Appraisal Today

Special Report

Legal and Tax-Related Full Fee Appraisals

Appraisal Today
2033 Clement Ave., Suite 105
Alameda, CA 94501
Phone: 800-839-0227
Fax: 800-839-0014
Email: info@appraisaltoday.com
www.appraisaltoday.com

How to use this report

Look through the report and see which markets you prefer. Book reviews are also included at the end so you can see which will be helpful in getting started in non-lender work. The books are very practical and informative.

All the articles are reprinted from past issues of Appraisal Today newsletter. For more information on the newsletter, go to www.appraisaltoday.com/products.htm

Links are "live" so you can click on them if you are viewing the report on your computer.

Potential markets

Marketing tips

Reviews of good books:

VOLUME 16 • ISSUE 11 • November 2008
www.appraisaltoday.com

APPRAISAL TODAY

Legal and tax related appraisals - non-lender work that pays well

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.

Most residential appraisers start with divorce (matrimonial) or estate appraisals. Recently, bankruptcy appraisals are increasing.

What's the difference between lending and attorney appraisals?

Although they are both appraisals, using the same appraisal procedures, the scope of work is typically different.

You will be calling on all the sales and listings, will take as much time at the property as you can, ask questions, and may have a copy of other appraisals that have been done.

The most significant difference, of course, is possible court testimony and another appraiser working for the other side.

You **MUST** have the skills to research and analyze all the data and be able to interview people. You **MUST** understand how to apply appraisal theory. You MUST be able to do more than fill out a form.

If your appraisal skills are weak, take some classes. The Appraisal Institute and the National Association of Fee Appraisers have excellent classes.

Marketing to private individuals and companies

Getting started working for attorneys can be tough. But most of my non-litigation legal and tax work comes directly from private individuals or companies.

They are much easier to market to. Referrals can come from almost anyone - neighbor, friend, local bank, real estate agents, etc.

For me, Yellow Page directories, including their Internet sites has worked very well. I get lots of work directly from my web site. All my advertising specifies estate and trust work, as that is what I prefer. Of course, I get other types of work also from my advertising. Check out my web site at www.appraisaltoday.com - particularly the headline.

"Quick start" attorney marketing tips

Divorce and bankruptcy appraisals can be difficult to break into. On the plus side, most residential appraisers won't do them because they don't want to testify in court.

A good way to get started is to bid low. You won't make a lot of money, but will get experience. Some attorneys are price-sensitive.

Another, more risky, way is to take an assignment that must be completed very quickly. These are risky because you must plan on possible testimony. I regularly receive calls from panicked attorneys who need an appraisal completed in a few days.

Joining your local bar association as an associate member and attending meetings and/or classes of the family law group can really help. Offer to do

In This Issue

registrations. You will meet lots of prospects.

Once you are used by an attorney who likes your work, you may get referrals from that attorney. Also, if you testify in court and do a good job, sometimes the opposing attorney will call you for another case.

What types of residential reports are used?

Find out what is most common in your area. Definitely don't use the current Fannie Mae forms, which are for lender use only. Many forms software programs have "generic" forms for non-lender use.

Appraisers in some areas use form reports and narratives are used in other areas.

What about oral reports?

Oral reports are fairly common, especially for complicated court cases.

They are "phased assignments" where you call with your initial findings and the attorney decides whether or not to continue.

Your appraiser network

Other appraisers, paraticularly local appraisers, you can call for advice and feedback are very important, particularly tough assignments.

If you don't have anyone to call, think back on classes you took. Were any of the instructors or attendees knowledgeable?

"Quick start" attorney marketing tips

Divorce and bankruptcy appraisals can be difficult to break into. On the plus side, most residential appraisers won't do them because they don't want to testify in court.

A good way to get started is to bid low. You won't make a lot of money, but will get experience. Some attorneys are price-sensitive.

Another, more risky, way is to take an assignment that must be completed very quickly. These are risky because you must plan on possible testimony. I regularly receive calls from panicked attorneys who need an appraisal completed in a few days.

Joining your local bar association as an associate member and attending meetings and/or classes of the family law group can really help. Offer to do registrations. You will meet lots of prospects.

Once you are used by an attorney who likes your work, you may get referrals from that attorney. Also, if you testify in court and do a good job, sometimes the opposing attorney will call you for another case.

Why appraisals are needed

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.

What attorneys are looking for

Attorneys looking for expert witnesses are impressed with credentials, such as XX years in appraising, college degrees, speaking engagements, etc.

Of course, what is best is demonstrated ability on the witness stand.

However, if an attorney thinks he or she wants "just a number" you may be able to get an assignment even without a lot of credentials.

Persistence is crucial when getting started

Cold calling is tough. Attorneys are very busy and don't have time to chit chat. Instead, talk with the secretary or person at the front desk. Engage in social talk to get the person to listen to you. Then try to work in asking if the attorney needs any appraisal work done.

If you show up when a desperate attorney needs an appraiser, you may get the assignment.

Of course, some attorneys are very price sensitive and shop for the lowest bidder. Bid low and you may get that first assignment.

Super rush appraisals

A few times a year I get asked to testify next week, or they need an appraisal within a few days.

This is another opportunity to get started. Drop whatever you are doing and say yes. Of course, if you can't do a good job within the time frame, you have to turn it down. For example a rush house appraisal in an area where you have never worked.

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.

Referrals are key

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).

Most of my referrals are from local real estate agents.

Put attorney work at the top of the priority list

In the past, 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. Now that lender work is way down, many of us have more time.

Marketing tips

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 meetin5
gs, 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. Network with local real estate agents. If they don't want to use you for lender work, then you can do a really good job for non-lender referrals. You tell them what it is really worth. Who would you hire to appraise your mother's house who is thinking of selling it to a neighbor? That's the kind of appraisal reputation you need.
6. Contact charities, charitable consultants, and financial planners for appraisals for gift purposes.
7. Contact title companies for more complex valuation issues, such as easements. I do them periodically for homes. My fee is in the thousands of dollars and they pay well. This can be hard to break into. You will need to do some research on who to contact.
8. Contact business attorneys for contributions to partnerships and corporations, and bankruptcy.

Bankruptcy appraisals

Be sure to get paid all cash, up front. You may have to do some testimony, but probably not

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.

Engagement letters

Always have a signed engagement letter that specifies exactly what you will be doing, your rates, and other issues.

There are many different engagement letters. If you are a member of the Appraisal Institute, you can get samples in the private member section.

Liability Insurance Administrators has one written in 1996 on their web site at www.liability.com. Click on Loss Prevention on the left side of the home page, then click on Claim Alerts. Look for "Engagement Letters July 2006."

Most appraisers start with samples and make up their own. I have several templates and customize them for every assignment.

Subpoenas

If you do an appraisal and are subpoenaed, you must appear. However, you are not testifying as an expert with opinions. You are testifying as to fact, such as "Yes, I did this appraisal." Or, "Yes I did an appraisal on 123 Smith St. I looked at the 5 home on July 3, 2008."

If you are asked, for example, "What do you think about the roof repairs needed?" you can just read from your appraisal. Contribute nothing except fact - what your appraisal says.

If you are subpoenaed, call the attorney ASAP to let him or her know that you are only testifying as to fact, and you are not testifying as a witness.

What about pressure?

As with almost any type of appraising, somebody is "looking for" or "hoping for" a certain value.

The pressure is much, much less than working for mortgage brokers.

Court testimony

Many appraisers are afraid of court testimony. You never know when you will have to testify, so it is best to prepare your appraisals as if you will be testifying.

Many of the appraisers I know who specialize in attorney work think aggressively about beating the other side, just like attorneys.

I can do testimony, but I prefer doing the appraisal. I think of myself as a "hired hand" and don't take attorney "attacks" personally. Their job is to shred your testimony.

For most of us, we don't really know if we will like or tolerate court testimony. You just have to try it once.

A few testimony tips:

- You will almost always know more about appraising than anyone else in the courtroom.
- Have you ever had your appraisals reviewed by another appraiser? Most lawyers know much less about appraising.
- Most residential appraisals for divorce or estates are handled in family court, with only a judge and no jury. The judge doesn't let the attorneys "run wild" like on TV.
- Bankruptcy court is also in front of a judge and no jury.
- Answer yes or no whenever possible.
- Get paid at the time of testifying.

Depositions

In today's legal system, much testimony is done at depositions. The attorneys can ask whatever they want and there is no judge to hold them back.

Always get paid at the end of the deposition. The attorney will usually bring a blank check.

Depositions are typically in a room with a court reporter, plus attorneys. Others such as defendant and plaintiff may be there.

Getting qualified as an expert witness

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.

VOLUME 18 • ISSUE 3 • March 2010
www.appraisaltoday.com

APPRAISAL TODAY

Get started in attorney work by doing divorce appraisals

Why are non-lender appraisals needed? Mostly death, divorce, and taxes.

For residential appraisers, most non-lender work comes from estate/trust and divorce work. After you have some experience, you can get litigation such as construction defects or defects that were not disclosed before close of escrow, which pays very well.

This article focuses on getting started by doing divorce appraisals.

Court testimony is relatively rare for estate/trust work and other types of non-lender work, but is more common for divorce appraisals. If you don't want to ever testify in court, don't do divorce appraisals.

If you want a long term career in residential appraising, and not be totally dependent on very cyclical lender work, divorce appraising is a good option that pays well.

Lender vs. non-lender volume of work

When you work for lenders, work is much steadier than for non-lender work. Every residential appraiser I know does both lender and non-lender work.

You get many one-time clients, so marketing is critical.

Divorce vs. lender appraisals

Although they are both appraisals, using the same appraisal procedures, the scope of work is typically different.

You will be calling on all the sales and listings, will take as much time at the property as you can, ask questions, and may have a copy of other appraisals that have been done.

The most significant difference, of course, is possible court testimony and another appraiser working for the other side.

Effective date of the appraisal

Be sure to ask about the effective date of the appraisal. It can be the day you inspect, the day of separation, or another date.

If the date is in the past you will need information on changes (if any) to the home such as plumbing, paint, etc. Try to get copies of checks, bids, etc. Be sure to go over any changes while doing the inspection.

Emotions are high

Everything is personal with a divorce, including the family home.

Be polite and professional. I consider myself as an "appraiser-listener". I spend time listening to complaints about the other spouse or whatever they want to talk about. The time is built into my fee.

Inspecting the house

Find out who will be present - wife, husband, which attorneys, etc. Never inspect by yourself.

Take many, many photos. Ask your client what are the special features of the home. Clients on the "high" side will often say how great the home is and fail to mention any bad features. If you see anything, ask them about it.

If they're on the "low" side, they will let you know about all the defects, including the neighbor's noisy dog.

IN THIS ISSUE

Who can do divorce appraisals?

In my area, the San Francisco Bay Area, most are done by real estate agents, who will also testify in court. They do them in hopes of getting the listing if the home is sold. If you're in a mandatory state, real estate agents may not do divorce appraisals/BPOs.

See who does them in your area. Ask a few local divorce attorneys at a Chamber of Commerce or law association meeting.

If you have limited (under a few years) of appraisal experience and/or are not certified, it can be tough to break in, but keep trying.

You will need to be able to go way beyond what is required for a typical lender form-filling assignment. The skills can be learned. Take a few classes from the Appraisal Institute.

Reviewing reports

You can offer to review the appraisal reports done by the other side. I always ask for the reports even if my client doesn't want a review. Then I can see how the other appraiser approached the assignment, or at least check the building drawing and square footage.

If you are doing a forensic review (for litigation purposes) it is best to do them the same as you do a lender review, so you are not accused of advocacy, unless you are not doing an appraisal, but are hired as a consultant to look for weaknesses in the other appraisal.

Working with attorneys

Attorneys are advocates and try to get the best "deal" for their clients. In contrast, appraisers are experts and only advocate their value opinions.

Some attorneys "shop" for appraisers who will give them a high or low number, depending on what helps their clients.

Just like in lender work, there are some appraisers who are willing to do this. When interviewing a prospect, I always try to find out which side they are on and let them know that my appraisal will be in the middle. I tell them if neither spouse likes my appraisal, the appraisal is probably okay.

Every appraiser is different. It's your choice. Many appraisers aren't as strict as I am.

Fees

Don't underbid unless you're trying to break into the business or trying to get business from a prime new client.

Do your appraisals "as if" they will be scrutinized by attorney, judges, both spouses, other appraisers, etc.

Charge higher than for a standard lender appraisal. How much higher depends on what other appraisers do in your area, how well known you are as an expert witness, etc.

Be upfront about your hourly rate for testimony, preparation, and deposition and include it in your engagement letter. Some appraisers charge from portal to portal (your office to the courtroom), some don't. You should be paid for waiting outside the courtroom. Some appraisers also charge for "waiting" time, when you set aside time for the testimony, but are not called. In my area, typical rates are from $150 per hour to over $250 per hour, depending on your testimony experience.

If the appraisal is not straightforward and requires additional research, set an hourly rate.

If you are paid on a hourly basis, be sure to keep very good track of your time.

Always get paid in advance

I always get an advance retainer fee to cover the appraisal and sometimes testimony time.

If you are deposed, in my area the standard is that your client brings a check for the expected time (or a blank check for the actual time) and pays when you deposition is over.

If you are having problems getting an attorney to pay, mention it to the judge, who usually is sympathetic.

Collecting from attorneys

Collecting from attorneys can be difficult.

If your client loses the case, they will be less likely to pay.

Get as much upfront as possible. If it is a complicated case, get regular partial payments.

What type of reporting format to use

You cannot use the new Fannie Mae forms. You can use the old forms, a "generic" form available in your forms software, or do a narrative.

See what other divorce appraisers do in your area. Some are used to doing forms and others prefer narratives.

