

APPRAISAL TODAY

Start your own AMC

Why am I writing about starting an AMC? So you can better understand how AMCs operate. Working for AMCs is an important business decision today as they may be taking over more of the market.

I regularly receive calls saying "How do I start an AMC?" I used to ask how many millions of dollars they have. Now, I ask who are their prospective clients. Now, the Number One Question is "Who needs your AMC services?" The next question is what services you will offer.

Think of an AMC as a fee appraisal business, where you fee out appraisals to other independent contractor appraisers. Do you pay them the full fee? No. Otherwise you are losing money. How much do you pay them. Fee splits for independent contractors can vary from 20% for a trainee to \$80% or more.

The AMC market is very, very competitive on fees. In the past, some AMCs were able to get higher fees as they provided better service or used more experienced appraisers, so they could pay the appraisers more. Few are able to pay well now.

Decide which services you can offer and how much it will cost you. Who will pay you? Just the lender or both the lender and the appraiser's fee split.

What is an AMC?

Appraisal management companies manage their clients' appraisals. They contract with appraisers to do the appraisals, review the reports, and send the reviewed reports to the client.

Although many appraisers won't agree (or are uncomfortable with this), the "model" used for AMCs is a fee appraisal company that works a large geographic area.

Another way to look at AMCs is as appraisal brokers, who find appraisers to complete the appraisals desired by the client, and receive a payment or commission for their work.

AMCs use staff and/or independent contractors for appraisals and reviews.

Appraisers are paid after their reports are reviewed (most common) or after the AMC is paid (like some appraisal firms).

What's the difference between an AMC and an appraisal business?

They are very similar to appraisal firms using more than one appraiser. Both take appraisal orders, assign the appraisal orders, track the orders, collect from clients and pay appraisers, resolve problems, and respond to questions.

Most appraisal firms review the appraisals. Some AMCs review also, using review appraisers or, more often, automated review software, such as is supplied by many appraisal forms software.

Some appraisal firms offer services to their appraisers, such as office space, computers, MLS access, etc. AMCs don't offer these services to their independent contractor appraisers.

National AMCs such as LSI, RELS, and Countrywide offer national coverage. When a client places an appraisal order, their contract says they have to get an appraisal done, where ever the property is located, whatever it costs time. Paying over market rates in a rural area with few

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appraisers is not unusual. They have high volumes of appraisal orders.

What about smaller AMC's?

There are some regional AMC's, which don't offer full national coverage.

Some AMC's only offer review or REO appraisals.

With the HVCC, appraisers can get contracts to manage appraisals for individual local lenders.

What services do large AMC's offer to their clients?

Lenders use large national AMC's because they offer "one-stop shopping" for appraisals (many also offer title reports and other services). With more and more mergers creating larger and larger lenders, managing a national or large regional fee panel is too much time and money.

Per an article written by Jeff Shurman of TAVMA (Title and Vendor Management Association), "A lender has three choices when it comes to vendor management: Manage appraisal, title and closing vendors in-house, set up an affiliated business arrangement, or outsource vendor contract and work flow management to a VMC." (Vendor Management Company)

"Taking on the work VMC's do today-finding and recruiting appraisers, title abstractors, and closing agents, qualifying them, reviewing work samples, checking licenses, performing due diligence, managing work in progress, processing fees, etc."

What services can your AMC offer?

Large AMC's offer lots of services, but you don't have to offer them all.

At a minimum, you can offer only independent appraisal ordering, which was mandatory in the 1989 FIRRA federal regulations and is mandatory in the new HVCC agreement. You have a list of appraisers and assign appraisals. No review, no appraisal tracking, no appraiser ratings, no license checking etc. This works for a lender that already has staff that handles reviews, etc.

Additional services in managing the appraisal process:

- Ordering and tracking - Who is assigned the appraisal, appraisal tracking, making sure the appraisal is delivered to the client, etc.
- Appraiser selection - monitor license status, review samples, etc.
- Appraiser ratings - this is done by all, or almost all, large AMC's. Turnaround time, conformance with USPAP, errors, competency, etc.
- Handling appraisal problems - access, appraiser gets sick, appraiser doesn't turn in appraisal, problems with appraisal, etc.
- Reviewing - computer based review, desk review, field review

What geographic area do you want to cover?

The smaller the geographic area, the easier it is. You use appraisers you know and geographic areas you are familiar with.

What services do you want to offer?

You won't offer all the services that large AMC's offer, such as reps and warranties on your appraisals, title services, etc.

There can be many levels, depending on what you want to do and what your clients need.

The more services you offer, and the wider the geographic area, the more costs there will be for office staff, software, etc.

Have you had experience in provid-

ing any of services or doing them when working for a lender or large appraisal firm? If you have, it will be much easier.

How can you make money?

The more services you provide, the greater your gross income. Of course, you may not have much net income, particularly when starting out.

You receive your income from your clients and you pay the appraisers. Clients typically pay by the appraisal.

For example, you only order the appraisals and do nothing else. You could charge \$25 to \$50 per order to your appraisers and charge your client nothing. Or, you could charge the client and charge the appraisers nothing.

Or, you offer full service, from ordering to tracking to review, etc. You could charge your client \$500 and pay the appraiser \$300. Out of your \$200 per appraisal you would have to pay all your expenses.

Or, you could offer some services. For example, only ordering and tracking, including guaranteeing delivery of the appraisal by a certain date, with no reviewing. You could charge your client \$50 per appraisal.

