

Appraiser Trends Study

March 2017



National Association of REALTORS® Research Department



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2017 Appraiser Trends Study



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Introduction

In recent years the National Association of REALTORS® (NAR) has heard concerns regarding a perceived shortage in appraisers. NAR is also aware of reports of long turnaround times for appraisals, higher and/or rush fees in certain areas, and difficulty in bringing new appraisers into the profession. NAR seeks research to determine whether a shortage of appraisers exists and to what extent, as well as to further explore the other issues facing the appraisal profession. Specific objectives of the research include:

- Identify the extent to which certificate or license holders who are REALTORS® are actively involved in the appraisal business.
- Evaluate appraisers' likelihood of staying in the field over the next 5 years.
- Examine levels of satisfaction with various aspects of appraisers' work.
- Identify key drivers in the decline in the number of appraisers and explore the impact, if any, that it has had on their work.
- Explore appraisers' perceptions as to the barriers that may exist for new entrants to the field.
 - Examine issues related to appraiser training and determine the extent, if any, that they contribute to the decline.
- Develop a detailed description of REALTOR®-appraisers in terms of relevant characteristics.



Methodology

NAR collaborated with The Olinger Group to create a custom online survey. The survey was open from 1/23/2017 to 2/1/2017. Respondents were recruited from appraisers who were registered on the Appraisal Subcommittee's list of licensed and certified appraisers and were also members of the NAR.

In total, 2,248 appraisers completed the survey for a response rate of 15.5% and margin of error of +/-2.1%. Most questions, however, were asked only of appraisers who currently work in the field or who have done so during the past year, resulting in a sample size of 2,116 for most questions. Questions pertaining to appraisal compensation were not mandatory.

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Executive Summary

- Satisfaction with most tested aspects of the appraiser's work is low.
 - Nearly four-fifths of respondents were satisfied or neutral on their work load (volume of appraisals) and time to do their job.
 - However, nearly 65 percent were unhappy with the industry shift toward automated appraisals and appraiser scoring
 - Respondents were also unhappy with AMCs and their ability to grow business.
- The typical respondent planned to remain an appraiser for 12.2 years, but some were planning to leave sooner.
 - When statistically tested, satisfaction with regulations, volume of work, compensation, and the amount of time needed to perform an appraisal were all significant drivers of likelihood that the appraiser would stay in the field.
- Regulation and compensation are the highest ranked reasons for leaving among the minority of respondents who are unlikely to stay in the field for another 5 years.



Executive Summary

- Few appraisers currently train newcomers to the field, though most have done training in the past.
 - Among those who do still train, results suggest that the number of trainees is roughly the same or slightly higher than the prior 12 months.
- Over one-third of current trainers do so for no compensation.
 - Compensation, regulation, and liability are important factors inhibiting training.
 - Unwillingness on the part of lenders to accept the work of trainees is also an important inhibiting factor.
- Appraisal compensation appears responsive to the increased demands of short turn-around and unique properties. However:
 - Appraisers were less likely to perform FHA and VA loans
 - Compensation by bank-owned AMCs was far lower than work done for lenders, law firms, or independent AMCs
 - Costs rose in 2016, while compensation was relatively flat



Who Was Interviewed....



Portrait of the Appraiser

MODEL RESPONSES TO DESCRIPTIVE ITEMS

THE TYPICAL RESPONDENT...

Currently works as an appraiser

Is a Certified Residential Appraiser

Works primarily as a field appraiser

Has worked in the field an average of nearly 22 years

Serves lenders most frequently

Is self-employed

Is likely to stay in the field for at least 5 more years

Intends to work an average of 12 more years

Performed between 300 and 500 appraisals in the past 12 months

Reports stable revenues but increasing costs

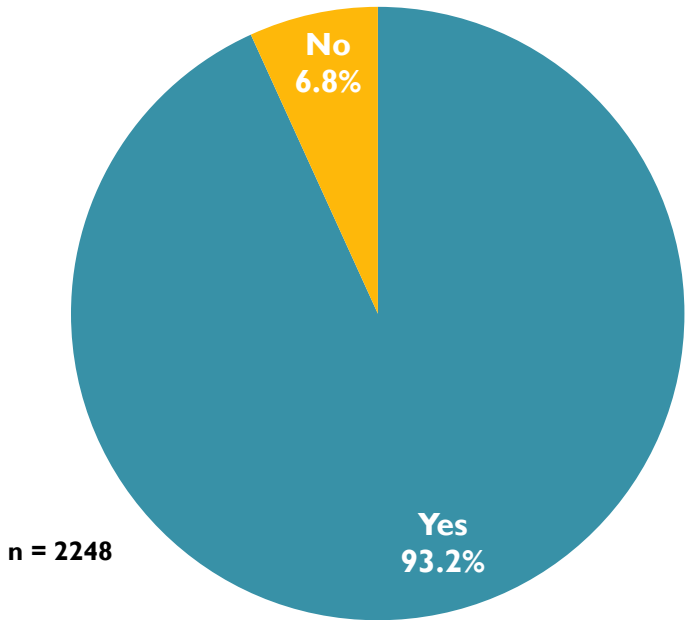
Intends to invest in software and technology to reduce cost and improve efficiency