The primary problem with using the form is the adjustment grid. How many of the adjustments do you have fully supported.

How to get started

Divorce appraisals can be difficult to break into. On the plus side, most residential appraisers won't do them because they don't want to testify in court.

A good way to get started is to bid low. You won't make a lot of money, but will get experience. Some attorneys are price-sensitive.

Another, more risky, way is to take an assignment that must be completed very quickly. These are risky because you must plan on possible testimony. I regularly receive calls from panicked attorneys who need an appraisal completed in a few days.

Joining your local bar association as an associate member and attending meetings and/or classes of the family law group can really help. Offer to do registrations. You will meet lots of prospects.

Testifying in court

Even if you do many divorce appraisals, you don't typically testify very often. But you should plan on testifying on every appraisal, even if the client says you won't be testifying.

Appraisers who specialize in litigation support often look at it the same way attorneys do. They like the give and take in the courtroom and like to win.

It's hard to know if you will like (or not mind) testifying until you do it. If you can stay calm when being reviewed by an appraiser or answering stupid underwriter questions you should do okay.

I don't mind testifying, even if the opposing attorney tries to make me look like a fool in court. I figure they are paying me for my testimony. The job of the opposing attorney is to try to "shred" it. I do not specialize in litigation work as I prefer doing just the appraisal and don't really like working for attorneys. Just my opinion.

Fortunately, few attorneys know much about USPAP or appraising, so questions are often not relevant and can be strange, particularly for divorce appraisals.

In my area, divorce is handled in family court with just the judge and no jury. The judge keeps the attorneys "on track."

Taking a class, seminar, or workshop in expert testimony can really help. If you are unable to do this, just remember the Primary Rule: Say Yes or No, and just answer the questions. Watching legal TV series can help, but they tend to be overly dramatic.

My advice is to try testifying and see if you like it or don't mind doing it. It pays very well.

Engagement letters

Always have a signed engagement letter that specifies exactly what you will be doing, your rates, and other issues.

There are many different engagement letters. If you are a member of the Appraisal Institute, you can get samples in the private member section.

Liability Insurance Administrators has one written in 1996 on their web site at www.liability.com. Click on Loss Prevention on the left side of the home page, then click on Claim Alerts. Look for "Engagement Letters July 2006."

Most appraisers start with samples and make up their own. I have several templates and customize them for every assignment.

Subpoenas

If you do an appraisal and are subpoenaed, you must appear. However, you are not testifying as an expert with opinions. Of course, your fee is whatever is typical in the court, such as a nominal fee of $50. You are testifying as to fact, such as "Yes, I did this appraisal." Or, "Yes I did an appraisal on 123 Smith St. I looked at the home on July 3, 2006."

If you are asked, for example, "What do you think about the roof repairs needed?" you can just read from your appraisal. Contribute nothing except fact - what your appraisal says.

If you are subpoenaed, call the attorney ASAP to let him or her know that you are only testifying as to fact, and you are not testifying as a witness.

Depositions

In contrast with court testimony where the judge runs the courtroom, attorneys can ask whatever they want. Depositions tend to be long. They are typically used in other types of litigation, not divorce.

Depositions are usually held in a room with a court reporter, plus attorneys. Others such as defendant and plaintiff may be there.

Always get paid at the end of your deposition. The attorney should bring a blank check.

What about pressure?

As with almost any type of appraising, somebody is "looking for" or "hoping for" a certain value.

The pressure is much, much less than when your worked for mortgage brokers.

Should you do divorce appraisals?

If you are a knowledgeable, experienced appraiser (or can take classes to upgrade your skills) you will be able to do the appraisals.

Court testimony is the main reason appraisers don't want to do divorce work. It is your decision. However, typically you don't testify very often.

Most of the residential appraisers in my area who have lots of nonlender business are doing divorce appraisals.

How to market divorce appraisals

Usually you are contacted by an attorney, but sometimes one of the owners if the attorney asks the owners to get an appraisal. If contacted by an owner, be sure to contact the attorney.

As with any other type of marketing, face to face works best. You also get referrals from real estate agents.

To meet attorneys go where you can meet them. Attend local bar association meetings, chamber of commerce meeting, etc. Anywhere you can network with attorneys.

Advertising in a local bar association newsletter or magazine can help.

Owners get referrals from real estate agents and sometimes look for "divorce" on the Internet or in the Yellow Page advertising.

Building up the business can take awhile, but can really pay off. Once you start to testify and the attorneys like you, they will give your name to other attorneys.

Becoming an expert in a local market can really help.

Where to get more information

The Appraisal Institute has books, seminars, and classes on litigation appraising. Go to www.appraisalinstitute.org. The classes focus on court testimony. However, they tend to focus on testimony and research for condemnation commercial appraisals. Attendees are typically very experienced. I have taken workshops and seminars and learned a lot, even though I don't do condemnation work.

The Appraisal Institute hasthree seminars:

- Litigation Skills for the Appraiser: An Overview, which addresses topics for those new to litigation work. One day seminar.
- Litigation Appraising: Specialized Topics and Applications - advanced two day seminar
- The Appraiser as an Expert Witness: Preparation and Testimony 2 days, advanced but lots of good tips

Short workshops are sometimes offered. Check with your association's chapter office.

McKissock has an online class - Private Appraisal Assignments

The Appraisal Institute has a book, but it focuses on condemnation appraisal.

You don't need a special class on how to do most residential appraisals (divorce, estate, bankruptcy). You already know how to do appraisals. If you need to increase your appraisal knowledge and want more tips on testimony, take classes from the Appraisal Institute.

Appraisals for Bail Bonds

Many appraisers have been requested to do appraisals for bail bonds, but most didn't do them because of the typically very fast turnarounds. But today, with work volume way down in many parts of the country and appraisers looking for new markets, appraising for bail bonds is an opportunity with relatively little competition.

Check your state regulations first

Property bonds are not allowed in all states. Just google property bond and your state's name.

What are bail bonds?

There are two ways to get out of jail if someone is arrested: OR (on own recognizance), or posting a bail. Types of bail are:

1. Cash
2. Acceptable securities such as savings accounts and CDs
3. Surety bonds
4. Property bonds

With cash and securities, you post all the bail money required by the courts. With surety bonds, you obtain insurance for the bond. In a property bond, the equity in a property is used for the bail.

Surety bonds

What most people think of as bail bonds are actually one type of bail, surety bails, where you obtain bail through a bail bondsman. The bondsman typically takes a fee of 10% of the bail, and uses an insurance company for the rest of the bail money.

When the bail is high, often an insurance company will require additional security, such as real estate.

Property bonds

Many people are unaware of property bonds. They are a substantial savings over using a surety bond. Fees in our area typically run from $700 to $1500 for all the paperwork and the appraisal (assuming a typical home is used).

The minus, of course, if that if the person skips bail, the property owner loses the home or other property. Usually property bonds are used for very close relatives (child, brother, etc.) After the judge approves the title report and appraisal, a promissory note secured by a deed of trust is recorded, with the court as beneficiary.

How often is bail used?

I was unable to find any statistical information on use of bail. In fact, I was unable to obtain much written information on bail itself at all, except legal references and articles about whether or not bail should be used.

Checking with our local county court, which doesn't keep any statistical records, on a guesstimate basis, out of 350 cases, fewer than 5 property bonds were used and fewer than 10 were surety bonds. The rest were out on OR, used cash bail, or remained in jail. (I do have a large urban population with many in jail on drug charges.)

See if you can find any information in your area. It could be very different from mine (California).

Who does the appraisals for property bonds?

The legal references I saw referred to "licensed" or "qualified" appraisers, but in reality the judge determines who can do the appraisals. Some allow real estate brokers, some require MAIs, and some want licensed or certified appraisers.

Who hires the appraisers?

All the appraisers I spoke with who did appraisals for property bonds were hired by attorneys, or by the people putting up the property bonds.

I couldn't find out who is doing the appraisals for surety bonds, but they definitely use appraisers. I suspect that few appraisers market to bail bondsmen.

What about fees and turnaround?

Fees charged by appraisers are typically 50% to 100% of your normal fees, up front, in cash. Real estate brokers charge much less.

Usually the turnaround on the appraisals is 24 to 48 hours, as someone is sitting in jail waiting to get out. Sometimes the turnaround is longer, if the bail amount is very large, as it takes some time to assemble the properties to be used.

What problems can occur?

I heard of some appraisers being sued when property owners lost their homes, but were unable to obtain their names. One appraiser I spoke with has the owners sign a notarized statement that they understand what happens if the person skips out on bail.

One appraiser mentioned having to testify in court when the district attorney disputed his appraisal so the accused person would have to stay in jail. So he made sure to support the value, plus getting paid for testifying.

What types of properties are used for bail?

Usually homes are used for bail, but many other types of properties have been used, such as apartments and shopping centers. Court requirements differ, but typically the equity in the property must be two or three times the bail amount needed.

How would you market your appraisal services?

For property bonds, go down to the local courthouse and get the list of requirements. Then contact local criminal attorneys. Yes, they can be tough to connect with, but you probably won't have much competition. See if any local paralegals are handling property bonds and contact them.

For surety bonds and sometimes property bonds, contact local bail bondsmen. They are easier to connect with than attorneys, so you can try mailings, personal visits, etc. Try their insurers also. Just go to their offices and ask if they ever need an appraiser to get an idea of the market.

Many thanks to the attorneys, appraisers, and court clerks who helped me.

VOLUME 19 • ISSUE 5 • May 2011
www.appraisaltoday.com

APPRAISAL TODAY

Estate and Trust Appraisals

Lender business has slowed down, as it always does in the inevitable boom and bust of lender appraising.

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? Most appraisals are done for lending purposes.

Even if there are problems in the future requiring more appraisals, 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. Plus the fees are good!!

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.

Many states have eliminated estate taxes as they are very unpopular.

The federal government still has an estate tax. Attempts to eliminate it have not been successful.

Trust appraisals

Most trust appraisals occur when a decedent owned property in a trust.

Sometimes, when a property is put into or taken out of a trust, or the trust is changed, appraisals are necessary

If the trust has many beneficiaries, appraisals are often required when each one passes away or assets are distributed.

Marital deduction - when appraisals are really needed for capital gain taxes

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 after the first spouse dies.

Some of my work is for distributing the estate assets among the beneficiaries.

When one spouse dies, the joint assets pass through to the surviving spouse without any taxes due. The real estate assets need to be appraised. Typically a real estate agent is used or the owner estimates the value. Not the best option, particularly if the IRS audits the return.

IN THIS ISSUE

With the historic significant price increases in real estate over the years, many people have properties that have significantly increased in value. For example, the couple purchased a home for $100,000 in 1965. Now it is worth $500,000. If a new basis is not used when the property is sold or changes ownership, the capital gain is $400,000. If an appraisal as of the day the first spouse passed away, the new basis for capital gains taxation is $400,000 and no tax is due if sold now.

Although relatively few such properties are appraised by licensed or certified appraisers, the minimal appraisal fees as compared with the real estate capital gains seems like a good idea.

My work has definitely increased over the past 15 years for marital deductions. Savvy attorneys are getting appraisals relatively soon after the date of death. If no appraisal was done when the first spouse died, some advisors are requesting appraisals from that prior date. The farther back in time I go, the higher my fee. But the estate is saving so much money, I am always surprised that so few people get them done.

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 that 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?

If the estate tax is repealed, appraisals will still need to be done for establishing a new basis for capital gains.

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:

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.

Who orders the appraisals?

For residential appraisals (up to a few homes or small income properties) I am often called by the executor or administrator who gets my name from a real estate agent or out of the printed or Internet Yellow Pages. Often, 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 up.

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 much stricter than for estates, primarily due to issues with personal property valuation, such as paintings.

IRS Form 709, 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.

If you do an appraisal for gifting, be sure to take the time to make it as accurate and supportable as possible. I charge a higher fee for these.

Non-profit market - gifts

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.

The IRS is very strict regarding valuation rules on gifting, this may be a good source of work.

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.

Some Definitions

- Administrator - person appointed to manage an estate if there is no will
- Alternate valuation date - for federal estate tax purposes, the value of the gross estate six months after the date of death, unless property is distributed, sold, exchanged, or otherwise disposed of within six months, when the value is as of the date of disposition
- Beneficiary - person or organization who is legally entitled to receive gifts made under legal documents such as a trust or will
- Death taxes - Taxes levied on the property of a person who died. Federal taxes are called Estate Taxes. State taxes are called by various names, such as Inheritance Taxes
- Decedent - the person who died
- Estate tax - tax imposed on the right of a person to transfer property at death (federal and some states)
- Executor - representative named by the deceased in his or her will to handle the decedent's affairs
- Gift - property transferred freely to a person or institution, before or after a death
- Gross estate - the total value of all property in which the decedent had an interest, and is included by the IRS code
- Heirs - persons who are entitled to receive your property if there is no will or other device (legal description)
- Inheritance tax - tax levied on the rights of the heirs to receive property from a deceased person (some states)
- Intestate - without a will
- Living trusts - set up while a person is alive and which remain under the control of that person until death - used to minimize probate
- Marital deduction - all property can be passed to a surviving spouse without any tax
- Probate - the process of proving the validity of the will and executing its provisions under the guidance of the appropriate public official
- Taxable estate - assets minus liabilities, excluding property left to a surviving spouse or charity for federal estate taxes
- Testate - a will or other transfer device such as a living trust is left by the decedent
- Trust - one person or institution (trustee) controls property given to another person (trustor) for the benefit of a third person (beneficiary)

Probate appraisals

When a person dies and the will is probated, appraisals of the decedent's assets are needed.

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. In the past, most were attorneys. Now most of them are experienced appraisers.

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 accurate.

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.

What type of appraisal reporting format is used?

