paperwork and hassles of getting the contract. When you find out which agencies you would like to work for, see who has had large contracts and contact them. Subcontracting opportunities are also sometimes listed in the Commerce Business Daily.

Preferential government hiring as a small business

Many government agencies are trying to give work to small businesses. Federal agencies have been criticized for only using the same large companies. Look for fairs, classes, seminars, speeches, etc., as part of outreach programs.

For the federal government, appraisal firms come under the SIC Code 6531-16. There are annual income limits. State and local governments have different requirements for qualifying as a small business. Check with them. Minority-owned (over 51%) businesses have a definite advantage. Disadvantaged-owned businesses also have advantages. "Socially and economically disadvantaged" typically applies to minority-owned businesses, and sometimes to woman owned. The definition is not clear. If you think you qualify, check with your state or local small business assistance office. Woman-owned businesses have some advantages, but not generally as many as minority or disadvantaged.

How to get help in selling to the government

We don't recommend "doing it yourself" when trying to get started, particularly in the state and federal government markets. Terminology, data sources, paperwork requirements are very confusing.

I gave up on government contracting, even for the RTC, as the paperwork and marketing seemed just too much of a hassle. As part of the research for this book, I attended a class on marketing to the government sponsored by a local small business development center. Now I wish I would have attended the class years ago, so my appraisal firm could be doing more government appraisal work.

Around 1984/85, in response to criticism of the difficulty in getting federal contracts, the Department of Defense agreed to provide half the funding for Procurement Technical Assistance Centers (PTAC) in each state to help small businesses sell to the federal government. In 1993, services were expanded to cover all government sectors and prime contractors. Every center is different. Some don't charge a fee.

When writing this book I had the local PTAC do a computer database search on "real estate" and found requests for: a real estate consultant for the Virginia Port Authority; right of way damages in Montgomery County, PA; indefinite quantity consulting contract for the U.S. Postal Service in Illinois and Indiana; HUD property disposition in Tennessee, etc. All of these required submitting the paperwork within several months, or sooner. A regular database search on a daily or weekly basis is required to get the most current information.

Written and online information on government contracting

The first place to start is online. Search local, state, and federal agencies for their requirements and bid opportunities.

Commerce Business Daily, which lists many contracts is available online. Opportunity or procurement fairs are set up by government agencies as an outreach program for small businesses. Both government agencies and prime contractors often attend, as well as large businesses trying to meet their small business hiring goals. If there isn't one scheduled soon near your city, consider traveling to one. Fairs can provide a look at government contracting opportunities to see if it's for you, as well as make valuable contacts for future business.

Tips on marketing to government agencies

The 6 key words on marketing to the government are: persistence, perseverance, patience, and follow-up, follow-up, follow-up.

Everyone we talked with recommended establishing a personal business relationship with the person who actually fees out the work so you can find out when a contract is available. Get assistance on how to fill out the paperwork to get on the bid lists.

Find out who to contact in the agencies by asking around in your appraisal network. Call federal agencies and ask for the name of the realty specialist, contracting officer (CO), or small business specialist. Send a marketing letter asking for their package and requirements. Prepare a package including a one-page brochure called a "line card", and follow-up with a visit, phone call, and/or follow up mail card.

Appraisers are employed by almost every federal agency, even the U.S. Marshall's Office. When contacting the appraisers, try to bring them some interesting data, give them a business card, and follow up with a letter. Check your appraisal association's directory, or just ask around. Ask for the name of the realty specialist and contracting officer.

Your marketing focus for government agencies is the same as non-government companies. You need to be able to answer "What's in it for me" (WIIFM) from your prospect's view. When writing up a proposal or filling out forms, you must write what the prospect wants to hear. For example, you receive a Request for Proposal (RFP) for appraising a 5-acre parcel owned by the U.S. Postal Service. To do the RFP, you need to find out what the Contracting Officer (CO) wants: advice on alternate uses, only a value to use in selling the property, how much real estate expertise does the CO have, etc. Don't just attach resumes, explain how your firm's experience and business practices mesh with what the prospect needs. How are you reliable, cost effective, etc. Don't just quote a bid price, explain the features you can offer, such as expertise in the property type, completion within specified time period, etc.

How do you find out? Ask the CO, and ask around your network. If you're new to government work, you may not have a network established yet. Everyone we spoke with, both inside and outside the government, said that understanding and responding to what the agency wants is critical to success in government contracting.

Each agency is slightly different on how to get information on bids and who to contact. Sometimes federal and state agencies provide very helpful booklets on how to get work from them.

Condemnation/right of way

Some government agencies need appraisals for condemnation purposes, particularly state highway departments. This is a very specialized type of appraising, where you need to learn the special rules, techniques, and terminology. Few appraisers have been able to break into this market without working for a government agency before starting their business, or working for an appraisal firm that does this type of work.

However, it's certainly not impossible to get into it by associating yourself with an experienced appraiser who can show you the ropes. You may be able to get assistance from a government employee who is permitted to do "side work" or another fee appraiser by paying them a portion of the fee or on an hourly basis.

In most states, this type of work is done by a local or state agency, so marketing is easier than to the federal government. You don't have a maze of federal agencies to figure out.

I attended a local meeting of the International Right of Way Association (IRWA) and was one of the few fee appraisers in attendance. The group was very friendly and provided excellent networking opportunities. Many were from local and state government agencies that also did non-condemnation work. A few attendees were from utility and phone companies. Almost everyone looked like either a potential client or could refer me to a good prospect.

Even if you don't really want to do right-of-way work, the chapter meetings are an excellent opportunity for networking with government employees who either fee out non right-of-way assignments or can give you leads. IRWA offers 24 courses covering all phases of right-of-way work, in such areas as communications and negotiations, property management, appraisal, real estate law, environment, and engineering. With many local chapters networking opportunities are good. Their SR/WA professional designation is widely recognized. Contact them at 13650 South Gramercy Place, Gardena, CA 90249.

