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Appraiser Certification: When Is Enough Enough?

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Selecting an appraiser based on his or her designations or certifications is risky, according to Martin. Although designations are very important, it is an appraiser's experience and training that should dictate his or her selection.

By Donald J. Martin, SCRCP, RAA, GAA

Appraisers have numerous opportunities to become certified or accredited. There is Worldwide ERC® certification (for conducting ERC® appraisals), HUD certification (for FHA appraisals), VA Fee Panel (for VA Appraisals), and Appraiser Qualification Board (AQB) USPAP Instructor Certified, for example. Then there is state licensing and certification, which often has three or four categories each state requires in order for appraisers to perform certain types of appraisals.

There also are various trade associations, such as Worldwide ERC®, and appraisal organizations, such as the Appraisal Section of the National Association of Realtors®, the National Association of Independent Fee Appraisers, the Appraisal Institute, among others, that each offer paths for designation. How do we choose an appraiser, and how does an appraiser determine which certification to seek?

To confuse things even further, certification programs often differ within each organization; over the course of time, appraisers often become "grandfathered." An appraiser who has become "grandfathered" at the time their certification or designation was awarded for meeting the requirements at some previous point in time, becomes inferior to those who become certified or designated under new requirements.

As of January 1, 2008, a new set of qualifications will become mandatory for all appraisers seeking licensing or certification in the United States. Some trade associations have said that their requirements for designation are superior to those of state licensing or certification programs. After these new requirements go into effect, many of the existing educational requirements from appraisal trade associations for their designated appraisers, as well as currently licensed and certified appraisers, will become inferior to the requirements for newly licensed and certified appraisers.

Designations can be very misleading, no matter from which organization they are awarded. As the qualification requirements change—particularly those that take place in 2008 that already are approved through the AQB, which increases qualifications by roughly two-thirds and most appraisal organizations change their designations to mirror these changes—simply considering a designation and not the individual qualifications gives the incorrect appearance that an appraiser qualified under the new requirements is equally qualified to appraisers under the old requirements.

Since appraisers being qualified under the new requirements will be more qualified than those under the old—both those with designations of sponsoring and non-sponsoring organizations of The Appraisal Foundation—any inference that a designation alone indicates the qualifications of an individual appraiser is wrong and grossly misleading both to the lending industry and the public at large.

Under the new requirements set by the AQB, which is part of The Appraisal Foundation, nearly all of the designation requirements by both sponsoring and non-sponsoring organizations will not meet the new standards as outlined by the AQB. Thus, who is served by giving reference only to designations? Certainly not the banking industry or the general public; only designated members would benefit, despite their being inferior to state certification requirements under the 2008 changes of the AQB. Worse yet, giving preference to those with a designation will give the appearance that they are more qualified, when under the new educational requirements for 2008, the reverse actually will be true. The majority likely will be inferior to those certified under the new licensing and certification requirements of each state.

Appraisal trade associations are currently in the process of changing designation requirements and creating additional grandfathering, just as they have in the past. The process of grandfathering actually allows appraisers to have inferior levels of education than those coming into the business or those upgrading their designation,

license, or certification. In other words, choose any appraisal designation you want and the likelihood is that you can find three or more people with the same exact designation that means three or more different things; they each have different required levels of education for the exact same designation.

This is why it is important to consider the specific qualifications of the individual. While it is great for your appraiser to have a designation, simply having a designation does not mean they are qualified under current requirements for the same designation or for the same certification or the same license.

Based on the problems faced by the thrift industry in the 1980s, the Savings and Loan Bailout Bill, formally known as FIRREA XI, was issued by the Office of Thrift Supervision (OTS) under title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. It has since been adopted by all federally-insured thrifts as well as many governmental agencies and quasi-governmental agencies. Because of the complex and transient nature of the evolution of the appraisal profession, the United States Congress, in an effort to prevent clients from choosing appraisers—both with and without designations—that lack competency, made the following provision part of FIRREA XI:

“Sec. 564.6 Professional association membership; competency.