In my area, typically form reports are used for estate appraisals. Current Fannie Mae forms cannot be used for these appraisals as they are for lending purposes only. I am using the old Fannie Mae forms, which is awkward because the date of inspection and the effective date of appraisal are different.

See if your forms software has a non-lender form you can use.

Check to see what other local appraisers are doing.

Appraisal payment terms

Be sure to get paid in advance, at least 50%. I don't discuss the appraisal until I receive my final payment.

I almost always get 100% at the time of inspection if the estate only has one house.

What about out of the area appraisals in a multiple property estate?

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 referred them to 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.

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.

If the property is held in joint tenancy and an estate tax return is not filed, an appraisal may not have been 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 ago. 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.

Alternate valuation date

The executor can choose either the date of death, or a date six months later for the effective date of valuation (alternative valuation date) for estate tax purposes.

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.

What about sales verification and information?

Unfortunately, the farther back you go in time, the less the real estate agents remember about the sale.

If you really need to know the details, try contacting the current owner.

What comps can be used?

Lender “rules” such as using old comps don’t apply.

Using comps (or listings that entered escrow) prior to the effective date of the appraisal is usually best.

The reviewing section of USPAP refers to not using comps that sold after the effective date of the appraisal when doing a retrospective review, but this doesn’t apply to retrospective appraisals.

I have used expired listings and comps 6 months after the effective date. Time adjustments are one of the easiest adjustments to make.

Getting “tuned into” market conditions on the effective date of the appraisal

Getting out one of your old appraisals near the effective date can be very helpful.

It is hard to put yourself back in time so you can appraise it “as if” you did the appraisal on the effective date of the appraisal.

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 for sales, after the effective date of the appraisal, 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 crack house 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 learn how to do them. Partial interest on homes is fairly straight forward.

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 non-local 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:

- Difficulty getting income and expense information on rental properties. Typically, no one can find the records.
- Data availability when going far back in time.
- Obtaining accurate information on condition and improvements on the effective date of the appraisal.
- 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?

Areas with older populations are best, such as older subdivisions and older cities. Check the demographics of your local market.

If you work in an area with a primarily younger population, there will be some work from persons dying young. Or, consider working in another area with more older people.

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 20 years, although there were signficant declines in the late 2000s. Real estate prices are high, with the median price of homes at around $350,000, down from a recent high of $570,000.. 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.

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

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 for the marital deduction or if estate taxes are due and 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.

Attorneys

Attorneys are the source of most estate and trust appraisal assignments, You may be contacted by the executor to get an appraisal.

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.

Advertising

I am always surprised by how many active appraisers aren't listed in the local paper or Internet Yellow Pages, don’t have a web site, 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, Internet Yellow Page ads work well. I also advertise in a local city directory. Ten years ago, I eliminated all ad copy except for "Estate and Trust" for my ads. My estate/trust work quadrupled.

About six years ago I changed the top line on the home page of www.appraisaltoday.com to read: "Looking for a commercial or residential appraiser for Estate and Trust appraisals in Alameda County CA? Go to About Us!" My work has significantly increased since then.

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.

For more information on referrals, go to my referral article included in this special report.

Handling multiple property estates

Don't underbid on these assignments. Appraising 3-4 homes and/or 3-5 two to four unit properties can be very difficult as it is very easy to get confused when writing up the appraisal reports. Although this must seem odd, almost all appraisers have difficulty when doing multiple appraisals on the same property type.

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. Value pressures, if any, are typically much less than for lenders.

If you are in an area with a younger population, 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. Be sure to charge your client for court and prepration time. Let your client know your rates.

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. Search for estate tax (upper right) of home page. 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 the general public 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.

Relocation appraisal - an increasing market that pays well

I have been getting more calls for relocation appraisals than I have had for many years. Some try to shop for price, but they give it to me anyway. There are not many experienced relocation appraisers available now, particularly those that went through a previous down cycle.

The real estate market has cooled down almost everywhere, so appraisers will be making money from those homes that don't sell - foreclosures and corporate relocation.

Many appraisers turn them down because they are too busy or never did them before, or just aren't interested in doing them. But the fees are substantially higher than for lender appraisals They really want to know what the home is worth and what is wrong with it.

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 recency 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.

Be sure to keep up on local market changes

Two years ago I did three relocation appraisals (the first relocation appraisals for over a year) The "other appraiser" did not make any negative time or forecasting adjustments. I'm assuming that the "other appraiser" did not go through the market declines from 1989 to 1998, when prices dropped in the Bay Area from 20% to 60%.

Now, I don't always make time or forecasting adjustments as they are not indicated in some markets. The "other appraiser" made the adjustments, of course,

One client requested market data, but the time periods they requested were not appropriate for my market, which is changing on almost daily.

It's not very hard to figure what is happening. Do a full listing history on all sales and listings. Have their been price drops? How many listings are pending sales? Talk with real estate agents and listen to what they say.

Yes, the appraisals are time consuming, but they do pay 50% to 100% over the typical URAR fee and they really want to know what the home will sell for and if there are any problems.

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

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 from the past. 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. Payment is typically 30 days after receipt of the appraisal. I have never had a payment problem with a relocation company. Sometimes they need a reminder, but they always pay.

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?

There are some appraisal clients, lender and non-lender, who aren't "looking (or hoping) for a number," whether high or low, but most are hoping for a number.

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.

Take the excellent ERC online course in relocation appraising.

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 not knowledgeable 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. An easy way to contact them is to regularly attend the weekly open house tours for agents.

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

I have a Special Report on Relocation Appraising, which has a lot more information. This newsletter is just too short!

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.

VOLUME 19 • ISSUE 4 • April 2011
www.appraisaltoday.com

APPRAISAL TODAY

Assessment appeals - a good opportunity for appraisers

Property values have declined almost everywhere. Appealing tax assessments can help reduce home owner property taxes.

Appraisals for property tax appeals are not like lender appraisals. You are working in the past. You need to understand the procedures and politics of the jurisdiction. On the plus side, there are no hassles with underwriters and AMCs.

Every taxing jurisdiction is different. Every state is different. You will need to research the requirements and preferences. Property tax rates vary widely. If a jurisdiction is 1% of the assessed value and another one is 10%, the property taxes can be much different.

I wrote an article a few years ago on tax appeals and attended meetings of assessment appeal boards in two counties. It was a real eye opener. I strongly advise attending a few.

Dates are critical to assessment appeals. See below.

What is the fee appraiser's role?

As an appraiser, your intention is not to try to lower the client's taxes.

As an appraiser, your intention is to provide an unbiased opinion of value; if it is lower than the assessed value, so be it. Likewise if it is higher.

Appraisers adversities all the time to consumers for real estate tax appeal work (and rightly so); the advertising does not constitute an ethics breach.

The promise that the assessed value will be lowered or accepting payment for the assignment based on a result that it is lowered are ethical violations.

Thanks to appraiser Denis DeSaix, SRA for these good comments!!

What is the effective date of the appraisal and the appeals date?

Most, if not all, jurisdictions have a specific assessment date. They also have an appeals date. For example, the assessment date may be March 1 of every other year. The appeals may be way behind. For example, they are hearing appeals for the 2002 taxes now.

When are new assessments sent out?

If taxes go way up, or fail to be reduced, homeowners will be upset and ready to do something,

What is the deadline for appeals?

The appeals deadline is the most critical factor. As the date approaches, you will get more business.

Are there mass assessment changes when prices decline?

Some jurisdictions are computerized and do "mass" reassessments. If these have recently been done or are planned soon, there will be little assessment appeal work.

Be sure to check how reassessments are done.

Providing only data or comps

In California, taxes are only increased on a sale or improvements, thus there is less work available than in other states.

However, California's Proposition 8 allows a temporary reduction in

In This Issue

assessed value if there is a price decline. Providing assistance to home owners by giving them a list of sales (consulting) or comps (similar to a free comp check) is very helpful.

Proposition 8 makes tax appeals for value declines easy. Homeowners just fill out a form with comps. The filing date for most of the counties is November 30, so you have lots of time to get your marketing ready.

Recently a friend called who wanted some sales to submit with her application. I didn't charge her, but she would have been very willing to pay.

What did I send her? All the sales (prior to the lien date of January 1, 2008) from her condo project, a consulting assignment. On a more difficult property, I could have provided comps, with a file similar to one you would set up for a free comp check as you are providing appraisal services.

Providing "comps" is tricky as then you are providing appraisal services. I didn't want to go to that level.

For "comps" I would have been providing desktop appraisal services and would have a higher fee plus a file. I would have to look through the sales and pick the ones best for her condo.

Just like any appraisal, some are easy and some are hard. Be sure to charge more if you need to provide comps because a list of sales is too confusing for the home owner.

What appraisal formats are used?

See what is typically done in the jurisdiction. What does the assessor want to see? Forms used by appraisers include the old URAR, GPAR or other non-lender form, and short narratives.

What about drivebys?

They could be done using the old 2055 form, but you must find out if they are acceptable and adequate for the jurisdiction.

Consulting

You can do preliminary research, such as overall value trends, charging for example, $50 or $75, to be applied to the appraisal fee.

Or, you could just supply sales to the owner to include with his or her appeal. You are not providing a value. You could give the owner a list of sales and have them pick the ones they want.

Decline in value vs. assessment appeal

Jurisdictions vary on how they handle assessment changes.
Check your jurisdiction.

Don't be an advocate

Remember, you are an objective appraiser.

Fees and payment terms

Collect in advance or COD. If you are appearing before the assessment appeals board, have the property owner bring a check.

Here are some sample fees:

- Providing comps only.- $50
- Preliminary consulting. - $75
- Appraisal - $350
- Appearing at tax appeal hearing. - $350.

Does the jurisdiction allow appeals when values have declined?

Check out the reasons that tax appeals are allowed.
Which markets are the best?

Property taxes vary dramatically around the country. Some markets, such as California, can only re-assess when there is a sale or new construction (Proposition 13). However, ornia allows an assessment appeal when your property value has declined (Proposition 8). This market requires research on each property.

In most parts of the country, including California prior to 1979, properties are reassessed on a regular basis. Prices skyrocketed almost all over the country, and prices have declined over the past several years. These markets are much better than those similar to ornia's.

The players - attend an appeals hearing

Depending on the state, players are:

1. Assessment appeals board(s) (or some other name). Number of levels depends on your state
2. Owner's representative and/or attorney
3. Assessor's office
4. Property owner

Each of the players has a different agenda, expertise, etc. I attended appeals hearings in two California counties to get an idea of what it was like. It was quite an eye-opener. There were no other members of the public present. To the average citizen it would probably be very boring and tedious, but to an appraiser it would be much more interesting. I highly recommend attending sessions in your area, even if think you don't want to do appeal work. You may change your mind. I did.

Taxpayers representatives

Tax reps are typically paid on a contingent fee basis. For residential properties, they usually send out mass mailers offering an initial service for a nominal fee, which may or may not help the home owner.

Tax reps appraisal knowledge varies widely.
Since it's an easy entry career, many are attracted to it. There are schools, but they are not really much help as they don't give you the specific knowledge needed in your area.

Check to see what the tax reps are offering, what they charge, and how effective they are.

Some jurisidictions have publicized that tax reps aren't worth much because the assessor's office can handle the appeals better than the tax reps.

As an experienced, licensed, and qualified appraiser you have much better credentials.

Assessment Appeals Board

Be sure to attend a few meetings of the Assessment Appeals Board.

Typically the home owner appears alone. But in knowing how it works you can advise the home owner.

Fee appraisers can testify, of course, Be sure to include this fee in your price schedule.

The assessment appeals board may be very knowledgeable, or know little and fall asleep during your presentation. In some areas, being on the assessment appeals board is a political plum, to be given out by elected officials as a reward to loyal supporters. In other areas, members may be very experienced appraisers or real estate brokers.

Some boards favor the taxpayer, some the assessor's office, and some don't play favorites. Some think it's important to keep taxes coming in, and some think it's more important to treat taxpayers fairly. You need to know their hidden agendas.

You may have different levels, with the first level rejecting almost all appeals. The proceedings may be judicial, with lawyers, or quasi-judicial, with some rules, but giving the appeals board great latitude.

Tailoring your remarks to the expertise of the appeals board is mandatory. For example, in a hearing I attended on a $25,000,000 mixed use property, the issues were rents and OAR. No DCF, or other complicated discussions. No big appraisal reports, just a few pages of comp sheets and rental data. None of the board members appeared to be very knowledgeable about valuing a mixed use property, as revealed by their questions. The tax rep tailored his presentation to their level of expertise.

How does the assessor value properties?

Learn how the assessor does valuations. They can be Cost Approach based, mass appraisals, etc.

Look at the tax card and see how it is done. Also, ask the assessor's appraisers.

In the past, before prices declined, a good approach was to rebut the assessor's office methods and mistakes. The assessor may not have current information. Often the owner will not allow them to see the interior. Maybe it actually needs work.

Some jurisdictions have special requirements, such as commercial properties must be valued using actual, not market, rents.

Tax equalization

For most assessors, except in California and a few other states, the goal is tax equalization, where everyone pays their fair share.

Assessors make mistakes. All appraisers, including assessors, make mistakes.

All the homes should have equalized values. If they don't there is a good basis for an appeal.

Property owner savings

See how many years the assessment remains the same. If the jurisdiction is on a 3 or 4 year reassessment cycle, the tax reduction is much higher than for a one year cycle.

Go after owners who will get the greatest tax reductions.

Appeals with no appraisal

Check the tax card for a property. See if there are any errors in GLA, condition, etc. You are a consultant.

Assessor's office

Some try to not go to appeals, and work out "stipulation" with the property owners. Others may send almost everything to the appeals board.