Government fees and paperwork

Many government agencies are notorious for slow payments. If slow paying will cause significant cash flow problems, check with the agency before bidding. Also check with other appraisal firms that have worked for them.

Much, but not all government work goes to the lowest bidder. Competitive bids are not always solicited. It depends on the type of bid requested. In the federal government, often bid awards are decided on a "reasonable, responsive, and responsible" basis. Reasonable means the lowest price and optimum cost. Responsive means deadlines and specifications were met and forms, etc., were properly filled out. Responsible is based on past performance, credibility, and availability.

You can receive a bid request that is one-page in length to 40 - plus pages, or just a phone call. Not all government work requires special expertise in filling out complicated forms. But if you are really serious about this type of work, you will need to take the time to properly fill out forms and submit bids. No, it's not easy. But it can certainly be profitable. After all, your competitors probably don't like the paperwork any more than you do, but if you're willing to do it anyway and they aren't, you'll be way ahead.

Chapter 14 Handling Appraisal Business Cycles

Life cycle of an appraisal firm

Appraisal firms can be analyzed using the life cycle model, going from initial startup to growth to maturity to decline. Some firms never get beyond the startup phase. Some of these stages will sound very familiar. Marketing efforts typically differ, depending on what part of the cycle you're in.

Stage 1: Survival. The firm is started due to demand for appraisal services. But the demand is for fast turnaround with reasonable prices. The new firm is "hungry" and willing to compete on price and service. The principal is nervous about losing one client, and concerned with survival of the firm. No assignments are turned down. "We take everything that comes through the door." The only marketing efforts are sending out an announcement of the opening of the firm, usually to other appraisers. Packages are sent out, but no follow-up is made. The firm tends to rely on a few clients for almost all of the assignments. The number of appraisal requests grow, and the firm struggles to keep up. The clients like the moderate prices and fast turnaround. The principal is working night and day, has hired associates and support staff to keep up with the work flow. But the profits are less than expected. The principal keeps thinking he or she could be making more on a staff job, with regular hours and benefits, but is afraid to raise fees, and lose some clients. Other appraisal companies are seen as competitors and adversaries. Some appraisal firms never get beyond this stage.

Stage 2: Growth. Fees are raised and less profitable assignments are turned down. The principal concentrates on review and high-end appraisal assignments. Principals in other firms are seen as colleagues rather than adversaries. The firm doesn't worry about losing a few small clients, but worries about losing a large one. But the firm is still reactive, with no planned marketing efforts to keep clients. New clients are expected to come from referrals, but no efforts are made to encourage referrals or follow up on leads. Occasionally, a notice is sent out about hiring a new associate or moving to a new office. The firm still grows, based on providing expected and typical services. The principal is making a good salary, but starts thinking about return on investment, retirement savings, value of the firm, and reserves for slow times.

Stage 3: Maturity. Fees are maintained at a high level by specialization and qualifications of personnel. There is plenty of business, most of it by referral. Revenues are slowly increasing. There is a broad client base, reducing risk. There is still little effort on marketing, as: "We have as much business as we need. We don't need any more." The principals become more active in professional associations, hoping to enhance professional reputation and bring in more clients and higher fees. The principal is becoming bored and dissatisfied doing the same old thing for the same old clients.

Stage 4: Saturation. Appraisal assignments keep coming in at an increasing rate. The principal is becoming frazzled trying to keep up with all of the details of running the business, completing appraisals and reviews, and satisfying client demands. Higher fees are charged, whatever the market will bear. The firm is overconfident and doesn't worry much about the loss of a big client. Little effort is spent on marketing, even trying to keep existing clients happy.

Stage 5: Supersaturation and decline. The firm becomes rigid and unable to respond to changing client demands. Principals seldom return phone calls or meet deadlines. Clients complain to one another that, "They seem to be not keeping up with the times." Or, "I think the principal is burned out and may be closing the firm down soon." Or, "We need to find another appraisal company to use. XYZ is too much of a hassle: never returns phone calls or meets deadlines. Can you recommend any?" Existing clients start leaving and there are no marketing efforts to keep them or to get new clients.

You can avoid decline. Making a concerted effort to keep up with marketing, even when you're very busy, will make a difference. It will bring in new clients and assignment types and keep the principals from getting bored. Prices can be lowered, new clients developed, and a marketing program managed. The firm is proactive, rather than reactive, by keeping up on changes in the market and in client needs.

There are two opposing approaches. In the technical, job-oriented, approach, which is comfortable for most appraisers and other professionals, clients come because of the technical expertise of the appraisers, and leave when the service is completed. In the other approach, client-centered, the appraisal firm works with the clients to avoid problems and provide the type of appraisal services the client wants.

Cyclicality Surfing: surviving the ups and downs of the appraisal business

Residential appraisal lender business is way down. We are in a business down cycle. The last downcycle was in the mid-1990s when work dropped to almost nothing for both commercial and residential appraisers in a very short period of time. The downturn lasted for several years and many left the appraisal business. Previously there was another significant downcycle in the early 1980s, when many left the appraisal business, including myself.

Residential lending has had up and down cycles since Fannie and Freddie started purchasing loans in the early 1970s. When interest rates are low, there is as much work as you want. When rates are high, work drops off significantly.

In the past, prior to the 1990s, lenders hired and fired staff appraisers, depending on their loan business. Now, the burden is on fee appraisers.

Today's downcyle is not as severe as the mid-1990s and early 1980s. Some appraisers have work and some don't.

Planning for the future

I've always heard the axiom, "You need to be very large or very small", but I'm not sure that always works in today's downsized environment. What's more important is to be diversified and flexible.

If you want to have high billings, you could be a "virtual corporation" with one office, no employees, and a large network of independent contractor appraisers, plus contracting out secretarial services, billing, etc.

When negotiating any leases, equipment or office space, make the terms flexible by including a method of lease termination if business gets really bad.

If you want to have a large lender-dependent firm, plan on hiring and firing, like lenders used to do. Be sure you can handle it psychologically, and don't mind having lots of trainees.