There are lots of options.

Who are the prospective clients?

As always, finding clients can be tough. Contact local lenders and find out what they need. If you have enough capital, you can try larger regional lenders.

Regulated lenders were required to have independent appraisal ordering since 1989, but some want more independence than they currently have in-house.

Mortgage bankers are not regulated, so they never had to set up independent appraisal ordering. These companies are probably your best prospects. If they sell any loans to Freddie or Fannie, they must comply with HVCC. Check with local mortgage banking companies. They typically don't offer any banking services such as checking accounts, etc.

What if they are already using another AMC?

Just like any other type of vendor, you may be able to offer more than their current vendor, particularly since there are so many new AMCs.

What business issues are there?

Just like an appraisal firm, you have to manage collections, payments to appraisers, staffing, etc.

Cash flow can be a big problem as you have to wait to get paid from your clients but have to pay your other expenses first, including paying appraisers. No CODs from your lender clients.

What is your liability?

Appraisal E&O insurance only covers individual appraisers. Appraisers are professionals and they, not the company they work for, are liable for appraisal errors.

Reviewers are also professionally liable.

AMCs could have general or umbrella liability, the same that you would have for your appraisal company.

What geographic area for your AMC?

Another big decision, probably depending on how much work you want to do in managing your AMC and what your clients want.

It is not economically feasible to run a large AMC such as rels, LSI, eAppraiseit, without millions of dollars in setup costs and labor costs.

What about software?

You will need software to manage and track your appraisals, communicate with your client, etc.

Large AMCs have invested millions of dollars in proprietary software. For a local AMC, I strongly recommend using an off the shelf solution such as www.myetrac.com. Etrac offers appraisal management software for appraisal companies, lenders, and AMCs. They will customize the software for you. Using "off the shelf" software keeps cost down when you first start your AMC.

Another option is Appraisal Firewall at www.sharperlending.com. This service offers just appraisal ordering.

You could use the automated reviews included in forms software packages, if your appraisers use the same software as well.

What about employees?

Running an AMC is labor intensive. Large AMCs have large payrolls. Not as intensive as having your own appraisal staff, but you may not be able to do it all yourself, particularly if you are doing your own appraisals also.

Cash flow issues

If you are paid \$500 from the lender and pay your fee appraisers \$350, you often will have to wait to receive the lender payment. You will need cash reserves.

Another option: Start a local referral list

Here's a good suggestion from Doug Smith:

Rather than start an AMC, a local referral list would be a greater help. Appraisers should start a Yahoo special group for their immediate area. This way information could be quickly relayed and responded to. Appraisal leads could be circulated.

You should start one with a few of your buddies.

Here is the group of California Appraisers that Dennis Tompkins put together

http://finance.groups.yahoo.com/group/ca_appraisers/?v=1&t=search&ch=web&pub=groups&sec=group&slk=4
(Note: you can cut and paste this long link into your browser.)

Set up the Yahoo group to work like an AMC. Have a website that allows appraisal assignments to be posted that will in turn broadcast the offer to members of the special Yahoo group.

We are all going to die if we don't stop living in our own little worlds. All appraising is local and appraisal organizations are a place to start, but we must start working together at the very grass roots level.

What about AMC regulation?

Check with your state to see what is happening.

Where to get more information

The AMC's trade association is at www.tavma.org.

If you work for any AMCs, decide what you like and don't like and how you can do it better.

Tips on working for AMCs

The primary Rule of appraisal fees is that there is always someone who will work for less. However, AMCs compete primarily on fees in today's market.

In this article I refer to lenders. Lenders fund their own loans. Mortgage brokers do not fund their own loans.

I have written several recent articles in this newsletter on AMCs, from the appraisers viewpoint in the January 2009, December, 2008, November 2008, and May 2008. Go to the special subscriber page to read the newsletters.

Who has to comply with HVCC?

HVCC is not a government regulation. It is a private agreement between Fannie and Freddie (GSE's) and the New York Attorney General. However, Fannie and Freddie have sent out instructions to their clients on what is required for loans sold to the GSEs.

Although HVCC only applies to loans sold to Freddie and Fannie, many lenders are using AMCs for all their appraisal ordering as it is easier for them.

HVCC and FIRREA

FIRREA, a federal regulation, was passed in 1989 as a result of the S&L melt down. It mandated appraiser licensing and separation of ordering appraisals and originating loans.

In the 1990s, several research studies showed that having mortgage brokers originate loans was cheaper than having in-house loan officers.

Since then, mortgage brokers became the predominate loan originators, up to 80% of the loans in some areas.

Starting in the late 90s, there was another of the infamous up cycles in residential lending. Armies of trainees were needed. Since regulated

lenders didn't hire trainees, fee appraisers hired and trained them.

Many worked for mortgage brokers, where there was considerable pressure. Appraisers who had worked for regulated lenders were subject to much less pressure, if only from having appraisal ordering and loan originated separate, as required by FIRREA. Trainees did not have the opportunity to work for clients that did not pressure them.

How to get higher fees from AMCs

1. Ask for a fee increase. If you don't ask, you won't get it.
2. Turn down tough assignments where you can't get a fee increase.
3. Work in a rural area where there are few appraisers.
4. Dump the AMCs that are a lot of hassle.

Who will be ordering the appraisals?