Some assessors see fee appraisers as "hired guns" and don't like them getting into their business. Find out what jurisdiction's assessor's office thinks.

You need to find out what is actually done as well as what the regulations say.

According to our sources, many appeals in California are handled by "stipulations", where the assessor's office and the owner or owners rep come to an agreement about the assessed value and the appeal does not go to the assessment appeals board. See what it's like in your geographic area. Thus, having a good working relationship with assessor's office employees is very important. Going to the appeals board is like going to court: you never know for sure what's going to happen.

Even if few appeals are settled before the hearings in your state, it's important to know the personalities of the assessor's office appraisers who handle appeals, how the assessor's office values properties (what methods and data they use), where they are weak, etc.

Appraisers in assessor's offices, like most appraisers, vary widely in their expertise and experience. However, as with other staff jobs, over time the lure of greater income takes away many of the most motivated and best appraisers. In the appeals I observed, the assessor's office appraisers varied from very knowledgeable to not very knowledgeable about the specific issues of the valuations.

You must know the tax laws the assessor's office operates under. For example, in California, rents must be economic rather than contract. If your contract rents are lower than market, your assessment could be above "market".

Be aware of the required filing deadlines for appeals. If you miss one, you're in trouble. Taking a copy of the property tax code, which you know backward and forward, to the assessment appeals hearing is advised.

Work with, not against, the assessor's office. Don't try to show how great of an appraiser you are. Find out what they need to understand the valuation problem. Don't try to re-educate them. Try to be open to a range of value.

Like assessment appeals boards, assessors' offices are subject to political pressure. Or, the assessor may be given direction by his or her bosses to keep assessments high to keep tax dollars coming in. Or, to give the homeowners a break if election time is approaching.

Commercial properties

This article is oriented toward residential properties. There are some commercial appraisal opportunities, but most of the large properties are handled by professionals who specialize in corporate assessment appeals. Sometimes they use fee appraisers , but it is not a big market.

These are almost always contingent fee assignments.

Contingent fee assessment appeals

The most money is made in contingent fee assessment appeals of commercial properties. The consultant is paid a percent of the property tax reduction.

The two primary ethical issues are: 1) payment on a contingent fee basis and 2) advocacy. Of the two, contingent fees are the greatest problem.

Everyone I spoke with who does much tax appeal work said if you don't want to do appeals on a contingent fee basis, it's hard to get many clients and make much money. The standard form of payment is a percent of the tax reduction. Many appraisers get occasional assignments to appraise a property for appeal purposes, with payment on a non-contingent basis, but this can seldom be relied on as a regular source of income.

Not being misleading is crucial. You must disclose your contingent fee and what you are doing.

When doing contingent fee work, if you're a licensed or certified appraiser, you cannot act as an appraiser. You must act as a consultant.

If you present an appraisal report, it cannot be done by you, but must be done by someone else. The appraisers I talked with use someone else in their office, a subsidiary company, or fee out the appraisal assignments.

If you're really worried about the ethical issues, you could hire a non-licensed person to handle the actual appeals, and you would provide the supporting documentation. Or, you could set up a separate company to handle the work. I couldn't really get clear, black and white answers as to how an appraiser, who is acting as a tax consultant, should conduct the appeals process so as not to violate the Ethics Provision. It is definitely a gray area, as are many parts of appraising.

In many ways, not being a licensed or certified appraiser makes it easier to be a tax rep. You can do the appraisal and represent the owner. That's one of the reasons few appraisers do assessment appeal work. But, appraisers are better able to understand the appraisal issues than non-appraisers, and make a good presentation of their support for tax reduction.

Property owners "doing it themselves"

All the residential appeals I observed were done by the property owners and most were sad and/or pathetic. I felt sorry for the taxpayers as they obviously didn't know the property tax laws, what time period their sales had to be in, that listings from the newspaper weren't much help, had inadequate responses to the assessor's office appraisal data, etc.

One commercial property owner represented herself, and also didn't know the relevant issues. She made a remark about a condition of the purchase of her property unknown to the assessor's office that would allow her assessment to be reduced. She didn't know it was important and could have easily left it out of her presentation.

It is obvious to me that tax consultants are very useful to property owners. Unfortunately, few are willing to help home owners because of the low profits as compared with commercial appeals.

Do both appraisal and consulting

One appraiser does the consulting. Another appraiser does the value. Or, have a non-licensed person do the consulting if you're in a non-mandatory state. Be sure you have all the USPAP issues absolutely correct in how you handle it. FYI, USPAP does allow this to be done.

Marketing tax appeal services

You will be marketing to consumers. Postcards and newspaper ads can be effective.

Research the market and find out which properties have declined the most and send postcards to the addresses. Compare the assessment to the home prices on the effective date of value. Also target homeowners who will have the greatest tax reduction.

The critical factor is timing the marketing when new assessments come out and when it is close to the deadline for appeals.

I looked on the Internet for what other appraisers are doing. Most of them seemed to have the same verbiage and layout and were a Web site design from a la mode.

When it is time to market, you could change the headline on your web site to say: "contact us for tax appeals in Lewiston County. The filing deadline is October 1, 2008 for the 2007 tax year. See the heading I use at www.appraisaltoday.com

If you're worried about too many phone calls, advertise a link to your web site where the owners can fill out pertinent data such as address, name, assessment, phone number, email, etc. so you can prescreen the prospects. Using email saves a lot of time.

Go through your records and see if any homes you have appraised have declined in value or the assessor has incorrect information. Send letters or call the owners.

One appraiser's success at marketing

From appraiser Fred Holtsberry, posted on the Appraisal Buzz forum:

This has been our slowest 2+ month period since a lull in 2002. Hardly any mortgage lending work at all, a little foreclosure work, some tax appeals, and a few divorce / estate cases.

I did gin-up several tax appeal cases with a direct mail effort. I completed the first appraisal at full fee for a client who found me on the internet – didn't know which site though. In working that engagement, I found 15 other homes in the subdivision which were over-assessed to the extent they are over-paying at least $1,000 per year. Without giving any specifics, I just sent letters to each with "Should you appeal your tax assessment?" printed on the outside of the envelope. I took a red pen and crossed out the "Should you" and the "?", hand-printed YOU SHOULD at the beginning of the sentence and put three exclamation marks at the end (!!!).

So far, four of the 15 have ordered appraisals at full fee to support their appeal to the Board of Revision. The letter inside the envelope was short & sweet – just a brief introduction of my company, the fact that I had recently completed an appraisal to support an appeal to the Board of Revision for one of their neighbors, and that – although an Appraiser cannot pre-judge any specific engagement – their homes were at or near the top of the assessed value spectrum in their neighborhood and far in excess of the highest market sale within their subdivision over the 24 months preceding the 01/01/2010 assessment date.

Since four of 15 was a VERY high success rate for such an effort, I am now kicking myself for not working that angle much sooner. (I didn't get the mailing out until mid-February.) Next year, I am going to target 20 or 30 such subdivisions in advance and get the letter out there before January 25th. That kind of work can be VERY profitable, since the template is set with the first report in the subdivision, all of them have the same effective date, and most of the comps can the re-used many times over. With each Desktop report paying full fee, that can add up to a lot of "gravy" if there are enough orders. I also plan to add a page or two to the web site to explain the process, give the links to the site where all the appeal forms and instructions are available, and disclose the Appraiser's complete independence in preparing the appraisal report (i.e., there are NO guarantees and the Appraiser cannot accept payment which is contingent on any action by the Board of Revision).

Unfortunately, the rules have been written such that this source of business is only available for 7 weeks of the year. If anyone has figured out a way to expand that time-frame, I'm all ears and appreciation ;-)

IF that effort is successful next year, I might see if other local Appraisers want to participate. From what I have seen so far, it is a HUGE potential market, but the short time-frame makes it impossible for a small company to cover more than a few dozen subdivisions effectively. Plus, a cooperative approach would minimize duplicated marketing to the same subdivisions.

Where to get more information and marketing ideas

Research the procedures in your taxing district. Attend a few assessment appeals hearings. See who are the players. Talk with the assessor's appraisers.

Dates are key: notice of re-assessment, lien date, appeals date.

Attend a seminar or meeting given by IAAO (International Association of Assessing Officers).

Many fee appraisers are now working for assessors' offices. Find out if there are any at your assessor's office.

Bankruptcy appraisals - a good niche for full fee work

Note: bankruptcy law is complicated. I have included information so you can understand the purpose of the appraisal. This is not intended as bankruptcy advice. If you need more info, there is more than you would ever want or need on the Internet.

I have written this article so you can better understand when appraisals are needed.

What is bankruptcy?

A legal proceeding in U.S. Federal Court, entered into by borrowers who are unable to pay their debts. In Chapter 13 bankruptcy, the borrower files a payment plan with the court and promises to make partial payments to creditors. In Chapter 7 bankruptcy, a trustee may sell the borrower's assets and use the proceeds to repay the creditors. Both types of bankruptcy stay on the borrower's credit history for up to 10 years.

History of bankruptcy

From eHow.com

"The term "bankruptcy" derives from the Latin to the Italian, "banca rotte" and the French "banqueroute," literally "broken table" or "broken counter," terms referring to the moneylenders' tables that were turned over or removed when their owners were out of money, or made off with collections."

"The Old Testament of the Bible provided for forgiveness of all debts every seven years, but other ancient societies enslaved bankrupts to debtors until the debt was repaid. Although Genghis Khan advocated that a debtor who fell into bankruptcy three times be killed."

"European debtors continued to work off debts as indentured servants until the advent of debtors' prisons during the Industrial Revolution. The state of Georgia was settled by English debtors taking the least unattractive alternative to prison."

Effect of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005

Source: online, lots of Web sites

Widespread changes in consumer bankruptcy law took effect on October 17, 2005, with passage of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, making it harder for individuals to claim insolvency.

The old bankruptcy law, in effect since 1978, was considered extremely housing-friendly. Most distressed borrowers favored filing under Chapter 7, essentially cheap, quick debt liquidation. In practice, most got to keep their homes, while the rest of their property and assets were sold off to pay a portion of unsecured debts such as credit-card and medical bills. When the assets ran out, the remaining loans were cancelled - although some debts were off limits, such as student loans and child support. Future paychecks could go to mortgage payments.

By contrast, the new law was designed to protect creditors. Only low-income borrowers can file for Chapter 7, which wipes out debts. The amended law pushes more people into Chapter 13, which forces households to accept 3-5 year repayment plans on all debts-secured and unsecured. In other words, they're still trying to make payments on car, credit card, medical, and other bills that used to be discharged in Chapter 7.

That makes paying mortgage payments harder. Filing for Chapter 13 temporarily halts foreclosure proceedings, but the protection only lasts as long as the borrower is making mortgage payments.

The original bankruptcy law dates back to 1978, when exotic mortgages were less common and foreclosure was rarely a reason to file for bankruptcy.

Bankruptcy filings are well below pre-2005 levels. Higher costs and increased paperwork of the new law make it difficult for consumers to file. That makes it harder for those facing foreclosure to use personal bankruptcy to protect their homes while they figure out how to meet ballooning mortgage payments.

Prior to Congress passing the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, debt burdened homeowners could file Chapter 7 bankruptcy. This allowed them to clear unsecured credit card and free cash flow to pay their mortgage. However, after this bankruptcy reform forced better-off household to declare Chapter 13 - requiring continued payments to credit card companies.

Home lenders successfully persuaded Congress that they needed special protections that Chapter 13 does not give to other lenders. The U.S. Bankruptcy Code says that a Chapter 13 plan cannot modify secured claims on a debtor's principal residence. The U.S. Supreme Court has interpreted this provision to mean that a Chapter 13 plan must pay the full value of the secured creditor's claim, i.e. the full $300,000 even if the home value is only $200,000. In bankruptcy talk, we say that a Chapter 13 debtor cannot "strip down" the mortgage to equal the value of the residence.

Bankruptcy judges cannot change the interest rates on home mortgages even if the current interest rate is much higher or lower than the interest rate at the time the loan was made.

Possible changes for mortgage modifications

There are several laws working their way through Congress that would allow bankruptcy judges to modify first mortgage loan terms for the borrower's primary residence.

For example, a cram-down provision that would let federal judges lengthen mortgage terms, cut interest rates and reduce loan balances for homeowners in bankruptcy court on the borrower's primary residence, even if the lender objects.

If this is enacted there will be more appraisals needed.

Bankruptcy laws vary among the states

Be sure to check on your state's laws on bankruptcy, which vary widely.

When are real estate values needed?

A home is secured debt, the same as an automobile, for example. Homes are treated very differently than other secured debt in bankruptcy.

In Chapter 7, a value is needed to determine the amount of equity available to pay off other debts. Estimating the amount of equity in the home is needed. Often Zillow, property tax records, or BPOs are used.

In Chapter 13 you work out an agreement to pay off your debt. Typically unsecured debt such as credit card debt is modified or discharged (wiped out). However, this is not possible with secured debt, primarily homes and automobiles.

However, all mortgages are not considered secured debt. Using certain formulas, the second and third mortgages can be partially or fully discharged.

There is pressure to change the bankruptcy laws to allow first mortgage modifications in Chapter 13. Unfortunately, due to "creative" loans many borrowers have to let their homes go into foreclosure as they cannot make the payments. Bankers don't want this, of course, and say it will increase mortgage interest rates.

Who does the appraisals?

Acceptable methods are: 1) A recent appraisal 2) A comparative mortgage analysis from a Realtor 3) A broker's price estimate from a Realtor 4) Zillow.com appraisal (although these tend to give values from a few months ago rather than current value) From an attorney's Web site. Others were very similar.

People filing for bankruptcy are usually short on cash, and obviously prefer Zillow and Realtors. But some attorneys are cautious and want appraisals from a licensed or certified appraiser.