I advise not staffing up unless you are diversified. Train your appraisers to do many types of work, not just routine lender assignments. If you do court work, make sure you give your associates expert testimony experience, not just litigation support. Train your appraisers in commercial appraising, if they do residential work, and vice versa for commercial appraisers. Hire only flexible appraisers, who are willing to learn something new.

If you're a one-or two-appraiser business, don't ever, ever let yourself be dependent again on lender work for survival. Even if your non-lender work is only 20% of your business, it can keep you going and it can be expanded.

If you're a residential appraiser, learn to appraise unusual residential properties or commercial properties. Or, hire someone else to do them. If you need extensive training, work with an experienced appraiser for a very low fee split.

The stages of responding to negative change

One of the best books on the effect of negative change was Dr. Elizabeth Kubler-Ross' book On Death and Dying, published in 1969. She interviewed several hundred terminally ill patients and their families and came to understand the stages they went through to accept their own death or the death of a loved one.

Since then, these stages have been applied to businesses experiencing negative changes, such as major declines in business. Obviously, declining business is not as big a change as a death in the family, but the stages of adjustment are very similar. Managing at the Speed of Change by Daryl Conner expands Kubler-Ross' five stages to an eight-stage corporate model. We have combined the two models into a 6-stage process, appropriate for appraisal firms.

These stages are perfectly normal. The trick is to not get stuck in the first four too long.

The stages are:

1. Denial. Can't believe that business won't come back at the level it was before or that fees won't drop. Or that you won't have to change to survive.
2. Anger. Bitter complaints about all the competitors dropping fees, regulators trying to get rid of appraisers, ineffective professional associations, too many unqualified appraisers, etc. Feelings of frustration and hurt.
3. Bargaining. Trying to forestall the negative changes. Campaigns to keep the deminimus from going up, pressuring other appraisers not to lower their fees, etc. This is the beginning of acceptance of the drop in business.
4. Depression. Feelings of hopelessness, helplessness, and victimization. Paralysis: unable to do anything except sit by the phone waiting for it to ring. This stage is unpleasant but necessary. The changes in the appraisal market have finally been accepted.
5. Testing. Willing to look for new options within the current limitations. For example, looking for new markets for appraisal services, or new types of real estate related businesses, or shrinking from a 10-appraiser business to a 1- or 2-appraiser business, etc.
6. Acceptance. Making the changes necessary to adapt to the new appraisal market.

Positive and negative responses to change

In Managing at the Speed of Change by Daryl Connor, people confronted with change are divided into two categories: Danger-oriented and Opportunity-oriented. Few people are totally one or the other type, and most are somewhere in between.

Danger oriented appraisers see change as threatening and feel victimized. They have difficulty handling change and prefer the status quo. They tend to be reactive rather than proactive, responding very late to changes, and have a victim mentality, blaming and attacking someone else. As the changes continue, they get more and more overwhelmed as their old methods aren't effective. When finally deciding to take some action they jump into activities that may or may not work. Sound familiar? Many appraisers have this mind-set. Maybe it's just part of being an appraiser (or engineer, or accountant, etc.).

In contrast, opportunity oriented appraisers look at change as a potential advantage to be exploited, rather than a problem to be avoided, accepting change as a fact of life. They have a strong sense of purpose, and view life as constantly changing variables. When change comes, they are just as disoriented and angry as the danger-oriented people, but view the changes as necessary and something unpleasant to which they have to adjust.

They tend to compartmentalize the stress. For example, they may write letters objecting to regulatory changes, but they don't let the negative feelings limit their ability to make changes in their businesses. They know when to ask for help, and count on their friends, associates, and loved ones for support.

Resiliency

The opportunity oriented appraisers are resilient when faced with change. They:
1. Display a sense of security and self-assurance that is based on their view of life as complex but filled with opportunity (Positive).
2. Have a clear vision of what they want to achieve (Focused).
3. Demonstrate a special pliability when responding to uncertainty (Flexible).
4. Develop structured approaches to managing ambiguity (Organized).
5. Engage change rather than defend against it (Proactive).

Source: Managing at the Speed of Change.

Increasing resilience

No one is opportunity oriented 100 percent of the time. Resisting change is okay sometimes, but is not advised now for appraisal business owners. You can become more positive, focused, flexible, organized, and/or proactive. Changing your behavior can be done.

Become an optimist

Maintaining a positive attitude is very important to being happily self-employed. All appraisal practices have slow periods. Sometimes they last for quite a while. Maintaining a positive attitude can be hard.

Anticipate business picking up, instead of hoping for it. Avoid pessimistic people. Listen to motivational tapes or read a book on it. They really help. Take charge of your business. Don't let it run you.

Athletic competitors have been successfully using visualization techniques for years. A figure skater visualizes completing a perfect triple axel, then does it at a major competition. A downhill racer who has difficulty starting well, while at the starting gate visualizes herself making a perfect start. It really does work.

Becoming an optimist may take some practice and re-thinking. For example, if you're calling on a past-due account, you could have one of the following attitudes before calling:
1. They'll never pay. I'll probably have to take them to small claims court. (Pessimist)
2. Why haven't I been paid? I'll call and find out why. Maybe they lost the invoice. I'll call them and find out how to get it resolved. (Optimist)

To change your attitude, look for evidence that a more positive position is reasonable. For example, if you think your clients are deadbeats, ask yourself if all of them never pay. Take a positive reality check. Instead of focusing on non-payers, focus on how to motivate the client to pay faster.

Another example: Jane Jones and Andrea Ardus have meetings with a government agency they've been trying to get appraisal assignments from for several years.
1. Jane Jones drives to the meeting thinking: "They probably want to hire one of the big firms. My

firm is too small, with too little condemnation experience." (Pessimist)
2. Andrea Andrus, on the way to the meeting, is thinking: "I've been waiting for this opportunity for a long time. We can do really good quality appraisal work for them and help them out with their expansion plans." (Optimist)

To take a positive reality check, ask yourself if a government agency has ever hired a small appraisal firm. Instead of focusing on not having a chance of being hired, focus on what you can offer the client so they will hire you.