Not every lender will be using AMCs. Smaller lenders are setting up ordering departments or people who are separate from loan officers.

Brokers cannot order appraisals. I can't seem to get any answers from brokers I know about what will happen. Some say their lenders won't be making any changes and brokers can order their own appraisals. Others say their main lenders will be doing their own appraisal ordering, usually through an AMC.

No more borrower paid CODs for loans subject to HVCC.

Getting paid at the door by the borrower is a relatively new payment method for appraisers. This took off when mortgage brokers wanted it, as they didn't have to manage appraiser payments.

For many mortgage brokers, with HVCC, lenders or their AMCs pay the appraiser.

You will have to carefully monitor your accounts receivable and be careful regarding who you extend credit to, particularly AMCs not affiliated with a major lender.

Why do lenders use AMCs?

Lenders use AMCs because they offer "one-stop shopping" for appraisals (many companies also offer title reports and other services). With more and more mergers creating larger and larger lenders, managing a national or large regional fee panel is too much hassle.

The appraisal fees the lenders pay to the AMCs are typically higher than they would pay to fee appraisers, but they don't have the expense of fee panel management, and managing their appraisals (ordering, reviewing, etc.).

Many AMCs don't pressure appraisers for value, so lenders see them as more objective.

The most likely lenders to use AMCs are large regional or national banks, thrifts, and mortgage banking companies. Finding an appraiser for a one-time loan in a remote area can be a challenge unless you have a very large fee panel.

What are the minuses for lenders?

When lenders use AMC's they give up control over the appraiser and the appraisal.

During busy times, AMC's are not always able to complete reports on time.

Because of the lower fees, there can be quality problems if trainees are used, or experienced appraisers try to complete them too quickly.

Local lenders using a relatively small local fee panel don't have much incentive to use an AMC. They lose feedback from their appraisers, and the fees paid to the AMC's are typically higher than are paid to the fee panel appraisers.

What about fees?

When a large AMC takes a contract, they typically agree to get appraisals for all the client's deals in a specified geographic area (often the entire U.S.).

AMC fees can vary from 40% to well over 100% of your typical appraisal fee. Fees vary by supply and demand.

Getting 50% to 80% of your standard fee is acceptable to some appraisers. But, if you use associates who are only receiving 25% (or less) to 40% of a standard fee, obviously there are problems. Sometimes trainees are used as they are willing to work for low fees to accumulate hours.

If there are lots of appraisers and low demand, the fee is lower. If demand is high and there are few appraisers available, they will pay close to your standard fee.

If they need an appraisal in a rural area with only a few appraisers who are already busy, they may have to pay well over the standard fee.

AMC's typically receive a higher fee than you would charge a lender. However, that fee also includes a review and other services. In today's mortgage broker driven origination market, many wholesale lenders send

all their appraisals out for review, which is often included in the AMC appraisal fee.

For example, you charge \$300 for a URAR. The AMC charges the lender \$400 and pays the appraiser \$160. Some AMC's charge only \$50 to \$100 over the standard appraisal fee.

From the lenders' side, they receive an appraisal (\$300) plus a review and don't have to manage the appraisal process - maintaining an approved appraiser list, ordering, tracking, reviewing, and managing accounts receivable.

What about payment problems?

Just like other clients, some AMC's have significant payment problems and others are never a problem. You certainly don't want to work for an AMC who doesn't pay you until they have been paid by their lender clients.

For AMC's and other out-of-the-area clients, collection can become a big problem, so be cautious about whom you work for. When you bill them, you are extending credit.

Although many appraisers believe clients should pay when they receive an invoice, few businesses are run this way. When you receive a bill for your MLS or telephone service, do you stop what you are doing and pay that same day? Probably not. You need to ask the AMC about their payment terms and then track when they actually send you a check.

What about value pressures?

In the past, very few AMC's had value pressures (i.e., say "if you can't get this value, the assignment is canceled") but there has been an increase in this type of appraisal pressure. Just don't work for them. Why work for a low fee and then get hassled about value?

What about reviews?

Some AMC's use fee reviewers, another income option.

Some AMC's seldom call appraisers, some use experienced review appraisers, and others call with "stupid underwriter questions."

If there are problems with an AMC, don't work for them.

Why work for an AMC?

Because of the lower fees, one-appraiser firms seem to work best for AMC work. If you have to split the low fee with an experienced appraiser, that person isn't making much. Trainees are an option, but some AMC's will not accept trainee work. Don't ever sign an appraisal indicating that you inspected the subject when you didn't.

New appraisal companies can get started with AMC's, particularly if breaking into the local lender market is tough.

Some appraisers don't like the fast turnarounds, i.e., three days. Working for a low fee and a fast turnaround are definite minuses.

However, there are some benefits to working for appraisal management companies:

- If you don't have any other work, it's better than nothing.
- Unless you work for an appraisal management company, you won't be able to get work from certain lenders.
- You won't be hassled by mortgage brokers and underwriters.
- Access to lenders without having to be on a lot of fee panels.
- Only one company to deal with instead of many with conflicting requirements.
- Some are very loyal to their appraisers, especially if they continue to work for them when business is strong.

Typically you don't communicate with the lender who ordered the appraisal. That can be a plus or a minus. The plus side is no phone

calls. The minus side is not being able to communicate about problems or ask any questions.

What are the "good" AMCs?

Just like any other type of client, there are those you like and those you hate. Everyone has a different opinion.