Second and third mortgages - when appraisals are needed in Chapter 13

All the recent appraisals I have done were for second and third mortgage "cramdowns". This work has picked up significantly.

Chapter 7 cancels all debt secured by a house.

Chapter 13 does not affect first mortgages. You are still liable for the mortgage payments.

If the fair market value of the house is less than the amount owed on the first mortgage, then the second mortgage is unsecured for the purposes of a lien strip in a Chapter 13 bankruptcy. This has become important since property values have declined and many borrowers have no equity.

It allows the Chapter 13 court to "strip off" the second and third mortgages and re-categorize them as unsecured debt - which, under Chapter 13, takes last priority and often does not have to be paid back at all.

Debtors can pay off most secured debt by paying the present value of the collateral rather than the entire debt.

The exceptions are:

1. Home mortgages
2. If the creditor has a purchase money security interest in the property (the creditor loaned money specifically so the debtor could purchase the property)

... B. Or loans for any other property purchased within 1 year of the filing date.

How to market your services

I am typically contacted by the home owner. Sometimes I am contacted by the attorney.

Marketing to homeowners is tricky. They may be too embarrassed to ask for referrals from anyone. Yellow Page and your Web site can work.

Marketing to bankruptcy attorneys is easier. Even if they ask the home owner to get an appraiser, they can recommend you. Look for local attorneys who specialize in bankruptcy, especially Chapter 13. Use the Internet to find out about them.

See if your local bar association has a bankruptcy section. Join the association and advertise, network at meetings, etc. Every time I have gone to an association meeting I have been asked about doing an appraisal for one or more attendees. Remember, face to face is the best way.

Where to get more information

Google bankruptcy attorneys in your area. Check your state laws on bankruptcy. The second and third mortgage "cram downs" are relatively new, so there should be some needing appraisals.

How to get business today by networking at meetings

The hot lender market is long gone. To survive you must change the way you run your business. After I almost lost my business in the 1994-97 appraisal recession, I did. But it took time. Appraisers need business today.

In today's tough residential appraisal market, sitting by the phone and fax waiting for orders or constantly checking your email doesn't work.

"Cold calling" prospects is a possibility, but is very, very difficult. If you are successful at cold calling, you can make a lot of money in non-appraisal sales. But you can get a lot of business from referrals, a "soft sell".

The Primary Rule of Getting Business

If no one knows who you are they can't give you any appraisal business. I receive many calls and emails from appraisers desperate for work. When I ask them what they are doing to look for work, the phone typically goes silent. Or, they ask me what appraisal directories are best for advertising.

What groups have prospective clients or referral sources?

Every time I have attended a real estate related meeting or event I have gotten referrals and/or business. How many other appraisers are at the events? There are seldom any appraisers there, except for me.

I get lots of referrals from other appraisers. Why? They don't work my geographic area or (more likely) don't want to do the appraisal because they don't want to try anything new and difficult. How do they know me? Mostly from participation in appraisal groups and networking at educational offerings.

Why network at meetings?

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, real estate 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 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 Cmmerce and am still active in the group. At Chamber mixers, I have gotten an appraisal of a bank building, chatted with a new local divorce attorney, and received many referrals.

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/she recognizes any other participants. If he/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.

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.

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.

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 more appraisal work or get more appraisals done.
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.

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 local 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 acknowledgment, 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. 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

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.

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

This article is based on a chapter in my Marketing for Appraisers book, available free to paid subscribers, on the special Web page.

Susan RoAne's books are excellent. Many of her ideas are in this article. Two of her books are: "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.

Speaking to groups is a good way to get appraisal business

Residential lending is very slow and many appraisers are thinking about marketing.

Whenever I have spoken on real estate topics, I have received referrals for appraisal assignments, usually just after finishing my speech, and often continuing for many years after speaking.

Surprisingly, few appraisers use speaking opportunities to attract new appraisal clients. When speaking, you can communicate with many prospects and referral sources without having to do a "sales pitch," which many appraisers dislike.

When I started my appraisal business in 1986, I spoke to many local real estate offices at their weekly sales meetings. I received referrals for many years from those brief talks.

Speaking gives you an image as an authority on a subject, and definitely can result in appraisal assignments. Fortunately, public speaking is a skill that can be learned. The key to successful speaking is practice and preparation.

What if you're afraid of public speaking?

Many surveys have found that the public's number one fear is public speaking. So, you're normal if you're afraid to speak before a group.

I took the Toastmaster's training program and found it to be very successful program for helping you.

They have an excellent program for people with no experience who are afraid of speaking in public. The fee is very nominal. There are chapters in almost every city. There are 10 chapters in my small city of 72,000 people.

The training is helpful for all other speakers too, including those with lots of experience. Go to www.toastmasters.org .

Audience-centered topics

What speakers do you remember? They were probably speaking on a topic of vital interest to you. To capture your audience's attention and make them remember you better, speak on topics that are important to them.

For example, if speaking to a group of real estate agents, a topic such as "How to Work with the Appraiser to Close Your Sale" would be popular. You could talk about helping appraisers verify sales, making all necessary information such as contracts or leases available, etc. Or you could speak on a local hot topic such as rezoning and what you think it will mean for real estate sales.

For a more general audience such as Kiwanis or a local business association, you could talk about the local real estate market or a hot zoning/planning issue. Business owners would be interested in local retail or office rental rates and vacancy. Or, you could speak on the local home sale market and what you think about price changes, new home sales and increasing population, etc. and what it will mean for the local business economy.

If you're not sure what a particular audience would be interested in, ask members of the organization. They can tell you.

How to get ideas for speech topics

Appraisers are experts on real estate. Take a piece of paper and write down every topic you know well and can speak on for 15 to 30 minutes (a typical speech length). If your mind is a blank, get out a real estate appraisal textbook or one of your appraisals.

Many people are interested in knowing what real estate appraisers do, as we haven't done a very good job about letting them know about us. You could speak on that topic.

Keep clippings from your local newspaper on controversial real estate topics, such as housing shortages, re-zoning (always a hot topic), new or pending legislation, etc. Look at meeting agendas for your local Planning Commission or City Council for ideas.

Develop a list of speech topics that you can submit to various organizations, depending on what their members would be interested in hearing about.

Try using common topic openers, such as "How to Select a....," When You Need a...," and "What You Should Know About...."

The KISS Rule

If you will be a lunch or dinner speaker, remember the KISS Rule: Keep It Simple, Stupid. Keeping people interested and awake after eating and socializing is tough.

You are both an entertainer and a presenter of information. Try to get across one major thought or idea, or at most, two or three ideas.

For example, you are speaking on, "What Appraisers Really Do." Instead of a long-winded, boring discussion of the Three Approaches, you focus on a more personal view, such as how and why you got into appraising, and how appraisers differ from real estate agents. Your major idea is that appraisers are analytical, objective observers and reporters of the real estate industry. (Your subtle message is, "Call me for an objective, expert opinion of value. I don't have any hidden agendas.")

Who needs speakers?

Have you ever been in charge of getting a speaker for a meeting? If you have, you know how hard it is to find good speakers who can talk about topics important to the audience.

The types of organizations needing speakers are endless. Almost all organizations need speakers, either regularly or on an occasional basis.

To get names, addresses, and phone numbers of associations, use the Directory of Associations available at many libraries, a multi-volume, large directory. Contact the national association offices and ask about local chapters.

To find out who uses speakers in your community, read your local paper. Many are mentioned, such as Kiwanis or local business associations. Your local library or Chamber of Commerce should have lists of service clubs and other groups.

Get started by speaking at a local real estate company sales meetings

Many real estate companies have weekly sales meetings and really appreciate speakers. It is very low pressure.

Contact local real estate offices. You will be asked to speak.

What groups should you contact?

The best groups are those with many prospective clients or referral sources. Associations of accountants, attorneys, real estate agents, relocation companies, enrolled agents, government agency employees, etc., are the best places to speak.

Ask your accountant or attorney if they are members of organizations needing speakers. Contact local real estate offices and associations to see if they need speakers.

Don't forget appraisal associations. Not all appraisers are competitors. Speaking can give you both name recognition and credibility as an expert appraiser.

Many people are interested in real estate. Even if you're speaking to a non-real estate oriented group such as Rotary, there are probably referral sources, and maybe prospects, in the audience.

Contact associations in which you are a member. You certainly know what they want to hear about, and can easily find out who selects the speakers.

How do you contact the groups?

If you have spoken before on a hot topic, or have written a book on it, often they will call you. But, more likely, you will have to contact them.

I received few calls about speaking to appraisers until my marketing book was published in 1994 and marketing became a "hot topic."

Your first task is to find out who is in charge of getting speakers. Timing is important, and is often just a luck factor. If you call them when they're setting up speakers, you have a better chance than if you call when their speaking dates are filled.

Getting a speaking engagement often requires persistence. Sometimes their speakers are set up many months ahead. If so, you can always volunteer to be a last minute, backup speaker.

Most groups use volunteers to schedule speakers. If you haven't heard from a group, contact them to see if the same person is in charge. Sometimes the person you contacted has lost the information you sent them or threw it out because they didn't need a speaker at that time. Ask them if they want you to re-send the information.

If you have a friend or business acquaintance who is a member of the group, have that person suggest you as a speaker.

After you've spoken a few times, getting new speaking opportunities is much easier, as you can get word of mouth requests to speak. Also, groups frequently have popular speakers return later for an update if you speak on a time-sensitive topic.

What should you send to the groups?

At a minimum, send a cover letter, resume, and list of topics you can speak on.

For small, informal groups, such as a presentation at a weekly real estate agent in-house sales meeting, a phone call may work.

If you want to speak to a large group, you can send a publicity kit in a presentation folder, including a photo of yourself, sample press release for the speech, handout samples, suggested advertising copy for their newsletter, resume (targeted to the group), list of other places you've spoken, list of topics you can speak on (with summaries of the content), etc.

Paid speaking engagements

We'd all like to get paid every time we speak, but that's rarely possible unless you've set yourself up as a professional speaker and joined a speaker's bureau or have an agent.

If you have to travel to speak, the sponsor typically pays for your airfare and hotel costs.

If you offer a seminar or workshop for continuing education credit, you can often get paid if the sponsor charges a fee to attendees. After awhile, you may want to expand your speeches into two- or three- hour paid seminars, or all day seminars.

Panel discussions

An excellent way to get started in public speaking is as a panelist or moderator. Offer to set up a panel for a group you belong to, with yourself as the moderator or a panelist. Being on a panel relieves you of the pressure of being the only speaker. It is surprising how many in the audience will remember you as a speaker, even if you were just the moderator.

Publicizing your speeches

Don't count on the sponsor to publicize your speech. Ask if they will be sending out a press release before and/or after your speech. Offer to write up press releases for them.

Provide the organization with an article for their newsletter telling the readers about your upcoming speech topic and a brief bio about yourself.

If they don't send out press releases, do it yourself. At a minimum, send out an announcement to the local newspapers to publish in a calendar of coming events.

When you're speaking on a very newsworthy topic, be sure to send a press release to the local newspapers. They may send a reporter to cover your speech.

You'll probably prefer to send out your own press release after your speech. Include a photo of yourself speaking or a standard publicity photo (both professionally done, black and white). Some speakers use "stock" photos of themselves speaking at a podium.

Send the release out within several days of your speech, as it is news and goes stale quickly. Write most of it up before you speak.

Handouts as promotional material

With all the time you've spent preparing for your speech, make sure the attendees don't forget you. Handouts can really help.

I spoke for many years without using handouts. One day, when talking with another professional who also speaks occasionally, I complained that it seemed like a waste of time for marketing purposes. He said that he always has handouts and found them a very effective marketing tool.

Now, whenever I speak I always hand out some written material. Material I have included are: copies of articles I have written, my resume, promotional material for our business, and a speech outline. I always use a title page with the title of the speech, date, location, and our address and phone number as a subtle marketing message.

Sometimes I hand out material in a presentation folder, with my name and phone number on the front page and a "card cut" for a business card on the inside of the folder.

What about a "sales pitch"

You are a business person. Of course, at least part of the reason you are speaking is to let people know your services are available. Most of the groups you will be speaking to understand that.

But, remember that you are primarily trying to demonstrate to the attendees that you are an expert, not sell your appraisal services. Passing out promotional material for your business is okay and commonly done.

This is one time when the "I'm a professional" approach to marketing pays off (being very subtle).

For general audiences who may not know the difference between a real estate agent and an appraiser, or an MAI and an ASA, some general discussion of what appraisers do and what designations mean would be worthwhile for marketing purposes. One way to subtly make your speech more sales-oriented is to include practical problems and how to solve them. For example, you could talk about the problem of determining a value at some time in the past, a common problem in probate and estate work. Then you could explain how you did it. Or, how difficult it is for a buyer and seller to agree on a sales price and how, as an appraiser, you have helped them. Then the audience could see when and why an appraiser would be needed.

Obtaining attendee names and addresses for followup

Sending follow-up mailings to attendees greatly magnifies the marketing effect of your speeches. But most organizations are unable or unwilling to provide attendee lists of names and addresses.

The method I have found most effective for audiences with many prospects or referral sources is to have a drawing for a prize. Pass around a basket for attendees' business cards, with a drawing at some point in your speech. Drawings are usually held at the end of a speech, but if it looks like you're losing the audience (eyes glaze over), it's an excellent method of waking them up. The business cards will provide an attendee list for subsequent mailings.

It may seem "un-professional" to you to have a drawing, but I have found that everyone likes to get something for nothing. We've seen sleepy audiences come alive at drawing time. You can give a gift basket, bottle of wine, or a book or CD on a topic of interest to the audience.