Focus on what you can do

Instead of spending all your energy worrying about declining revenues, focus on what you can do to increase your income:
1. Call your current clients and let them know your turnaround is now very fast.
2. Take a look at your accounts receivable and make some calls on late payers.
3. See if you can get some subcontracting work from appraisers who are busy.
4. Cold call. We all hate it, but it can be effective. With practice, it becomes easier.

Opportunities in slow periods

When we're very busy, we seldom take time to "smell the roses" in our business. We tend to react to day-to-day problems, rather than really look at why we are in business, what we like to do, and where we want to go.

Slow periods provide excellent opportunities to accomplish business goals. Some appraisers look forward to slow periods so they can:
1. Finally get that license upgrade or professional designation.
2. Research potential new markets.
3. Spend some time training a less experienced associate.
4. Learn a new computer program, such as a sketch program.
5. Train a secretary on such tasks as handling more of your phone calls or mail so you will have more time available when you're busy.
6. Research new equipment like a new copier.
7. Read all those back issues of professional journals.
8. Go to the library. Read some business and real estate publications.
9. Have a few business breakfasts, lunches, or dinners with other appraisers, clients, or your accountant.
10. Take a seminar on appraising, computers, or business management.
11. Develop a business plan for the next 2 to 5 years.
12. Write articles for newspapers, newsletters, or professional associations.
13. Investigate diversification opportunities like working for government agencies or legal work. Or, changing geographic areas.
14. Look at new possible business locations: smaller, larger, or better.
15. Take more difficult assignments that you usually turn down to expand your appraisal skills.

Communication

Whether or not to be candid about the slowness of your business is a difficult, conflicting decision for many business owners. Some never say business is bad, and others are crying after just a week of the phone not ringing. Some are more candid with other appraisers, but not with clients.

Otherwise, clients may think you're going out of business soon.

Another option is to be both honest and upbeat. For example, say "I've finally got some free time to work on marketing" (to other appraisers). Or, “It's a little slow right now, so our turnaround is much faster” (to clients).

What if it's really hopeless?

Most businesses get into financial trouble when they can't pay their overhead during slow times due to inadequate cash reserves or inability to borrow money.

Don't feel like a complete failure. Some of the most successful business owners have had failures. Taking risks is part of having a successful business. Sometimes you lose. You can always try again.

Where to get more information

There are many books and articles on organizational changes, but all that we saw were written for managers in large corporations, or didn't relate to appraisal businesses today. One of the best is Managing at the Speed of Change. How Resilient Mangers Succeed and Prosper Where Others Fail by Daryl R. Conner. About half of the material applies to any size business.

Making It On Your Own by Sarah and Paul Edwards has an excellent chapter called "Riding the Emotional Roller Coaster" for small businesses experiencing change It has practical techniques for such changes as going from feeling overwhelmed to feeling capable, and going from fear or anxiety to anticipation.

Both books are in print. Check with your local bookseller or library. Many thanks to Rick Betts, MAI, SRA, Berkeley, CA for suggesting the title: Cyclicality Surfing.

Motivational Books and Tapes Help You Stay Up When Business Is Down

Many appraisers are lacking in self esteem according to a study conducted for the American Society of Appraisers (ASA). The study found that "clients and the public have a generally positive image of appraisers, but appraisers themselves don't think so.

To most appraisers, the idea of listening to a motivational book or tape seems odd, or somehow implies there is something wrong with them. We got many strange looks from appraisers when we asked them which motivational books or tapes they like.

But psychological visualization techniques have been used for many years by athletes to increase performance. For example, a tennis player visualizes successfully serving a tennis ball. Studies on patients with medical problems have shown that a positive attitude makes a difference in their ability to fight off a disease.

The classics: Dale Carnegie and Napoleon Hill

Dale Carnegie was one of the first, if not the first, of the widely read authors and speakers on using the mind to achieve success. Napoleon Hill based his books on Dale Carnegie's insights. Both books use many real-life examples.

Of all the books we read, *Dale Carnegie's How to Win Friends and Influence People* spoke most directly to the basics and being client-oriented and having successful business relationships. Some of the principles are: become generally interested in other people, be a good listener, and don't criticize, condemn, or complain.

Napoleon Hill's book, *Think and Grow Rich,* as compared with Dale Carnegie's is more of a "hard sell," focusing on making money, changing your mindset, and achieving success. This book was mentioned by many people we spoke with as being good as a motivational tape, so don't be turned off by the frequent mention of getting rich and the use of outmoded or unfashionable terms such as "temple of wisdom."

Both books were written in the late 1930s and are still available in bookstores today. Some of the examples and words used are somewhat quaint because they are not current, but the ideas are very "today."

Can these books and tapes really help you?

In the "good old days" of waiting for the phone to ring, you could get by without doing much about marketing your business for maximum profit. But now, appraisers have joined many others in the business community, trying to make it in an oversupplied market.

Why not get some assistance to keep yourself motivated? Sitting around and complaining doesn't do anyone any good. Feeling depressed and frustrated is normal in a business downcycle. Those who make it through successfully develop a positive attitude.

Anything that can help you in your business is worth a try. Even if you only get one good idea from a book, tape, or seminar, it's money and time well spent.

What if the titles turn you off?

Phrases such as Personal Power, Control of Your Destiny, Magical Mind, Conquering Force, and Core Desires turn me off, too. But when listening to tapes or reading books, we found good ideas on each one.

Will these books and tapes really change my life?

We're not saying any of these will make a big change in your life, even though some of the ads imply this. Maybe one will, but probably not. What you are looking for is reinforcement of what you already know, but hadn't really gotten motivated to do, or an idea that can cause you to get a few new clients or worry a little less or feel better about your future.

Won't other appraisers think I'm weird if I use these tapes and books?

Who cares what others think? If you can feel and be more successful in your business and your life by reading a book, listening to a tape, or going to a seminar, do it. Let others sit around depressed and whining about no business.

What books or tapes are best for you?