What AMCs should you work for?

Appraisers seem to be most satisfied working for AMCs who:

- Regularly send appraisals - not just their "rush" assignments
- Pay when they say they will (or, preferably, pay quickly)
- Don't call 2-3 times a day for "appraisal status"
- Don't require desktop appraisals before giving the assignment ("comp checks", "pencil checks", etc.)
- No value pressures
- Minimal "stupid reviewer conditions"
- Have staff review appraisers
- Have appraisers in upper management

How do you find these AMCs? Ask other appraisers, research the companies, or just give them a tryout on a few appraisals.

A good way to find out about an AMC is to go to www.appraisersforum.com and search for the AMC's name. The postings tend to be very negative about AMC work, but you will at least find out something about AMCs.

Listed below are some additional topics to research. Some of the information is available on AMCs' web sites. Calling the vendor manager can answer other questions.

- Part of a large corporation or a privately owned small company
- Number of employees
- Number of many staff/review appraisers
- Number of appraisers in upper management positions
- Looking for appraisers now or in

the future in your geographic area?

- Geographic area of coverage
- Payment terms
- Turnaround requirements
- Electronic transmission requirements
- Licensing and experience requirements

Lists of AMCs

A good sources of AMC company information are Title and Vendor Management Association (TAVMA), a trade association at www.tavma.com. Click on "About TAVMA" in the upper left of the home page. The list includes companies that don't offer appraisal services but most, if not all, of the major AMCs are members. Click on the links for company information. Contact the Vendor Management or Appraisal Departments.

How to research an AMC

Go to their Web site.

- Search Google for the AMC and the word appraiser or appraisal.
- Contact appraisers who have the AMC listed as a client. Their Web sites will come up on your Google search above. Make up a short list of questions such as value pressure, invoice payments, fees, loyalty, etc.
- Go to www.appraisersforum.com and search for the AMC name. See what other appraisers have to say.

Don't be paralyzed

I know what it is like to be paralyzed, unable to do anything. Seeing the glass as half full, which is necessary for business success, is tough. It can be overcome, by taking little steps, such as looking at the positive and the negative.

For example: "I am never going to get another appraisal." Of course, we know that is not realistic. Instead say "I am a good appraiser. I will be getting appraisal assignments again. I will use this time to work on marketing and education."

Another example: "AMCs are taking over with their low fees. There is no hope." Instead think: "I will work for AMCs during this down cycle just to have some money coming in. When the market changes, I will dump them."

Appraisers that leave the business leave more work for us!

Automate your MC data research with Total Solution© 1004MC - Software Review

By Douglas G. Smith

Editor's note: Before writing this article, Doug Smith researched the available MC form software. He decided that David Braun's software was the best. This review also includes comments on the two appraisal "camps" on market conditions analysis and other topics. The MC form does not require historical listing data analysis, but Smith reviewed this as it is an option.

"The purpose of this addendum is to provide the lender/client with a clear and accurate understanding of the market trends and conditions prevalent in the subject neighborhood. This is a required addendum for all appraisal reports with an effective date on or after April 1, 2009." Fannie Mae 1004MC/Freddie Mac 71 March 2009

Although announced to the appraisal/lender world in November 2008, appraisers are only now scrambling to take steps to fully understand the new 1004 Market Conditions Addendum and devise a strategy to complete the form. Most agree completion of the Addendum will add to the work of preparing reports. Some lenders, in anticipation of the deadline, have asked that appraisers submit the completed form prior to the April 1, 2009 date.

While some lenders have stepped forward assuring appraisers they will be compensated for preparing the new Addendum; others have taken the stance that the Addendum only formalizes data that should already been gathered and analyzed and no increased fee should be expected.

That the information on the Market Condition Addendum is segregated into three distinct time periods refutes the contention that appraisers already gather the data required by the form in a similar fashion.

Whether an appraiser gathers and analyzes data on an annual basis or month-by-month, the current separation

into one six month period and two three month periods requires re-working of any past methods of reporting trends.

It is clearly evident that preparation of the new MC Addendum will take more time. For appraisers, the challenge is two-fold.

First the appraiser must meet the competency standards of the scope of work necessary to complete the form and secondly the appraiser must consider the preparation time and productivity issues of meeting these requirements.

To address both of these challenges, David Braun MAI,SRA from Automated Valuation Technologies, Inc has developed Total Solutions©, a software program to assist appraisers with the process of preparing the 1004MC form. Total Solution© is both an elegant and practical time-savings means to competently fulfill the entire range of requirements of the new 1004MC Form.

Priced at \$149.00, it is available at www.scoopgear.com and is available in two versions, one running on Excel 2007 and another geared for Excel 2003.

Educational Support

The appraisal community has risen to the occasion with scheduled classes and seminars. Bloggers and appraisal chat forums are active with on-going commentary on the introduction of the new Addendum. Noted appraisal information publicist Henry S. Harrison is marketing a 117 page booklet, *How to Fill Out a Market Conditions Addendum*. Lenders and appraisal management companies are issuing guidelines and instructions to supplement the information distributed by Fannie Mae. One Appraisal Management Company, StreetLinks National Appraisal Services, requires appraisers review Company guidelines before a fee increase is authorized.

There are two basic documents, both issued by Fannie Mae, that require the appraiser's attention in anticipation of

the April 1, 2009 deadline.