(a) Membership in appraisal organizations. A State certified appraiser or a State licensed appraiser may not be excluded from consideration for an assignment for a federally related transaction solely by virtue of membership or lack of membership in any particular appraisal organization.”

The intent of the legislation is to make sure that each lender or client employs an appraiser competent in the specific type of assignment without regard to designations. There are unfortunately some trade associations and appraisal organizations currently backing a measure to obfuscate this legislation and change it by adding a new sentence and amending FIRREA under a proposal before the U.S. Congress called HR 1295 in section 402 (g) with the following: “Consideration may be given for professional appraisal designations conferred by sponsoring organizations of The Appraisal Foundation as an indication of proficiency in addition to the criteria established by certification or licensing.”

On the surface that may sound good, but this may do far more harm than good. A problem arises if you consider what a designation means. How many courses has the appraiser taken? How much experience does the appraiser have? Look at three appraisers with the same designation—one from 1978, one from 1988, one from 1998—then one from 2008 under the new requirements, and you likely will find that they are very different. Adding to this confusion is the fact that the Appraisal Foundation never has approved any of the designations from any appraisal organization.

While designations have basic requirements, so do state certification and licensing programs. In each case, the individual courses and experiences of the individual appraiser should be evaluated to consider the specific qualifications of the appraiser. However, looking at USPAP (Uniform Standards of Professional Practice), the ethics guidelines that all appraisers must follow, reveals a requirement for appraisers to continue to improve their skill, so appraisers that have done nothing to improve their skill since the time they received a designation in the past are actually in violation of the competency requirement of the ethics required for them to adhere to in USPAP where it says, “for this reason, it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must continuously improve his or her skills to remain proficient in real property appraisal” (See USPAP Standards Rule 1-1(a)).

This is not to say that certifications and/or designations should not be obtained; they definitely should. I applaud appraisers who have achieved designations. If the lure of a new certification helps drive the appraiser into receiving more education, this is a good thing. The down side is that many appraisers simply stop their education once they get their designation. These appraisers, who only have a designation and do not seek to improve their skills, are actually in violation of the ethics that they claim to adhere to as a condition of the license that they hold.

It is never enough to just have a designation, a certification, or a license; the appraiser needs to continue to upgrade their skills through additional education and experience over time. This also can be accomplished in part by teaching and writing about appraising. Additional certifications or designations are a symbol of accomplishment, but do not think that they represent a specific level of education and experience, because you may be grossly incorrect. Rather than considering them the means to an end, ask for a copy of the appraiser’s qualifications. Read their qualifications to see what courses he or she has taken, what kinds of property he or she appraises, how long he or she has been in the appraisal business, whether he or she has published anything about appraising, or is an appraisal instructor.

There are many appraisers without a designation or certification whose training and

experience far exceeds that of many of the appraisers who are designated or certified. Choose the most qualified appraiser for the assignment in question. More certifications, more designations, and—most important—more education is preferable. It is never enough if the appraiser already is certified or designated; look beyond certifications to find out what the appraiser's true qualifications are.

Donald J. Martin, SCRPA, RAA, GAA, is chief review appraiser and CEO for MartinAppraisals.com, Orland Park, IL, and serves as an AQB Certified USPAP instructor. He can be reached at +1 708 479 5414 or e-mail martinappraisal@sprintmail.com or on his website at <http://www.martinappraisals.com>.

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Worldwide ERC® Headquarters
1717 Pennsylvania Ave. NW, Suite 800
Washington, DC 20006
+1 202 857 0857
Fax - +1 202 659 8631
webmaster@erc.org

Worldwide ERC® European Bureau
287 Avenue Louise,
2nd Floor
B E -1050 Brussels, Belgium
Direct +32 2 643 2042
Fax +32 2 645 2671
ERCEurope@erc.org

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