Everyone is an individual. We didn't much care for Napoleon Hill, but he was the author mentioned most by the people we spoke with. We loved Dale Carnegie, who many people find too simplistic.

We didn't care much for Success and the Self-Image by Zig Ziglar, a very popular author and speaker, but thought that Dr. Wayne Dyer's How to be a No-Limit Person really speaks to how to take control of your life and not let others run it.

Try different speakers and authors to see what you like.

Where to get tapes and books

The first place to check is your local library, local bookstore, or online. My library has a good selection. Many tapes are available in bookstores for about $12 for one tape.

Nightingale-Conant has many motivational tape sets - www.nightingale.com

Where can I hear speakers live?

Local real estate associations often sponsor sales trainers and motivational speakers. We recently had a motivational speaker speak at our local appraisal association chapter dinner meeting. Other chapters have had psychologists and sales trainers.

Many thanks to Karen Mann, SRA, ASA in Fremont, CA for helping me with this article. She is one of the very few appraisers who has been using motivational books and tapes for many years to help her in her business.

Tips for a new appraisal business

Appraisal businesses don't require much start-up capital and are fairly easy to run, as compared with other businesses, like a retail store. Most, if not all appraisers, secretly see themselves as independent fee appraisers. From a marketing point of view, new businesses are in an excellent position to get started in the right direction by making many marketing decisions early in the company's history. It's much easier to start in the direction you want to go than to try to change direction later. For example, you start out doing homes and apartments, but decide later you'd make more money and be more satisfied doing commercial/industrial appraisals.

Appraisers working on a fee split basis, either for an institution or a fee appraisal company, have a pretty good idea what the workload and income volatility is like. Working for an appraisal firm also lets you know about differing client pressures. If you keep your ears open, you can learn much about how the business is run.

An excellent book for new appraisers and those “thinking about” appraising ;is *How to Get Started in the Real Estate Appraisal Business*,. available at www.amazon.com or www.appraisalinstitute.org

Before quitting your current appraisal position

Working for someone else, even if you're a fee split independent contractor associate, is very different than being self-employed in your own business. The more marketing preparation you do, the easier the transition.

If you have a staff job with an institution, be sure to be as prepared as possible *before* quitting. If allowed, start doing "side work" with other clients and get your name on approved lists. Regularly attend appraisal association meetings and actively participate on committees. Get your name known to other appraisers. You must establish an appraiser network so you can keep up on what's happening with the appraisal market and other changes, such as what the regulations really mean. You can't really market yourself actively yet, as you are still employed. See if your employer will give you assignments after you've quit. Many employers will do this. They already know your work.

As an associate, you should keep copies of at least your "best" appraisals. They can be used for work samples while working on a designation. To establish yourself as a knowledgeable person, these same appraisals can be used to develop sample appraisals for your personal portfolio, either for job seeking purposes, or for fee client approval. Making copies of appraisals does bring up client confidentiality issues. Be sure to discuss this with your present employer before proceeding. Any work submitted as samples to a potential client should, of course, be altered to remove any confidential information such as subject address and client name, unless permission is obtained from your employer and the client.

Networking is very important. A prospective client is much more likely to hire you if they've "heard of you." If no one outside your present employer knows your name, it will be much harder. Contact any real estate agents or mortgage brokers you have met doing appraisal assignments. Ask them for referrals to companies needing appraisal work done. A cooperative mortgage broker will often give you names, addresses, and phone numbers of the lenders he or she works for.

Going from a fee appraisal company to self employment is easiest if you are already on approved lists or are known to your prospective market, such as attorneys or government agencies. Your relationship with your current employer may become awkward when they learn you are quitting to become their competitor. Try not to "burn any bridges" when you leave, leaving on friendly terms. Having associates quit to start a new business is very common. If you are in a firm where you are not well known to prospective clients, be sure to establish relationships before you leave. Even if you're not comfortable soliciting business from them, they can be an excellent source of referrals and references. Like institutional staff appraisers, you need name recognition before starting your business. If no one's heard of you, it's hard to break in.

Many successful appraisal firms have been started by appraisers laid off from staff jobs. It's not really the best way to start a business. But it does get many appraisers "off the fence" who don't seem to be able to give up the regular income of a staff job. On the plus side, often one of the best sources of assignments is your previous employer. If you have enough cash reserves, take the time to develop a marketing plan. If not, go to the "fast track" section of this book.

Avoid fee splits and the "big client"

When first starting their businesses, many appraisers take some fee split work. If you do this, be sure to plan on phasing out this part of your business as soon as you can. You're giving a big part of the income to the appraisal company's owner. Spend the time on marketing your own business instead.

One of the biggest mistakes new appraisal business owners make is to take too much business from one client. When there's plenty of business and a shortage of appraisers, many clients want to give large numbers of assignments to one appraisal company. You're too busy to do any marketing for new clients. It's much easier to deal with one appraisal firm than many firms. When their business slows down, or they hire staff appraisers, you're left out in the cold, scrambling for business.

The only way to avoid taking too much business from one client is to limit the amount of work from that client. It's really, really hard to say "no", especially when you're starting your business, but it pays off later.

All appraisal firms market when they first start, but most slack off as they get established. Make the commitment to regularly market your services, even when you're busy. When you and everyone else is swamped with work is the best time to do marketing. You have very little competition and prospective clients are much more receptive.

Emergency "Fast Track"

What if you just lost your primary client, who gives you over 50% of your appraisal assignments? You can't wait around while you build up a referral network. When contacting new and existing clients, be sure to emphasize how you can serve their needs. Remember, they're listening to

WIIFM, What's In It For Me. Depending on the client, you can emphasize your competitive prices, fast turnaround, experienced associates, professional designation, special expertise, etc. Not everyone is shopping for the lowest fee.

For new clients, you can emphasize lower fees and fast turnaround. If your competitors are busy, they can't promise fast turnaround and are very unlikely to have lower fees. If business is slow for your competitors, you may be able to get assignments with lower fees. There's always someone looking for lower fees. Another option is giving a discount on the first assignment, or even doing it for free.