Both are available on the Fannie Mae Website. The first is Announcement 08-30 dated November 14, 2008. The second is Appraisal and Property Report Policies and Forms, Frequently Asked Questions (FAQ's) also dated November 2008 and updated March 2009. In the middle of March, Fannie Mae released a 26 minute instructional video that expands on the information formerly released about the 1004MC.

Appraisal Community Divided

From debates on public forums and discussion held at recent seminars, it has become apparent that the appraisal profession is sorting down into two camps.

Both have considered and evaluated the information distributed by Fannie Mae and from this information have come to differing conclusions.

The main group has concluded that ordinary and customary information gathering is required with a focus on existing capability of local data sources mostly derived from Multiple Listing Services. This group holds that Fannie Mae's intent does not require the appraiser prepare extensive spread sheets, graphs or charts. Fannie Mae has strengthened the case for these appraisers. Recently, when the form itself was revised, instructions included less emphasis on past listings if these listings were not readily available in the data provided to appraisers.

The second group of appraisers, the "quants", typically comfortable with differing levels of quantitative analyses, emphasizes the obligation to prepare supported conclusions. These appraisers advocate the use of spreadsheets, charts and graphs to support their conclusions, not only for the specifics of the form itself, but to assist in handling the larger question of neighborhood trends required of the parent form whether it is the 1005, 2005 1025 or another. For those appraisers who make the claim that data is not available, the "quants" are quick to remind that these appraisers

must face the consequences if their reports are later reviewed and the data is found to be readily available.

David Braun with his Total Solution © Software has carefully weighed the opinion of both groups and offers a solution that focuses on the outcome of the analysis rather than the process.

His premise is simple, "If there is means to simplify and competently complete the scope of work to prepare the Market Condition Addendum, why not utilize this capability?"

Let's look at a simple example. The new Market Condition Addendum sorts down the prior twelve month period into three segments. If only MLS data is used, the appraiser must make no less than three queries, one for the current three months period, the second for the next past three month period and finally a search of data for those results found in the prior seven to twelve month period.

Braun's software only requires one search and this search is recommended to include a search of a longer period, at least two years, to fully include data for determining trends. The software completes the sorting and calculates the results. Appraisers using the software report results from start to finish under 30 minutes.

Prior Listings

One of the sticking points of adapting to the new Addendum is the handling of the analysis of prior listings. In the recently published Fannie Mae audio presentation, the presenter, Mark Ratterman, MAI, SRA states emphatically that prior listings must include all listings at the time within each time period.

In Henry S. Harrison's recent publication on how to fill out the form, prior listings are handled in an unexpected way that may very well be misleading if not clearly explained. Appraisers are cautioned to carefully consider the methodology outlined in this publication. The Henry Harrison Guide uses only current active listings, sorted back into the prior periods. If only current listings are utilized in the analysis, logically, these can show no trend at all,

only the playing out of a typical listing history. Older listings are likely to be too few and in some cases might, for instance, show higher prices that account for these listings remaining on the market unsold.

On the other hand, the software developed by David Braun, develops the required information by looking at the total range of information found in the typical Multiple Listing Service database, properties that have sold, properties with cancelled or expired listings and also those that are remain active listings. In this way a more representative number of prior listings can be derived contributing to demonstrating a trend.

Needs Assessment

For appraisers considering incorporating a software program to assist with the completion of the MC addendum, there are two major issues.

The first deals with the data used by the appraiser. Credibility of the output depends on the quality of the database.

Secondly, there is the basic USPAP issue of competency. Appraisers will benefit from a review of Advisory Opinion 18 that addresses the USPAP issues of using a computer modeling program. Although directed to valuation models, the guidance found in AO-18 applies to the use of any software modeling program.

The appraiser may not fully understand the intricacies of the program, but must be able to describe the overall process and verify that the program's output is consistent in producing results that accurately reflect prevailing trends in the marketplace. Appraisers may benefit from taking a refresher course on using Excel spreadsheets.

The database most appraisers use to derive market trends is a local Multiple Listing Service (MLS) Since there are no standards in the format or components for these services, there is wide variance of one multiple listing program over another. No one vendor has become dominant and become the market leader in setting a consistent standard. The biggest challenge of implementing the Market Condition

Addendum, is not so much the form itself, but deriving the required information from the local MLS.

Therefore appraisers must carefully consider how the local MLS can meet their needs in fulfilling the requirements of the new form. Total Solution® requires six fields and two optional fields. The first step is to confirm that the local MLS provides output for each of these fields.

The six mandatory fields are: Date of Sale, Sales Price, List Price when sold; Off Market Date or Listing Date, Days on Market and MLS Number. Note: appraisers have a choice of including either the Listing Date or the Off Market Date.

The two optional fields are Real Estate Owned (Foreclosure) and Square Footage. Another optional field for concessions is also available. The MLS should be able to return a search that includes, properties sold, properties listed, properties that were listed, but are now cancelled or expired. Lastly, the MLS must have a coherent way to array the data, allowing it to be exported in a spreadsheet format.

The Total Solution program is very flexible. The program will accept a "full dump" of all fields from a data search. However, since only less than a dozen fields are required to run the program, most appraisers will take advantage of the particular MLS's ability to create a specific spread sheet format for exporting into an Excel spreadsheet. Understanding the specifics of the local MLS program is, then, the most critical step in achieving credible results.