If you're speaking to a more general business or public audience, where a follow-up mailing to all attendees would not be worthwhile, say that you will be in the back of the room for questions. Get the business cards of the people you speak with for follow-up contacting. If one person is monopolizing your time, tell them you will speak with them later. Your objective is to get as many cards and names as possible.

Your introduction

Prepare your own introduction written on index cards or a piece of paper. Most of the people who introduce speakers find this very helpful. Sometimes they use all of it; sometimes part of it plus their own comments.

Audio-visual aids

Overheads and Powerpoint presentations help keep an audience focused, and helps keep away those "glazed-over eyes" in your audience.

Overheads are used by many speakers as you don't have to turn out the lights, and professional-looking material can be prepared with easy-to-use presentation software like Power-Point (Microsoft). Or, you can use your word processing program.

Distributing copies as handouts is a good idea so the audience can concentrate on what you're saying, not on copying them down. Don't overdo overheads and Powerpoint, however. Don't forget to turn off the projector when not using the overheads so that the attendees will focus on what you're saying, not the screen.

Unless you've got a "big voice" that projects very well, plan on using a microphone. If you will be going back and forth to an overhead projector, you can use a wireless microphone or a lapel mike on a long cord. You don't want the attendees in the back of the room to have to strain to hear what you are saying.

Keys to success: planning, practice, and preparation

All successful speakers, no matter how experienced, spend large amounts of time preparing their material and practicing their presentations. Spending four hours practicing a half-hour speech is not an excessive amount of time.

Speaking on a topic you know well is strongly recommended. Research time is much less and you are better able to handle questions from the audience.

Practice your gestures and facial expressions in front of a mirror. Record yourself on audiotape or (preferably) videotape. Practice in front of friends or family members.

For each speech, find out who will be in the audience, so you can target comments (any maybe a few jokes) to them. For example, most of the attendees own small retail shops. You could refer to a tough (or good) retail market and what you think will happen in the future. Or, how retail is affected by the housing market.

A few tips

Reading a speech word for word is very difficult to do well, even though many politicians and lawyers try. Don't do it.

Always get to the meeting room early and check to see that the microphone and overhead projector are working, and make sure you have water nearby to drink.

Don't let your speech run over its allotted time. If you see you are running short of time, skip to the closing. If you have less time than expected for your speech, eliminate pre-marked sections. Don't forget to leave some time for questions at the end.

Record your speeches. A small digital recorder works well. Then you'll know what needs improvement, and what you did well.

Where to get more information

Many books have been written on how to speak well but I strongly advise a hands-on training program such as Toastmasters. There is a $20 new member fee and $27 dues every six months. The clubs vary widely in membership. I recommend joining a club with other business people, rather than a club focused on speaking competitions.

Volunteer to help get speakers for an organization you belong to. Then you'll understand how the process works from the inside!

Speaking is like appraising: you can't learn how to do it by reading a book. Join Toastmasters (www.toastmasters.org) or take a class from a local college. The more you speak, the better you will become. Accomplished speakers are always learning how to do it better.

VOLUME 18 • ISSUE 8 • August 2010
www.appraisaltoday.com

APPRAISAL TODAY

How to have business come to you by increasing your referrals

In times past 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 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 me how to get on lender lists, how to get more business appraising certain property types (such as high end homes), how to break into REO appraising, litigation appraising, etc. I 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 me 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.

IN THIS ISSUE

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 me 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.

Real estate agents as referral sources

Many of my appraisals come from referrals from real estate agents. A local agent gives me over $5,000 per year in referrals for estates, and setting prices for listings.

For the first 10-15 years of my appraisal business I was very active in the local Association of Realtors. Since 1990, I have been going on the weekly open house tour in my city almost every week.

When someone calls an agent for an appraisal referral, they usually give them my name and phone number. If they don't give me the referral, I find out about it at an open house.

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, including networking.)

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 explain it to 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. Some don't have a Web site. 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 and I can't find them online.

Whenever I talk with a referral source or prospect, I always tell them if they lose my business card, they can just google my name or look in the local printed Yellow Page directory.

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.

Why I love referrals

No marketing or sales required, except to the referral source.

They are often one-time clients, so if I don't want to take the assignment (for various reasons) I don't have to worry about getting more work from them, except by referrals.

Almost all of my referrals (both commercial and residential) come from real estate agents. I always let them know I am available for appraisers.

My very first fee appraisal assignment came from a referral by a real estate agent.

Get more business by expanding who you work for and what types of properties you appraise

I regularly get appraisals that other lender-oriented appraisers turn down. Here are a few examples:
- Vacant lot in an urban area
- Vacant 12 acre building site, one home allowed, in a suburban fringe area
- Home destroyed in a fire
- Retrospective home appraisal going back 20 years
- Loss in value of a view blockage
- Home used for residential home care, highest and best use is as a home
- Effect on value of a recorded road maintenance agreement vs. unrecorded agreement.
- Partial interest for an estate appraisal.

All of the above appraisals can be done by residential appraisers who know how to appraise, not just fill out forms for lenders. Of course, I get way above the typical lender fee.

How did I have the confidence to tackle these assignments? I have good education from the Appraisal Institute and its predecessor organizations and I have a network of local appraisers to contact for advice. Both are essential.

Of course, "reinventing the wheel" on these unusual properties is common. I spent many, many hours the first time I did an appraisal of an easement. But if you're not busy, this is an excellent time to get started.

Getting started doing the difficult assignments

Many residential appraisers lack confidence and education for difficult assignments, particularly if they have only done lender work.

Another significant problem is lack of other appraisers to contact for advice.

Recently an appraiser from Southern California called me about appraising a co-op for a non-local lender. There are very few co-ops in California, but one is located in my small city, so I was familiar with the issues. I told him about the Fannie co-op form and the issues involved (read the documents, etc.). The actual appraisal methods used are very similar to condo appraisals. Before calling me, he was going to turn the appraisal down. Another local appraiser would have information on his local co-op project, but at least he called someone who knew about co-ops.

Several years ago I did a relocation appraisal on a home that was sliding down the hill. The relocation company asked me to provide a land value. I used land listings, expired, and sales. The other appraiser (typically 2 appraisers are used) used extraction even though there was a listing sign on a vacant lot about a block away. I charged an addition high fee for the land appraisal, which are difficult in my urban area.

Difficult appraisals for lenders

Every area has appraisers who specialize in upper end homes, rural acreage homes, manufactured homes, certain geographic areas, and other types of properties. Once you do a few of them, they are much easier. You can become an expert on one of these.

What don't appraisers like to do in your area? Where don't they like to work?

When I started my business in 1986, I decided to specialize in Alameda appraisals, where I live. At that time there was no MLS in Alameda and some agents were not too friendly to "outsider" appraisers. Now, I am "the" Alameda appraiser.

Possible non-lender clients

- Relocation companies. Pay more than lender appraisals.
- Litigation - attorneys.
- Estate and trust - attorneys
- Divorce - attorneys
- Title companies - easements and damaged buildings
- Real estate agents - set a sales price, assist in getting a listing price lowered, appraisal if there is no loan
- Private individuals - set a sales price for a private sale, increase in value for improvements, etc.

I have articles on all these topics (except title companies) in my past newsletters and my Marketing for Appraisers book. Both are available free on the paid subsciber web page.

Going beyond Fannie Mae requirements and "coming up with" a number

Appraisers who have been trained by underwriters have limited resources when asked to appraise an unusual property.

Lenders can restrict (or appear to restrict) how appraisers do their appraisals.

You are an appraiser, not a lender form filler.

If your appraisal work has been for lenders who provide a "target" value, you must learn to do "real" appraising where there is no "number."

To get started, try doing a few assignments without looking at the "number," if one is provided. Look at all the data - listings, expireds, sales over 12 months, etc. Imagine you are doing an appraisal for your mother who wants to sell to the next door neighbor and move to a retirement facility. Every dollar counts.

Where to get education

I strongly advise live classes from professional appraisal associations such as the Appraisal Institute, NAIFA, or the ASA. The classes should be at least 14 or 15 hours. These classes offer both an instructor for questions, and, more important, the opportunity to network with other local appraisers.

Other providers offer excellent live classes, such as the Beckman Group's "The Technical Inspection of Real Estate".

Don't forget other groups, such as real estate sales classes (commercial and residential) and symposiums offered by local colleges, etc.

Use your continuing education to learn, not just get hours.

If there aren't any live classes nearby, take online classes.

How to increase your appraiser network

I'm always surprised when appraisers post a local-related appraisal question on a national online chat board or email discussion list. I always wonder why they didn't ask another local appraiser.

The best way to establish a business relationship with an appraiser (or a client) is face to face communication, especially in an informal setting, such as at the bar after a meeting, or during lunch.

Prior to licensing there were many local chapters of appraisal association with regular meetings, making networking easy. To make personal contacts you could volunteer for a committee, take registrations at the door for a class, etc. Today, for residential appraisers, these opportunities are often more limited.

In my local organization, the Appraisal Institute, most attendees and active members are commercial appraisers. However, there are always at least a few local, very experienced residential appraisers attending, particularly when there is a residential-oriented workshop.

There are local informal and formal groups of appraisers that meet regularly. Check with other appraisers. I know of three active groups in Northern California that are formal groups. I'm sure there are many more informal groups. If you can't find one, set one up!!

Classes are also a good way to set up a network. Look for attendees who seem to ask good questions and make contributions to a discussion. Talk with them during the breaks. Ask them to go to lunch with you. All appraisers love to talk about appraising.

The instructor is also a good resource, as almost all are practicing appraisers, but may not be local.

Highest and best use is the key

If you have a residential license or certification, you should determine the highest and best use of the property before taking the assignment. If you do lender work, you may not consider this, but it is always the first step when doing an appraisal.

If you're not sure about the highest and best use of a property, call another experienced appraiser for advice.

Many residential appraisers in my area turn down appraisals of board and care homes, thinking they are commercial appraisals. They are not. The highest and best use is as a home, which is a much stronger, more active market. Some commercial appraisers waste a lot of time looking for board and care comps before realizing it is a house appraisal.

I recently appraised a 12 acre vacant property very close to a suburban city. I first checked the zoning to see if it could be subdivided. It was in Agricultural zoning, with a 100 acre minimum per home. I also checked the local MLS to see if there were any sales or listings. I charged $2,000 for the assignment. It was a residential assignment. A commercial appraiser would have not been familiar with the issues on these types of properties.

Where to get more information

One of the best books I know is Appraising the Tough Ones by Frank Harrison, published by the Appraisal Institute.

Other appraisers to call is for advice is very, very important.

I have an article on starting your own appraisal groups in the October 2008 newsletter, available on the paid subscriber page.

Taking classes and seminars from the Appraisal Institute and other professional associations gives you the knowledge and skills for doing complex assignments.

Note: most of this article was in the August, 2009 issue of Appraisal Today. With today's very slow market for many appraisers, I am reprinting it to give you some ideas.

Market positioning strategies for appraisers - How to stand out from the crowd of appraisers

By Doug Smith, SRA

To paraphrase an old wisecrack, "the average appraiser thinks he or she isn't." With plenty of advance knowledge the re-fi boom was coming to a close, many appraisers assumed certain immunity to the downturn based on the quality of their work as appraisers. Slowing business trends are bringing a new reality to the business scene and providing ample evidence that appraisal skill must be matched with marketing strategies to ensure a steady flow of appraisal assignments.

Appraisers are learning that when it comes to marketing, they may very well be "average." If appraisers looked realistically at the sources of work in the last few years and developed a simple pie chart, the large slice of the pie for re-finance work would have posted warning signs.

Market segmentation is only one phase of the important issue of market positioning strategies that are looming in importance to appraisers in today's market.

Market positioning is better understood by adopting the client's point of view. Simply put, positioning is how the appraiser's target market defines the appraiser and their services in relation to the competition.

An advantageous market position is what makes the appraisal firm unique and is considered a benefit to the target audience. Market experts talk about market "noise."

The objective of positioning is to stand out and have a chance to be heard. Appraisers must understand their product from the client's point of view relative to the competition.

The Basics - Define Users of Appraisal Services - the two classes

For every appraiser, fundamental to shaping market positioning strategies is to clearly define the users of appraisal services.

Appraisers tend to concentrate on their part of the Federal Institutions, Reform, Recovery and Enforcement Act (FIRREA) of 1989 that brought with it formal licensing of appraisers.

The Act went a lot further, however, and set in motion a whole class of appraisal clients that were required by regulation to use their services.

Two classes of client emerged, those who were required by regulation to have appraisals and those who wanted or needed appraisal services in the course of carrying out personal, fiduciary or financial responsibilities.

On the residential side, Fannie Mae and Freddie Mac emerged as market leaders and continued to provide the framework forms most lenders relied upon for their appraisals. After FIRREA, those who were legislated tended to view the appraisal product as a commodity.

When lenders jettisoned their own in-house appraisers in favor of independent fee appraisers, satisfying the requirements led to lowering expectations that the minimum met the standard and price and speed became the most important criteria in the appraiser selection process.

For that client seeking assistance for personal, financial or fiduciary responsibilities, price and speed is not primarily as important at the appraisal itself.

These more sophisticated users recognize both differing levels of expertise and service. Mindful of these client's higher expectations appraisers can better shape their strategies to attract these clients.

Positioning strategy depends on defining the marketing environment and inventorying the qualitative differences of both the firm and the appraiser that result in a competitive advantage.

Appraisers, then, must consider both the internal and external environment.

External Market Environment - analyze your competition and clients

Considering the external environment, an appraiser must consider how the market is now satisfying the need for appraisal services.

Appraisers, for instance, often indicate a willingness to accept trust and estate work. To carry out fulfilling the need in this market segment, the appraiser must know in advance how this appraisal work is conveyed in their market and the client's expectations of the work performed.