Pricing options are:

1. Underprice. You can always find someone who will go for a low bid. But, if you bid too low, you won't make much profit.
2. Subcontract. If you can get a high split, on a high fee, it's probably worth it. But, if you're subcontracting at a standard split for a standard fee, be sure it's profitable. Another factor is the lost marketing time. Instead of looking for new clients, you're doing someone else's appraisals. On the plus side, at least it keeps some money flowing in, and you may pick up a new client.

Prospecting options are:

1. Send out sample packages and a brief summary of your business, following up with a phone call and appointment.
2. Send out a brochure and follow up.
3. Call on the phone.

Remember, with new clients, be sure you've done some preliminary research to determine whether they need your services, and whether you can give them what they want. Don't waste your time on unproductive marketing efforts. You're in a hurry and don't have time to waste.

Don't bother to make any contacts unless you're willing to follow up. At a minimum, follow up with a phone call or letter. Keep contacting the prospective client on a regular basis, say twice a month. That doesn't mean you call them up all the time asking for an appraisal. Personal notes work also. Don't forget the contact person's secretary or assistant. Many of your competitors will. When you get your first assignment, send a small gift, like a small box of chocolates or cookies. For larger fee commercial assignments, you could send a flower arrangement.

With existing clients, try the personal approach: one on one contact. Try to get them to give you more assignments. Although we spend 95% of our marketing efforts getting new clients, 80%-plus of our appraisals come from existing clients. Even if you only have two clients, those two clients are the most likely to give you an assignment quickly.

Methods used by many appraisal practices are:

1. Deliver appraisals personally and tell them you are ready for any new assignments. This often results in a new assignment, or the next available assignment.
2. Send notes or letters to clients, reminding them you're available and ask how you can serve their needs. Don't let them forget you.
3. Call them. Let them know you're available and can provide a very fast turnaround. They may think you're still very busy. They won't know you're available unless you tell them.
4. Take clients to lunch or golfing. A good time for this is when their business is slow, which often means you're slow. When everyone's busy they don't have time for business lunches, golf, or sailing.

Above all, show enthusiasm. To be an appraiser and have a successful business you must love and enjoy your work, even if you spend long hours in the field and your office. The field of real estate appraising has enough variations to keep boredom to a minimum. Your efforts at marketing will result in both monetary rewards and satisfaction.

Why I am an appraiser

By Ann O'Rourke, MAI, SRA

Appraisers regularly ask me if I still do appraisals. I no longer have time for 60+ hours a week for appraising, due to my newsletters, Web site, and speaking commitments, etc., but I just can't say no to appraising.

Several years ago I offered two days of appraisal business management seminars. The first day, attendees spent the first hour or so venting about lousy clients, cheap fees, etc. At the beginning of the second day, one of the older attendees said he thought appraising was an easy way to make money and really liked it. Another younger attendee said that when a home owner of a tract house says how little time the appraiser's job takes, he no longer tells home owners that he has to do lots of research and take lots of time. He just says, "Yes, it doesn't take much time."

The remarks of those appraisers got me thinking about why I agreed with them, why I still enjoy appraising after over 25 years, and why I don't complain much about my clients, fees, the future of appraising, etc.

Some other writers and speakers bemoan the "fate of the appraisers, "bad" clients, low fees, etc.

I am easily bored and have always wanted to learn new things. After graduating from college, I worked in various biology and chemistry labs for 7 years, but didn't like working inside and found the work somewhat boring. I was looking for a new career.

In the mid-1970s I saw an ad for an appraiser assistant at a California Assessor's office. It said "Work in the field." I had never heard of appraising, so got a book on appraising at the local library before my interview.

My first year I only did inspections and loved it. Then I got an appraiser job with another county assessors office, working in rural, urban, and agricultural areas. I was hooked.

What do I like about appraising? Every property is different. I am never bored. I love it that someone is paying me to find out about the real estate market. I really like finding out the "story behind the sale." For example, I had been wondering for over a year about the small apartment market in a nearby city. I read articles in the local newspaper, but they didn't have much information. A local lender gave me an appraisal assignment on a proposed construction of 7 units in the city. Now I know about the market.

Even tract homes are still interesting to me. Our local real estate market (San Francisco Bay Area) is very dynamic, with both big declines and increases over the past 20+ years. Most tract homes were built over 15 years ago and some have been remodeled. Employment and traffic patterns have changed significantly.

I work a smaller area than many local appraisers. Although I am not bored now, I could always extend my geographic area.

What about clients and fees? Of course, I have had my share of problem clients.

But as a fee appraiser, I choose my clients and I choose what fees I work for. I don't like working for clients who tell me what they "need" so I do very little residential mortgage work, as in my area mortgage brokers do the vast majority of originations. Commercial mortgage lending is much less hassle, so I do commercial appraisals for a few lenders.

I recently returned a check for an estate appraisal. I was paid at the time of inspection. A sister-in-law kept asking stupid and annoying questions. I finally went into another room. Then she screamed at me. When I got back to my office I decided to return the check. The day after the appraisal appointment, before they had received my returned check, they called asking for the appraisal to be faxed.

Just like lots of other appraisers, I had a really tough time during the appraisal recession from early 1994 to 1996. My firm changed from 3 full time appraisers and 3 staffers to myself and one staffer. But lender based appraising has always been cyclical. In the last down cycle, from 1980 to 1985, I quit appraising and became a corporate real estate manager. After I made it through the 1990s appraisal recession, I vowed to not be dependent on lender work.

I am self-employed so I can choose who I work for, where I work, and what type of work. If I don't like a client, I don't work for them. If I don't want to work for low fees or fast turnarounds, I Just Say No.

A critical factor in satisfaction with your appraisal business, particularly during down times, is seeing the glass as half full, not half empty. Actually, that is a very important factor in all types of businesses. Motivational tapes, seminars, and books can really help.

If you don't like your clients, get new ones. If you don't like low fees, get new clients or only accept assignments that don't take much time. If you don't like lots of fast turnarounds, get some clients who will wait.