Set up and Installation

Purchase of the software is easily accomplished over the Internet with delivery as an e-mail attachment. A 15-page start-up guide is provided. The guide outlines the steps to install the software. The details of setting up sub-folders and operating hints such as enabling the Excel macro feature are explained in the set-up guide.

Basically the appraiser creates a master template that is individualized for the specific MLS and the basic information for the appraiser. The form has

an electronic signature feature that requires adding an electronic signature file. When the set-up and installation is complete, a desk-top icon, when clicked, brings up a copy of the master template. Changes in the master template are easily accomplished by calling up the template in Excel, making the changes and then saving the master template.

Navigating the program is simplified by clicking the bottom tabs of the worksheet. These tabs direct the appraiser to the "Set-Up" Functions, the "Data (Subj Mkt), the 1004MC form and the narrative portions of the program.

A critical step to insure that the program works correctly is to carefully complete the Computer Field Name Set-Up. The program reaches into the spreadsheet imported from MLS and searches for the data in certain fields. Initially, the exact wording of the field names must be entered onto the set up page.

Running the Program

The program has built in features that expedite running the program. After the data is collected and transferred to an Excel spreadsheet, it is not necessary to manually import the information in a spreadsheet into the working template. The program has an import feature. By targeting the location of the data spreadsheet, there is a command button function that when clicked, loads the spreadsheet into the working template. Once the data is loaded, it is only a matter of clicking the "Run Analysis" button. The results can then be imported into the program.

The program has the capability to handle Condo/Coops and has expanded sections on the neighborhood and means of including additional charts. For instance, the Missoula Market is a MSA and the OFHEO quarter index of home values can be charted as a supplement to other charts found in the program.

Special Features

The program allows for adjusting the trend tolerance level. This allows the appraiser to overcome the normal oscillation that typically occurs on a regular basis; or the seasonal ups and downs that typically occur. If the last three months are the darkest months of the winter, fewer sales do not reveal a trend; only the playing out of normal seasonality. The program allows the recognition of these events. Trend tolerances are set for sales and list prices only and all other trends.

The program works within Excel and any worksheet may be unprotected without a password. Adequate information is included in the guide to set the program to run macros. Setting the default format for new Excel files is described. In addition, David Braun is making available several videos that will assist the appraiser with not only the nut-and-bolts of the program, but also the larger questions of gathering data and working with MLS data.

David Braun intends to issue updates of Total Solution©. Built into the program is a way to update the program with a new version that retains the custom notations of the original master template.

Finally and probably worth the price of admission is the Quick List Edit Box. There is a quick list edit feature available when filling the narrative comment sections out on both the "Comments and Explanation" and the "Chart" sheets. This system allows you to save phrases for future use.

Review Tool

Lenders are showing increased interest in reviews. Appraisers are reporting an uptick in review requests. Clients such as private mortgage insurance companies are seeking retrospective appraisal reviews on past appraisals in the face of rising foreclosure rates and resultant claims.

Much of the emphasis on some recent reviews is whether the market conditions in the past were correctly stated. While the emphasis on Total Solution© is aimed at filling out the new MC Addendum, the program will

provide reviewers with a tool to assess the quality of an appraiser's work in defining market conditions in the past.

Conclusion

The main objective of any appraisal report is summarized in Standard 1-1(a): "An appraiser must be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal."

Arriving at a strategy to complete the scope of work necessary to fulfill the requirements of the new Market Condition Addendum should follow a carefully developed plan. The source of the data must be analyzed and most likely the best way to do this is to use MLS data to fill out the form to identify where MLS data is lacking or not available.

For instance, the form requires the reporting of the median rather than average. If only the average is available, the appraiser must so comment. By working through the form manually, the appraiser can determine the extent and nature of the data available and how much time it takes to collect and organize the data in a meaningful way.

The net result is that by working through the exercise step-by-step the appraiser will have satisfied the competency issue of the Ethics Rule.

The Total Solution© software program expands on the main intent of completing the Market Condition Addendum and provides additional means of rendering a credible and meaningful report that addresses the larger issues of the market conditions. However, due to productivity issues, appraisers will see the benefits of reduced preparation time. In the face of fee increase resistance from vendors, appraisers may place more emphasis on this factor when considering Total Solution©.

About the author

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Most appraisers are propreneurs, not entrepreneurs

Over the past 15 years, appraising has shifted from staff appraisers supplemented by fee appraisers to fee appraisers. Now, most appraisers are independent business owners. In the past there were larger appraisal businesses, but most downsized during the appraisal recession in the early 1990s. Many moved "back home" to a home office.

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

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

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

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

What is a propreneur?

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

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

Propreneurs have a business not for its own sake, but for a purpose

beyond the enterprise. Appraisers want to do what they do best, the way they want to do it. Money is a factor, but few of us would do something we don't like just because it paid more.

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

Entrepreneur vs. propreneur

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

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

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

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

Overcoming the paycheck mentality

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

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

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

How can you change your mentality?