Knowing whether clients prefer narrative reports over form reports and the typical scope of work of these assignments better prepares the appraisal provider.

Knowing both the switching costs and mechanics of switching from a competitor is fundamental to understanding the external forces in the local market.

After losing market share to dot.com lenders, local banks are emerging in the forefront with customers foregoing TV and newspaper 800 number promotions. Borrowers are taking a second look at their local banks and credit unions.

To work for local banks, appraisers must be accepted on the bank's appraiser panel. In most cases this has proven to be a daunting task. The approval process is arduous and often an appraiser's place on a local bank panel is by vote of the bank's board of directors.

In effect, for appraisers, acceptance on a local bank's appraiser panel represents a switching cost to the client. Appraisers must fully understand this process in order to compete with other appraisers in the community.

How competitors are positioned is another externality of understanding local market forces. HUD relaxed standards for FHA loans and after many years of dampening demand for FHA loans mainly due to mortgage limits' being outstripped by home values, HUD moved to raise these mortgage limits and appraisers are showing new interest in earning their HUD ticket and becoming approved to complete FHA appraisals.

An inventory of appraisers approved by FHA is easily obtained from the HUD website and can be sorted by zip code. Simple arithmetic will disclose whether there are competitive advantages to becoming an approved FHA appraiser. The same type of inventory can be derived for appraisers credentialed by appraiser organizations, for appraisers listed in the ERC directory and from those listing appraisal specialties in Yellow Page ads or on websites.

The key to focusing on a personal marketing strategy is to know where the competition is headed. In some cases, the opposite is true. If competitors are leaving a field open, the survey as to how competitors are positioned may reveal opportunities. Who is not on a list may be more important that who is on the list.

Internal Environment - your company

The next step is to undertake a true accounting of personal education, skills and related services that gives the appraisal firm a competitive edge over competitors.

Most appraisal firms have the advantage of being small and flexible. The singular advantage of being in a small business is the flexibility it affords. As markets change today, flexibility is more and more the key to survival.

How the appraisal firm fits in on the cost and quality continuum must be defined.

Many appraisers have missed the boat when it comes to arranging their business model around Scope of Work issues.

Appraisers pursue a limited number of assignments at a rigid price level, yet with time available, turn away desk top appraisal products or assignments with limited scope of work.

Low cost does not mean low quality. Opening the door to new products well executed will allow an appraiser to offer lower costs to the market while setting the pace among competitors for higher quality.

Product benefit identification can pay dividends when appraisal services provide something extra that sets the appraisal product apart from those of the competitors.

Some appraisers are better researchers and make a habit of providing more complete data. Useful knowledge is perhaps the greatest benefit to an appraiser.

Knowing how to appraise a special type of property is sometimes the greatest competitive advantage an appraiser may possess.

Should you be the First to market with new appraisal products?

The last area of a firm's internal environment is to decide the acceptable risk level of being the first to the market to capture what MBA's refer to as the First Mover advantage. There is new interest in providing AVM variations with Bradford Technologies in the forefront of providing these types of appraisals. David Braun makes available via Scoopgear.com a multiple regression program.

The program, through multiple regression analysis runs on Microsoft Excel, will estimate a value for a subject property. The program is geared to downloading comparables from the local MLS system and on the basis of selecting several independent variables will deliver a printed estimate of value with defined confidence rating that rates the result "Excellent, Good or Acceptable."

These ratings are based on the fit of the model's predicted sales prices to their actual sales prices. Let me hasten to add that this model demands intense involvement by the appraiser and the latest version takes a little tweaking to become operational.

I saw enough of the program to realize that some who dare, will introduce this into the marketplace and win a place as a "First Mover." Not all products are as forward looking as this "Lite" AVM, but appraisers must always keep their ear to the ground for products and services that can place them in the forefront of the market.

Positioning Strategies

There are basically seven textbook marketing positioning strategies an appraiser may pursue. These are:

1. Product Attributes: In appraising, attributes refer to quality issues. Appraisers have seen dramatic gains in data gathering, map representations in terms of location and for specific uses such as flood maps. Appraisers have added software programs that

improve the quality of cost estimates, scope of work enumeration and sketch preparation. Statistical programs assist appraisers in the work of defining current market conditions. These generally improve the attributes of the appraisal product and raise the quality level.

2. Benefits: Appraisers attract clients that recognize the benefits of the appraisal product. This area of positioning fits into how well an appraiser adapts to the scope of work issue. Giving the client what they want and what they are willing to pay for is more of the business model today then ever before. Timeliness and quality work looms large as a primary benefit to clients. Appraisers succeed when finding balance on the cost/benefit continuum extending the benefit at a reasonable cost in time and effort.

3. Usage Occasions: These center on when and how an appraisal service is used. Appraisers who take on REO assignments understand an assignment is often carried out in steps that begin with a drive-by appraisal or even a desk top appraisal. Scope of Work is discussed with the client and how the appraiser can best meet the needs of the client is the real substance of this discussion. An appraiser can best position themselves by fitting the appropriate appraisal product to the specific need.

4. Users: Defining the user of the appraisal service is the key to obtaining the assignment. Users can be a class of users. Appraisers seek out credentials to appraise for FHA loans and VA loans. Taken as a group, financial planners are often in position to recommend an appraiser and, in some instances, may contract for appraisal services on behalf of their clients. Once identified as a class of users, appraisers may follow up soliciting business. Yellow pages are often a remarkable source of defining a class of potential clients. Presently, there are national companies handling REO business. If interested in REO work, contacting these users of REO services makes sense.

5. Against a Competitor: Appraisers sometimes have to compete directly against a competitor. It takes work to get on a local bank panel. Sometimes submitting an application is not enough and only results in being told the bank has no openings on their panel. In this case, a stepped up campaign is often warranted to at least gain a hearing. This can be accomplished by making contact with one of the members of the board of directors or perhaps someone that knows someone on the board. The point is to have someone speak on behalf of the applicant prior to making contact. The most common competitive situation is bidding for jobs. On the residential side, many appraisal management companies post jobs available each morning on their Internet website or on Appraisal Port.. The early bird gets the worm. The same is true with most Wells Fargo Outlets. Requests for bids are e-mailed to appraisers interested in commercial work. State agencies often offer work out on bid.

6. Away from a Competitor: Some appraisal work is best left to others. Appraisers have limited time and must be discerning in the allocation of their efforts.

7. Product Classes: Appraisal products generally divide into two classes, narrative and form reports with an array of products within each classification. The important distinction is to ensure the client's needs are met and that options are clearly discussed.

Why use positioning?

As is much in evidence today, every product or service has a life cycle. The incredible crush of refinance business inflicted a sense of unreality on the appraisal profession. Appraisers are learning the hard lesson that market segments develop and wane over time.

Positioning is a strategy to clearly differentiate from the competition and to position how users of appraisal services view their services.

Appraisers as they look for new sources of business and new market segments must be prepared to undertake marketing strategies that are client driven. Having a clear positioning strategy focuses on ways to differentiate and meet the challenges of the changing appraisal marketplace.

About the author

Doug Smith has an appraisal practice in Missoula, Montana, and 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 the SRA designation from the Appraisal Institute. He can be contacted at hotelman@montana.com.

The mortgage lending business is changing on a daily basis. What is your business plan for the future?

If this is your first appraisal recession, you have learned a lot about planning for the future. This is the first of a series of articles about business planning. This month's topic is diversification vs. specialization.

This is my third appraisal recession. I finally changed my business before this recession, although it was difficult.

When I started my business in 1986 I had never seen a Fannie Mae form. I had worked for an assessor's office and as a real estate manager for a biotech company. I took a few commercial lender jobs, but they didn't work out as it seems like I was the only one who noticed that the commercial real estate market had started crashing. I knew because I had been unsuccessfully trying to rent our excess office space. The lenders didn't like what I said in my reports.

Residential lending was booming in 1986. Appraisers were backed up 3-4 weeks with work from conventional lenders. There were very few mortgage brokers, so there was relatively little value pressure.

When the mid-1990s appraisal recession hit, I was in big trouble. I lost almost all my residential work and had not built up my commercial work at all.

I would like to say I am very good at planning, but I didn't switch to mostly commercial appraising until I broke my ankle in 2003, at the height of that refi boom. I was unable to get up and down the stairs in homes and had to quit doing residential for almost 6 months. Getting around in commercial properties and apartments was much easier as there were ramps, elevators, stairway railings, etc.

I much prefer residential over commercial appraising, but I accepted that I had to change and did not want to go through another appraisal recession.

I limited my lender commercial work also, as I went through a commercial appraisal recession at the same time the residential appraisal recession happened in the early to mid 1990s.

Today I turn down work every day, both residential and commercial.

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."

Later, 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. To keep my profits up, 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

Level of diversification

	Low	Moderate	High
Number of clients	Under 5	6-34	Over 35
% with one client	Over 50%	11 - 49%	Under 10%
Geographic area	Small	Mid-range	Wide
Types of appraisals i.e. SFR, 2-4 unit, etc.	One type	50%+ of one type	Many - balanced
Types of clients i.e. lender, relocation, legal	One type	75%+ with one	Under 25% with one
Property types i.e. tract homes, 2-4 units, ranchettes, apts., modular homes	Under 4	5 to 10	All types

companies, attorneys, partnerships, etc. I have always made time for these types of assignments, even when I was really busy with lender work.

Property types

For residential appraisers, I advise becoming a specialist in a certain property type can really make a difference. For example, many appraisers don't like to appraise high end homes, 2-4 unit properties, manufactured homes.

What do you like, or don't like to do? Which have good opportunities in your area?

Geographic area

Every minute spent driving is money lost. Carefully consider which areas offer the best opportunities for you.

Working close to your office is the best way to save on driving time, but there may be too many competitors.

Another option is to work in a more remote area where there are few appraisers. Or, high crime areas. I have worked in high crime areas since I started appraising and still do.

What's the best for your company?

How do you rate on the diversification chart? What do you want to do? What is the best business opportunity for you?

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 where you were in the past. What did you like? What didn't you like?

What if you've only done lender work?

Now is the time to look at other types of work and alternatives for lender work.

There are many, many options. My Marketing for Appraisers book, available free to all subscribers, has lots of ideas. My Special Reports ($10 each) are very useful for deciding if you want to go into relocation, estate, and legal-related work.

Change is difficult, but you can do it. Many appraisers just lack the confidence to try something new. Take a seminar, read a Special Report, network with other appraisers who do this type of work so you will have someone to call with questions.

If you can do an appraisal where you don't have a number to "come up with" you can do these types of non-lender appraisals. You are an appraiser, not just a lender appraiser. The same techniques apply to all types of appraisals.

What if you've only done mortgage broker work?

You will have to re-orient yourself to what I call "real" appraising. For example, your mother wants to buy a house directly from the seller. You do an appraisal for her to tell her what is a reasonable price, if there are any defects with the property, the current market conditions, etc. If you can do that, you can do non-broker appraisals.

What if you lack the confidence to do non-lender work?

There are many options:

• Take a seminar, live (preferred) or online.
• Read about the appraisals, such as my Special Reports and other books.
• Affiliate with another appraiser. Pay the appraiser all, or a big part, of your fee.

The hardest part is taking the assignment.

What about other lender opportunities?

There are many options.

• Credit unions.
• Trust departments at banks.
• Hard money lenders (see the article in this newsletter)
• FHA reverse mortgages.
• Desktop reviews, typically done through a large company that specializes in reviews.
• Foreclosure appraisals.

Where to get more information

My Marketing for Appraisers book is free to all paid subscribers. I also have Special Reports available. Go to www.appraisaltoday.com.

VOLUME 18 • ISSUE 9 • September 2010
www.appraisaltoday.com

APPRAISAL TODAY

Connect with other local appraisers for networking and advice on tough appraisals

I am always surprised how many appraisers don't "know" any local appraisers. I have always been active in appraisal groups and can't imagine appraising without the contacts I have made over the years. I have appraisers to call when I have a "problem" appraisal, or business-related questions such as the current volume of appraisal business, what appraisers to give referrals to, etc.

I have been a member of several national appraisal organizations over the years, and am active in the Appraisal Institute local chapter. I have also been a "member" of local appraisal groups, unaffiliated with any national association.

The groups vary widely. Below I have brief descriptions of some of the groups.

Online vs. face to face contact (most of this article is about face-to-face groups)

Both online and face to face groups are useful, but in different ways. I belong to both types.

Using Yahoo Groups, you can easily set up a group for appraisers in your area. Sometimes there is a lot of activity and sometimes not very much. To see other groups, go to Yahoo Groups and search for real estate appraisers. When starting the group, you may need to make most of the postings until the group gets larger.

Face to face meetings take time to set up, but they are much more personal. If you meet someone in person, you can learn more about them and what they do. In contrast, online is much less personal and conversations are more limited.

For me, face to face works better as a contact method I like to get info about the appraiser in a conversational format. This helps me establish a relationship. But I have "met" many helpful appraisers online, but few are local.

Commercial vs. residential

If you're a commercial appraiser, having a network of other appraisers is almost mandatory for sales and lease sharing, particularly lease data. Commercial appraisers need advice on tough assignments. I regularly receive calls for property types I don't appraise and geographic areas where I don't work. I give them names of experienced commercial appraisers who can help them.

But most residential appraisers don't need this, so they tend to be more isolated. Over the years, through networking at appraisal groups, I have built up a list of appraisers I can count on for helping me solve a residential appraisal issue, and appraisers I can confidently use for referrals. Getting a name off the Internet is not the best way to give referrals.

Data sharing groups

Before appraisers could get good access to the MLS and commercial appraisers lacked Costar (commercial sales database), appraisers formed groups to share data. In some areas, data is still difficult to find. Lease data is hard to find almost everywhere, except for listings.