What is really sad is the longtime residential appraisers I know who are quitting appraising because of client pressures, fees, etc.

Sure it’s easy to work for lender clients instead of one time private clients. They give you regular work with minimal marketing efforts. But if you don't like their requirements, don't work for them.

I am very lucky. Many people go through their whole lives without a career they really enjoy.

Of course, my motto is: Appraising would be much better without those darn clients!!

◊ Where to get more information ◊

A guide to the references that the author found most useful. Check online at www.amazon.com or your favorite bookseller. The Appraisal Institute is the major publisher of appraisal books. Go to www.appraisalinstitute.org .

Appraisal Today
by Ann O'Rourke, Editor and Publisher.
Alameda, CA, monthly newsletter

Written for appraisal business owners to provide practical information on managing a profitable appraisal business. Call 800-839-0227 for more information.

www.appraisaltoday.com

Marketing books by Ann O'Rourke

The Appraisers Marketing Workbook
Marketing for Appraisers, Second Edition (this book)
www.appraisaltoday.com

CDs by Ann O'Rourke

Marketing, 1 hour speech
Marketing, 3 hour seminar

Do It Yourself Publicity

by David F. Ramacitti.

Do-It-Yourself Publicity: For Those Too Cheap or Too Broke to Hire a Publicist (Paperback)
by Phyllis Caddell-M

Practical how-to books for small businesses, including appraisal firms.

Employee Relocation Council
1720 N Street, NW
Washington, DC 20036
www.erc.com

Getting Business to Come to You (and other books)
by Paul and Sarah Edwards and Laura Clampett.

Excellent for small service companies like appraisal firms. Very practical, good ideas for referrals. Their other books are also very useful.

Guerilla Marketing (many books)
by Jay Conrad Levinson.

Mostly oriented toward retail products rather than services, but has some good, practical ideas.

How to Get Started in the Real Estate Appraisal Business
An excellent book for new appraisers, written in 2007. Available at www.amazon.com or www.appraisalinstitute.org

How to Work a Room (and other books)
by Susan Roane.
Practical ideas and techniques for all types of person-to-person networking in both business and social situations.

NICHECRAFT: The Art of Being Special
by Dr. Lynda Falkenstein.
How to determine your firm's niche in the marketplace, or what distinguishes your firm from all the other appraisal firms.

Toastmasters International
P.O. Box 9052, Mission Viejo, CA 92690, 714-858-8255.
www.toastmasters.org
If you want to get started in pubic speaking, or become a better speaker, join Toastmasters.

Here's what appraisers say about Appraisal Today!

"Appraisal Today is the best source for USPAP and Fannie forms news, and for finding E&O insurance. I like the good insight on mortgage financing levels. What Appraisal Today provides is not available anywhere else. "
Steve Ellsworth, New York, New York

"I've been reading Appraisal Today religiously since Ann began publishing her newsletter. Each month I look forward to reading about important and timely appraisal industry issues. I work with appraisers across the country on a daily basis and the articles in Appraisal Today are extremely helpful to me and my business. I would highly recommend subscribing to Ann's newsletter - the time and money it saves you will more than pay for the price!"
Tom Kirchmeyer, SRA, Buffalo, NY

"I teach prelicensure appraisal courses. The only publication that I recommend to my students is Appraisal Today. The article lengths are succinct and cover the topic competently. The article topics are timely and relevant to any appraiser.
Allen C. Keiter, MAI, Glenview, IL

---

21 Free Marketing Tips from Appraisal Today!!

1. Make a commitment to set aside time each week for marketing, even when you're very busy.
2. Cold calls are difficult to do well. Instead, "warm call" by sending out an introductory letter or brochure and following up with a phone call.
3. Don't take work from "clients from hell" that make your life miserable. Instead, work on developing new clients. Turn down the assignment, referring the prospect to someone else.
4. When business is slow, take on assignments in new areas that were too time consuming before, such as rural/suburban or distressed properties for residential, or types of commercial properties you haven't ever appraised. Get assistance, if necessary, of course.
5. Add material to your invoices to make them mini-advertisements, such as "Call us for your evaluations," or "We always meet deadlines."
6. Personally deliver your appraisals; one of the best indirect marketing methods we know for appraisers. While you're there, maybe you'll get an assignment, or at least they'll remember you for the next assignment.
7. Use wasted TV time to write personal notes to clients or prospects.
8. Always ask for the assignment. Many professionals have difficulty with this. Practice, if necessary.
9. Develop a comfortable and professional way to ask for referrals. Let potential referral sources know what you do.
10. When networking at a meeting, don't just stand around talking with people you know who aren't good sources of referrals or assignments. Ask the person in charge to point out, for example, real estate attorneys or loan officers.
11. If you're new to personal selling over the phone, practice standard phrases, using a tape recorder to record and playback.
12. Always, always, always promptly return phone calls, no matter who is calling. If you don't really want to talk with the person, return the calls during lunch or after business hours, and leave a message on voice mail.
13. Go to a good local business library and "wander around" for a half day, looking at publications, newspapers, directories, books, etc. to give you new marketing ideas.
14. Make your Yellow Page ad reflect the market you're interested in to screen out all the wasted-time calls (for example, only commercial or only residential). Don't run a "generic" appraiser ad. If you're not listed now, get listed. It's cheap advertising for non-lender work.
15. Offer to do inspections during extended business hours, such as evenings and weekends, particularly for residential work during slack income periods.
16. In your established market niche, spend most of your marketing efforts on the 80% (your current clients or previous clients), and 20% on new clients. Most of your business will come from your current clients.
17. If you're having a problem reaching a client or prospect, fax a message. Faxes are usually read.