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

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

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

The Edwards' book has lots of good ideas, plus many references. Seminars and audiotapes on positive thinking, self motivation, etc. can really help. Networking with other positive think-

Paycheck vs. profit thinking

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

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

our Paycheck mentality	Profit mentality
Mistakes are bad. (I might get fired - lose a client.)	Mistakes are great learning opportunities.
If I do good work, I'll get more (better) appraisals.	I create my own business opportunities.
It costs too much to get data services so I can expand my geographic area, join a local business association, etc. (It comes out of my own pocket.)	To make money, I have to spend some money.
If I wait long enough, the market will turn around. (I'll get rehired - clients will come back.)	I am in control of my future. There are options.
I deserve to get appraisals because I am state certified, designated, experienced, etc. (My employer/clients give me work because I do a good job.)	No one "owes" me appraisal work. I have to convince them I can do a good job for them.
Don't rock the boat. Do what I've always done.	The appraisal market is changing. To survive, I have to change also. I manage myself. I decide what I do and when it will be done.
If I do what your clients tell me what to do and when it has to be done I will be okay. I know how to get ahead. Do a good job.	How to become and stay successful is not a clear path. I have to look for opportunities.
I don't like some of my clients and appraisal assignments, but I don't want to rock the boat.	I choose my clients and appraisal assignments.
<p>ing business owners can help, whether they are appraisers or non-appraisers.</p> <p>Seeing every dollar as coming out of your own pocket can be good, as it makes you think about every purchase. On the minus side, it keeps you from making investments in your business so you can learn new appraisal skills, expand your geographic area, complete appraisals faster, etc.</p> <p>I regularly speak with appraisers by phone and email. They ask me about business opportunities for appraisers. When I mention all the articles I have written in the last few years dis-</p>	<p>cussing options, they say they couldn't "afford" to subscribe. Paycheck mentality is a catch 22.</p> <p>What if you don't want to be self-employed?</p> <p>Even if we don't want to be self-employed, for most of us a full-time staff appraisal job with a regular paycheck is not an option. There are few jobs.</p> <p>Subcontract work is an option for some, but you are working for less than a full fee.</p> <p>Segments of our economy, particularly in the technical and professional areas, are shifting from paycheck to</p>

self employment. In many ways it's just going back to the past, when most people were self-employed farmers, craftspeople, or store owners.

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

Where to get more information

Sarah and Paul Edwards have written many books for small businesses, available in bookstores and libraries. This article is based on Secrets of Self-Employment (Working from Home). The book has been retitled to focus on home based businesses, but still has the same material.

The Edwards' come from a counseling point of view, but don't be put off by the "touchy/feely" examples. What they say applies to appraisers. The book is oriented toward people starting businesses, but much of it applies to all of us.

How to more money by increasing what you make per hour

Appraisers are complaining bitterly about low AMC fees. Why are they so low? The AMCs compete primarily on fee. For example, they negotiate a contract with Big Bank of the Midwest for \$400 per appraisal. If they pay the appraiser \$350, they won't have any money left to run their operation.

You need to increase your productivity. Of course, even if you're making full fee, you can make more per hour.

If you get \$400 and spend 8 hours, that's \$50 per hour. If you get \$200 and spend 4 hours, that's \$50 per hour also. A low fee does NOT mean compromising on quality.

Cut your driving time

The easiest and best way to save time is to cut your driving time.

Every minute of extra driving time is money lost.

Here are some ideas:

1. Don't make two trips - one for the inspection and the second for data. Get a clear idea of the property before you go out. Check MLS, public records, interview the home owner. Then you can take what you need with you. Sometimes you have to make a second trip, but make it the exception, not the rule. The farther away the property, the more data you need to take with you.

If you need more sales or listings, log onto your MLS using your computer or smart phone while you are in the field.

2. Don't take assignments that require a lot of driving time unless you get a bigger fee or can schedule them with other nearby appraisals.

3. Schedule assignments in times when there is less traffic. You already know your local traffic patterns. If you're not sure, check for traffic pat-

terns on the Internet.

4. Use GPS to schedule the fastest route.

5. Work a smaller geographic area. The wider the area, the less you make per hour unless you can schedule appraisals back to back, which is unlikely in today's slow market.

Time saving on data research

Here's a good idea from Doug Smith:

"Recently I discovered a local website that keeps track of all the homeowner associations and condo managers in Missoula. The list is updated monthly. I checked with three other appraisers. None knew about this list and all were doing the same thing I was doing, inspect the property and find out from the owner and make the call, etc. I sent a few of my few friends the list and they were equally amazed. I have only been in Missoula since 2003 and these others have been here longer. Yet none new about this City organization that keeps track of this infor-

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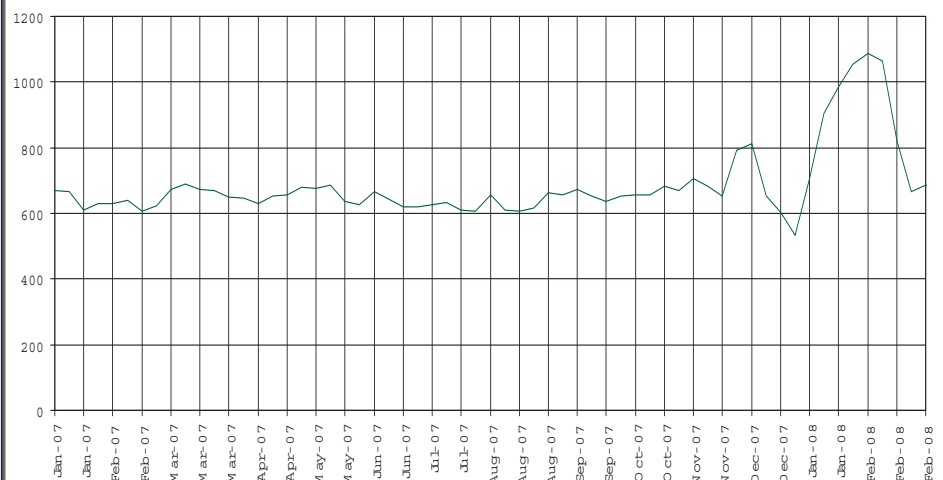
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MBA Loan Volume Application Index - 1/07 to 3/09

Market Index

Base = 100 in 1990



mation. What a time saver."