If you're a residential appraiser in

IN THIS ISSUE

an area with non-MLS sales and/or a non-disclosure state, appraiser connections are very important. Or, you're doing an appraisal in a specialty such as manufactured homes or high end homes, appraiser contacts can be very helpful.

Are there speakers or discussion topics?

Some groups have speakers and/or topics, others don't. It usually depends on the person(s) who start the group and what the members want.

Why start a group?

Although we are very independent, particularly in one-appraiser companies, and sometimes think of ourselves as "lone wolves," we actually do like to speak with other appraisers. Have you ever noticed that when two appraisers meet, there is never a lack of conversation?

Although some appraisers are reluctant to talk with competitors because they think they may "steal their clients," most appraisers do what other business and professional people do, chat about their business issues and problems.

Groups are very good for:

- Sharing comps and leases
- Helping with problem appraisals
- Fees. You can't conspire to set fees, but you can ask appraisers what they charge.
- Receiving and giving referrals
- Sharing information on deadbeat clients
- Advice and sharing of business issues such as collections, staying positive, etc.

Yes, there is often some social chit-chat, but that's fine. That's how you get to know them better.

What about continuing education?

CE is a big draw, as it is usually inexpensive. Some states are easy to get approval and others are more difficult. Two or three hour programs are popular, before or after a breakfast, lunch, or dinner meeting for socializing. But this takes time and organizing to set up and run the CE.

Different types of groups

The groups vary widely, from small (3 to 5 appraisers) to large, over 100 appraisers. When groups get large, they often need more structure, such as people to do registration, schedule speakers, dues, etc.

Do you want a politically active group?

Many states have state-wide groups that focus on political topics such as AMC legislation. Check in your state.

This is an excellent way to network with other appraisers.

Which face to face groups succeed and which don't

I have been in several informal groups, but all eventually stopped due to lack of interest and/or time. There are other groups that have been meeting for years, such as getting together for lunch or breakfast.

Groups that are most successful and long standing tend to be similar to appraisal associations, but without the formality. For example, a group in Sacramento has been meeting for many years monthly at a local restaurant. There is an appraiser "in charge" of the discussions but no "speakers".

Having a key person who encourages other appraisers to come is the main reason small groups continue.

Compatible appraisers is another key to success. Residential vs. commercial appraisers, experienced vs. newbies, appraisers who don't see others as threats vs. paranoid appraisers, ethical vs. unethical appraisers are some of the factors. This is probably more of a recruiting factor, or simply luck in who attends the meetings.

For example, some successful groups are long-time, experienced ethical residential appraisers or commercial appraisers who want to share data and get advice. Too many newbies or paranoid appraisers in these groups can sometimes create problems. But I know of one very successful group in Sacramento California that encouraged newbies and wannabes to attend when business was strong.

Another big factor is the amount of work required. Meetings with speakers, providing continuing education, and having officers and a board of directors take lots of time. If the organizers get burned out the group dies.

How to find out about local groups in your area

Do some networking and research to find any local groups. Call local education providers and contact local appraisers. You will eventually find out if there is a local group.

How to start a group

Call a few appraisers you know and see if they are interested. Set a time and date at a local restaurant. One person is usually the "organizer." Communicate by email and/or phone. Email works best after the group is established.

Since we all have to take continuing education classes, see if anyone in your classes is interested in forming a local group.

If you're a member of a national appraisal association, see if anyone in the association wants to set up a small local group. If the association doesn't have local meetings, get a list of local members from the national association and call them.

Don't worry about how many attend. Two appraisers make a meeting! My favorite group only had 3 to 5 attendees.

If the first "meeting" goes well, set

up a regular time, such as 8 a.m. the first Friday of the month at a local restaurant. Consistency is very important.

The Colorado Association of Real Estate Appraisers (CAREA) - dues, speakers

Per the Web site: "The Colorado Association of Real Estate Appraisers (CAREA) is a professional organization formed in April, 1990. It is comprised of both residential and commercial real estate appraisers licensed by the State of Colorado, as well as others interested in promoting our profession. We are based in Colorado Springs, and primarily serve the entire state."

They are 20 years old and have around 100 current members but have been as high as 250 until the Northern Colorado Association of Real Estate Appraisers was formed and modeled after CAREA.

The group started when 6 people decided to meet for lunch once a month to discuss appraisal issues. As the group grew they went to bi-monthly meetings and began to bring in guest speakers, offering 2 hours of CE credit for most meetings. If members attend faithfully all they need at the end of the three year license period is a USPAP update to meet the mandatory requirements.

Appraisers from as far away as 120 miles come to their meetings since there is not a strong NAIFA or Appraisal Institute presence in the Southern Colorado or in more remote areas of Colorado.

The annual cost of membership is currently $120 which includes 6 dinner meetings. They went to this format to lessen the paper work and ensure better attendance.

For more info, go to www.carea.net .

New Hampshire - small informal local group

Per founder, Karen Ryan, "Our local appraiser group consists of a core group of nine appraisers that have been meeting for breakfast once a month since Sept. 2002. We are located in the Dartmouth/Lake Sunapee area. We have to travel 40+ miles to attend monthly meetings of the AI. The NAIFA chapter closed and ASA does not have local meetings.

"We started out going to the local diners, but in recent months we prefer meeting at one of our houses, if possible. It's more relaxing, we can speak more freely, and we tend to stay and talk longer. Each month, we bring comp info to share since we all work the same market."

"It's a very informal group - no rules, officers, etc - but I am the founder and organizer. We now have a close group of appraisers that are always willing to help each other and, at times, socialize together. Almost like a "support group". We're all competitors, but you'd never know it."

"Appraiser friends from across NH join us on Lake Sunapee for our annual "Lady Appraiser Sleepover" in the fall, now in its 7th year. We take boat rides on the lake to look at the waterfront sales, discuss appraisal problems, and share stories and laughs."

"Our little appraisal group is still going strong and still meet once a month for breakfast. The support we give each other is invaluable in terms of sharing comp data, bouncing ideas off each other, and referrals."
Thanks to Karen Ryan,
ryanappraisals@adelphia.net

Real Estate Appraisers Association - Sacramento, Inland Empire and North Bay CA - California group with dues and chapters

REAA started as the first chapter of NAREA, a national appraisal association in the late 1980s. They split off from NAREA in 1990, forming their own independent group.

Paid membership is around 100 appraisers. They have officers, board of directors, and dues. This is a large meeting attendance for appraisers in Northern California. Dinner or lunch meetings are monthly with most offering 2 hours of CE credit.

Recently a chapter was added in the Inland Empire.

I have attended meetings and attendance was very good, for our current slow market.

For more information, go to www.reaaca.org.

Tri County Appraisers Forum (TCAF) - Sacramento, CA - small, long time informal local group

This groups was founded around 1989 by a few local appraisers.

They started in living rooms and cafes and found a home at Denny's, meeting the second Friday of every month from 9AM to noon. By the end of the first year, the meeting room was at its 50-person capacity. The primary focus has been helping new appraisers.

The "meetings" are informal, pay for what you order. There is a printed agenda for guidance, but whatever anyone wants to talk about is fine.

What's the best for you?

Do you like larger groups with speakers, etc. Or, a small local group with no dues. Or, maybe you need to start your own group. It is very, very easy.

How to go beyond form filling for mortgage brokers

Book Review of Appraising the Tough Ones : Creative Ways to Value Complex Residential Properties by Frank E. Harrison Paperback (May 1996) Appraisal Institute (www.appraisalinstitute.org)

Have you ever had to appraise a home with "no comps"? The one home with a huge addition in a tract of small homes? A home modified for handicap access? Or, a home with asbestos siding or an underground heating oil tank?

In today's changing residential appraisal business, taking non-typical, more difficult assignments is critical to your future. Have you ever turned down assignments such as a retrospective value (going back in time) or a life estate? They are actually fairly easy to do.

Practical books about residential real property appraising are scarce. Most are just updates of books originally published many years ago, that rehash 50-plus year-old appraisal theories and techniques.

When I first started reading the book, *Appraising the Tough Ones, Creative Ways to Value Complex Residential Properties*, published by the Appraisal Institute, I encountered the usual academic, hard to read writing style and content in the introduction (i.e., the use of the word "elucidate").

I was pleasantly surprised to see a very different writing style in the remainder of the book: practical, "real world", and non-academic. The author, Frank Harrison, MAI, SRA has a refreshing, easy to read and understandable writing style.

Even more surprising, the author really understands and addresses the practical part of real world, lender based, residential appraising. For example, on the first page in the first chapter, "Many complex residential assignments can be readily identified. An appraiser can easily spot a property that is different from the rest. The appraiser's initial reaction may be a fervent hope that the property being observed is not the subject property; invariably, it is."

Although I have been appraising all types of residential properties for almost 30 years, by the end of Chapter One, I had learned several new ways of approaching complex properties.

Highest and best use analysis is often under-utilized by residential appraisers, probably because of lender work, where if the highest and best use is not the present use there is typically no loan made. One 13-page chapter is devoted to this extremely important topic.

When confronted with a difficult complex residential assignment, the traditional applications of the three approaches often don't help much. For the first time I have seen an appraisal book using the word "creativity" in a positive manner. "Complex residential assignments frequently require creativity. To find creative solutions to unusual problems, appraisers must often resort to techniques that are nontraditional, atypical, and sometimes almost revolutionary. There are no unsolvable problems, only appraisers who cannot or will not apply the techniques necessary to solve them."

In textbooks, matched paired sales sound great, but often aren't practical, particularly for complex properties. Per the author, "In the real world, for every adjustment that can be supported by a matched pair, another matched pair can usually be found to contradict the adjustment."

If you've ever worked in a market with declining values, you know the time adjustment can be tough to prove. The book explains how to use data such as changes in listing data, days on market, and comparison of rents.

Most appraisers encounter nonconformances, typically caused by zoning changes over the years. Three types of nonconformances are discussed: activity (i.e., a beauty shop in a basement), design (i.e., historic districts), and standards (i.e., zoning).

Special circumstances such as life estates, partial interests, easements, stigmatized properties, and historic homes are discussed.

USPAP issues are included, such as pressure for low values (estates), competency and how to get it, appropriate data for retrospective appraisals, and reporting requirements.

On the minus side, the book lacks a list of references, which would be really useful for specific property types and appraisal issues, particularly since some topics have only a brief discussion, such as life estates and environmental problems. The lack of an index is surprising, as desktop publishing programs make them a breeze to produce.

Should you buy this book?

This book is a "must have" for all residential appraisers. If you're "only" a commercial appraiser, do you ever fee out residential work, ever wonder how to approach more difficult residential assignments, or just want to know more about residential appraising? If so, this book will give you some new ideas, plus give you a good picture of real world residential appraising.

Finally, a new practical, well written book on residential appraising (review)

Valuation by Comparison: Residential Analysis and Logic
Mark Rattermann, MAI, SRA, 115 pages, Spiral bound

Appraisers regularly call me for advice on appraising properties. What do I always say? What's the market for the property? What do the buyers want? When I ask other appraisers for advice, I always ask about the market. Comps tell me the past. I want to get a "feel" for today.

Now, finally, there is a book focusing on this basic appraisal question. The book has many situations that appraisers face to illustrate the issues, such as supporting increases/declines in value, adjusting for 3 bedrooms vs. 4 bedrooms, etc., seller/builder concessions, using pending sales, buyers paying over market prices, etc.

Have you ever had any of these problems?

- Changing markets with few recent closed sales, but recent pending sales.
- First resale (or first refi) in a new project.
- Sales where the buyer and/or seller have unusual motivations, such as wanting to be close to a relative or a forced sale because of a divorce.
- Small towns with very dissimilar homes and few listings or sales.
- Markets where many sales are private.
- Builder sales.

These are some of the many issues discussed in the first few chapters of the book.

Appraisers analyze human behavior

Per the book, "Appraisers study what human beings have done in the past so they can predict what they will do again in similar circumstances. For many years, appraisers have studied past human behavior to predict future human behavior much in the same way that a psychologist does. In appraising, just as in psychological studies, an error in either measuring or interpreting the data can lead to false conclusions."

Is this book for new appraisers or old timers?

The book is written for all appraisers, new and old. I have been appraising for 30 years and learned new ways of approaching problems from the book.

The book is understandable for all appraisers. Like many books and educational offerings, newer appraisers benefit the most. I could have really used this book when I started appraising.

What's in the book?

The chapters are:

- The psychology of the valuation process - what buyers and sellers are thinking
- Market consistency - analyzing consistency and handling inconsistent markets
- Design of the analysis - supply/demand, limited data, what to use in your search parameters (zip code, year built, etc.)
- Analysis of other market evidence of value - listings, subject history, pendings, expireds.
- Sales Comparison grid analysis - psychology behind the adjustment grid, selecting comps, etc.
- Supporting quantitative adjustments - how to extract and support adjustments.
- Conclusion

What about lender appraisals?

This book is very applicable to lender appraisals, with practical tips on handling problems.

What about 2-4 unit properties?

Many appraisal books lack practical ideas on appraising 2-4 unit properties. This book has lots of good advice.

Is there a lot of statistics and math in the book?

There are other books focusing on sophisticated statistical analysis. This book focuses on the use of uncomplicated statistical methods to analyze appraisal data to support adjustments.

Should you buy this book?

If you do residential appraising, this is a "must have" book.

There are also very useful ideas for commercial appraisers, who tend to focus on data rather than behavior.

Where to buy the book

Go to www.appraisalinstitute.org and click on Publications, then New Books or call 1-800-504-7440.

The prices are: Members: $30.00*, Non-Members: $ 40.00*, Promotional Price: $24.00*, Special introductory member price good for a single copy through 7/31/2007

* plus shipping and handling