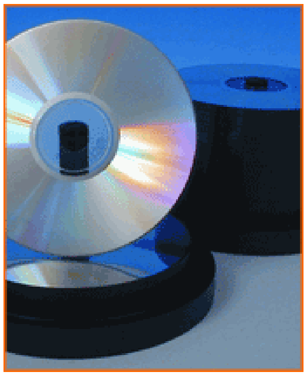
Special Reports on popular marketing topics - $15 each

Special Report on FHA appraising

FHA loans are increasing due to subprime lending problems. This report includes an analysis of FHA, such as how it differs from conventional lending. Reverse mortgages are also covered, an opportunity most appraisers don't consider. The Report includes specific information on how to get FHA business. Also included are 15+ pages of HUD documents, including Q&As on the significant 2006 changes, how to get on the Roster, etc.

Special Report on foreclosure appraising

Foreclosures are increasing. This Report covers how they differ from conventional lending appraisals and, more important, specific guidance on how to get foreclosure business.



CDs OF SELECTED APPRAISAL BUSINESS TOPICS
$12 EACH

Working smarter, not harder audiotape (time management)
Fee splits too high or too low?
Marketing tips (1 hour)

Marketing seminar (3 hours for $29)

To have a profitable appraisal business in today's changing market, you need new ideas on marketing your services, paying fair fee splits that leave room for profits, and getting more work done without working more hours.

The speaker on the professionally recorded, 45 to 60 minute, tapes is Ann O'Rourke, the author of *Marketing for Appraisers, How to Successfully Market Your Appraisal Services,* speaking before a live audience.

Note on marketing CDs: The three hour CD set has different topics than the one hour CD.

YOU'LL HEAR PRACTICAL TIPS ON:

Time management:	**Fee splits:**	**Marketing:**
< Reducing "phone tag"	< Employee vs. independent contractor	< Targeting your marketing
< Saying "no"	< Determining a fair fee split	< What's the best price to charge for appraisals?
< Finding time for marketing	< Keeping track of the competition	< Diversification vs. specialization
< Handling interruptions	< How much support to provide	< How to expand your lender business

To order, call 1-800-839-0227, M,Tu, Wed, 7AM to Noon, Pacific Time
For more information or to order online, go to www.appraisaltoday.com

Reprints of popular Business topics!!

Now available, for $15 each, or <u>$50 for all five</u>. are reprints of the most popular articles published in *Appraisal Today*, a monthly newsletter for principals of appraisal firms.

Independent Contractor Series
- How to keep out of trouble with the *<u>IRS</u>*
- Federal *<u>safe harbor</u>* rules
- Changing from ind. contractor to employees
- How to survive an ind. contractor audit
- *IRS* private letter rulings..be careful

Financial Management Series
- How to avoid *<u>collection</u>* problems
- Collecting *<u>past due billings</u>*.... what we all hate!
- Internal cash controls keep employees honest
- Pricing appraisals for maximum profit
- How to increase *<u>cash availability</u>*
- Selling your appraisal business

Quality and Customer Service Series
- What is quality?
- The customer is *not* always right
- Ways to reduce your *<u>liability</u>* exposure
- <u>Reviewing the reviewer</u>

Personnel Series
- Appraiser compensation - *<u>fee splits</u>*
- Hiring, the first step is deciding who you want
- Recruiting experienced appraisers
- Find out what applicants really know by testing
- How to research resumes and references

Time Management Series
- Increase *<u>productivity</u>* by delegating
- <u>Overcoming procrastination</u>
- Dictation saves time and increases productivity
- Single-handling your mail
- Use checklists to save time
- Save time & money with audio tapes

APPRAISAL TODAY ORDER FORM

Date ________________

NOTE: Special prices for subscribers to Appraisal Today newsletter

BOOKS (PDF only)

☐ Marketing for Appraisers, Second Edition — $39 each (Subscribers - $29) =$____

☐ The Appraiser's Marketing Workbook — $39 each (Subscribers - $29) =$____

Best buy - 2 books for $70 , Subscribers - $50

SPECIAL REPORTS (PDF only) (reprinted articles plus additional material) **Subscribers - $10 each**

☐ Foreclosure appraising — $15 each =$_________

☐ FHA appraising — $15 each =$_________

REPRINT SERIES (PDF only) (articles reprinted from *Appraisal Today* newsletter) **Subscribers - $10 each**

☐ Financial Management

☐ Independent Contractor

☐ Personnel — Number of Reprint Series ____ x $15 =$_________

☐ Quality and Customer Service — All 5 for $65, (Subscribers - $40)

☐ Time Management

(Best buy - all 5 for $65, Subscribers - $45)

AUDIO CDs (Speaker is Ann O'Rourke) $15 each **Subscribers - $10 each**

☐ Working smarter, not harder - 1 hour CD =$_________

☐ Fee splits - 1 hour CD

☐ Marketing - 1 hour CD

☐ All 3 CDs above - $40, **Subscribers - $30**

☐ Marketing for appraisers - 3 hours on CD $40 for CD set, **Subscribers - $30**

CA residents add 8.75% sales tax =$_________

Shipping & Handling =$ 6.00

SUBSCRIPTION TO ***Appraisal Today***

☐ NEW SUBSCRIBER OR ☐ RENEWAL SUBSCRIBER

☐ 12 month subscription to *Appraisal Today* newsletter for $99 =$_________

☐ 24 month subscription to *Appraisal Today* newsletter for $169 =$_________

(Best Buy - $29 off for the second year!!)

(NONTAXABLE & NO SHIPPING CHARGES)

Total order =$_________

NAME ________________________________ ☐ Charge my ☐ Visa ☐ MasterCard ☐ Amex

TITLE________________________________ CARD#________________________________

COMPANY ______________________________ EXP. DATE ________________

ADDRESS ______________________________ Tel. No.________________________________

______________________________________ Fax No.________________________________

Email address REQUIRED ________________________________

PLEASE DOUBLE CHECK YOUR EMAIL ADDRESS - ALL OF OUR PDF PRODUCTS ARE EMAILED

Real Estate Communication Resources, 2015 Clement Ave., Alameda, CA 94501
Please make check payable to Real Estate Communication Resources (RECR)
www.appraisaltoday.com
Phone: 800-839-0227//Fax 800-839-0014