"The week before I petitioned my local MLS to add an REO field and then was invited to the monthly MLS committee meeting where my proposal was accepted. My MLS is now listing both REO properties and short sales."

"My point is that appraisers must band together in either cooperatives or their appraisal organization chapter to share information and gain productivity and effectiveness in their markets. When I was at the MLS meeting I was asked if I was representing other appraisers and I had to say I was a committee of one. It should not be that way."

Appraisal report production time savings

Learn to use the more advance features of your appraisal forms software:

- Import MLS and public records data directly into the form. Saves lots of time checking for data entry errors.
- Automate MC form production using one of the available software programs or getting the info from your MLS.
- Learn to use the time saving features of your software programs.

Avoiding call back questions

Every time you have to respond to client questions, it is time wasted.

- Be very careful writing over another appraisal to avoid errors. Go line by line.
- Be sure you understand your client's requirements.

Telephone tag tips

Telephone tag is a tremendous time waster. Here are a few tips:

- When leaving a message, state when you will be available to receive a return phone call. For example, "I will be in the office from 9AM to noon on Wednesday."
- Be very explicit about what you

need when leaving a message. For example, say "I'm trying to confirm the sales price on XXX sale. Public records is not clear. I would really appreciate your help. If I'm not in when you call back, you can leave the information on my voice mail"

- Try calling when the person is likely to be in. For example, early in the morning or late in the afternoon.
- Ask your callers to let you know what's a good time for you to call them, if they call back and you're out.

Status calls

How many times have you wanted to scream into the phone, "If I wasn't talking with you about the status of your appraisal, I could be getting it done!"

Faxing, or emailing, regular status updates to clients, or calling and leaving a message, can save lots of time and aggravation. If they still keep calling two or three times a day, it's time to get a new client, or stop agreeing to turn-around times you can't meet.

Use your cell phone efficiently

I don't give my cell phone number out to many people and don't call forward because I am busy with estate work. So, I don't get interrupted with un-needed calls.

If you're not busy, you will get more work by forwarding calls to your cell phone.

If you really need to contact someone, give them your cell phone number.

Fortunately, screening cell phone calls is easy as the phone number appears on your phone. If the person leaves a message, you can call back quickly.

Minimizing interruptions

Whenever you have to interrupt writing an appraisal report, you lose production time as you have to "get up to speed" again, taking more time than if you started and completed the

report at one sitting.

Set aside "quiet time" every day, during normal business hours, to get appraisals written up. Call forward your calls, or let them go to voice mail or an answering machine. Don't screen the calls. You will be interrupted every time you listen to see who is calling.

"Just Say No"

No appraiser can do every appraisal assignment. If you're a commercial appraiser, do you accept an appraisal on a home? If you're a residential lender-oriented appraiser, do you accept an assignment in a city 200 miles away?

One of the greatest time savers is using the word "NO". The inability to use this word leads to taking on too much work, procrastinating on more difficult assignments, and feeling very stressed out with a negative attitude.

In order to make more efficient and effective use of your time, you must be able to plan for the future and prioritize the present. You must be able to control your workload as much as possible.

Appraisal office time savings

Here are just a few ideas:

Use and label folders. If you're doing more complicated appraisals, label all your folders so you can find information quickly. For example, individual folders for rents, listings, and sales for 2-4 unit properties. This is particularly helpful for estate appraisals, when you are doing both date of death and the 6 month alternate valuation date. It is very easy to get them mixed up!

Use checklists. Ask all the questions you have once, so you don't have to spend time re-contacting a client or a borrower. Use a form for taking orders or reformatting orders to fit your order form. Have a checklist for borrower questions.

Avoiding crises

Of course, we all have crises. We all know about the "high" of a crisis (or at least the stress). We feel very important. Every time you interrupt writing an appraisal with a "crisis" means it will take longer to write up, and there may be more errors to correct.

The best way to avoid crises is to stop procrastinating. If you complete an appraisal at, or ahead of schedule, you avoid the last minute rush.

How much do you think you're worth?

Another good comment from Doug Smith:

The one thing I learned when I did my SRA demo class is that appraisers make more money who expect to make more money. I interviewed almost everyone in my class since I thought I would do an article on the class.

In every case I found the appraisers were doing pretty well in terms of income. They wanted to be an SRA to stand out from the crowd. They already knew they were doing ok as an appraisers and were proud of their work. The real key to being designated is that it confirms self-respect and those who are confident expect to make more money and they do.

The simple truth is that to make more money per hour, you have to expect to make more money per hour. This means that crummy clients are not worth the time; that old technology makes no sense and those who have better information succeed.

What if you don't have much work now?

You probably don't care how long it will take now, but it will get busy again. Work on cutting your time.

Get out there and do some networking at your local Chamber of Commerce meetings, Real estate association meetings, etc. If no one

knows you, they can't give you any work.

When you are busy, the more work you can get done the better so you can save for the slow times.