Does mostly residential work

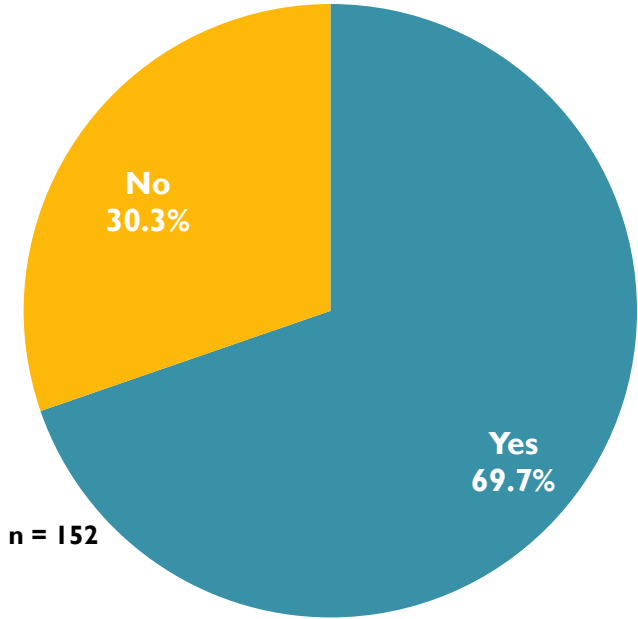
Does not train new appraisers

Work As Appraiser

93% of respondents indicated that they were currently working as an appraiser



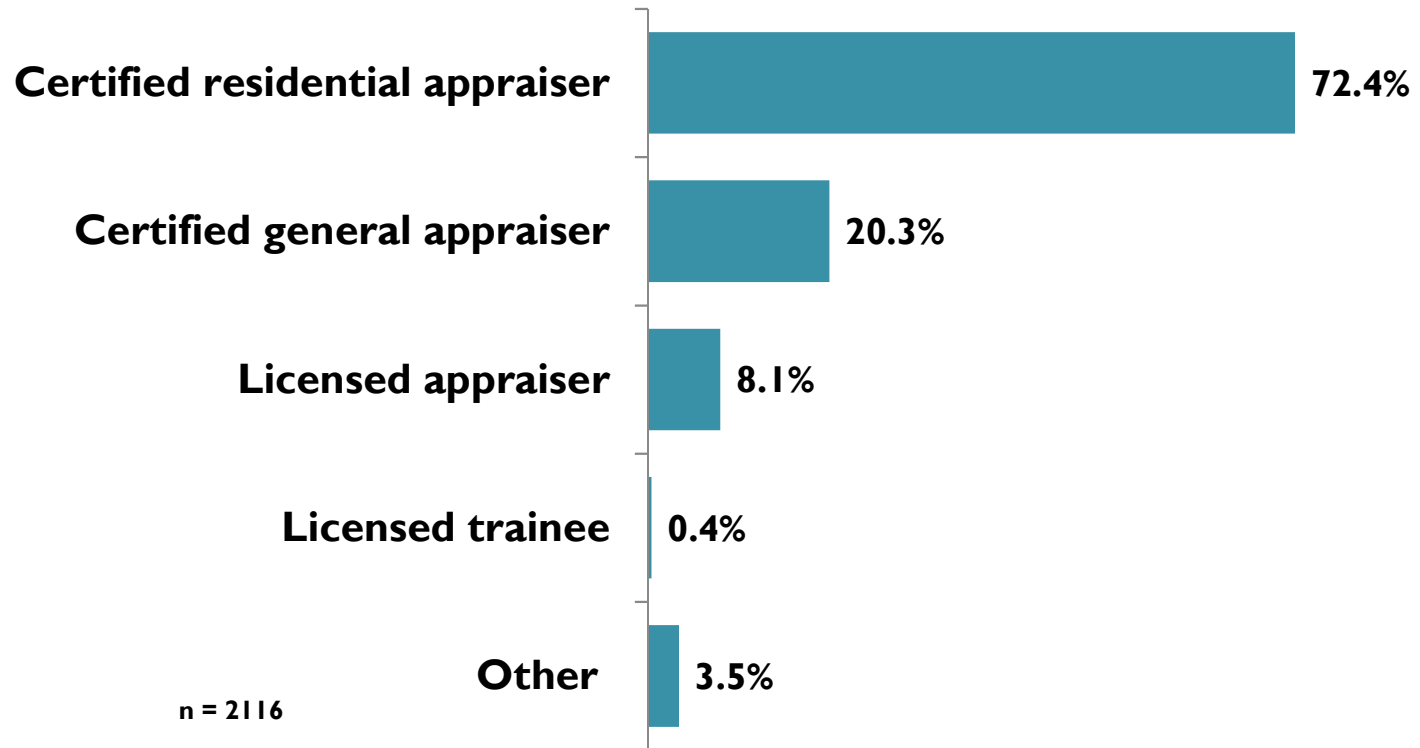
Of the remainder, 70% had worked as an appraiser in the past



52.8% of the 106 respondents who in the past worked as an appraiser did so 3 or more years ago.

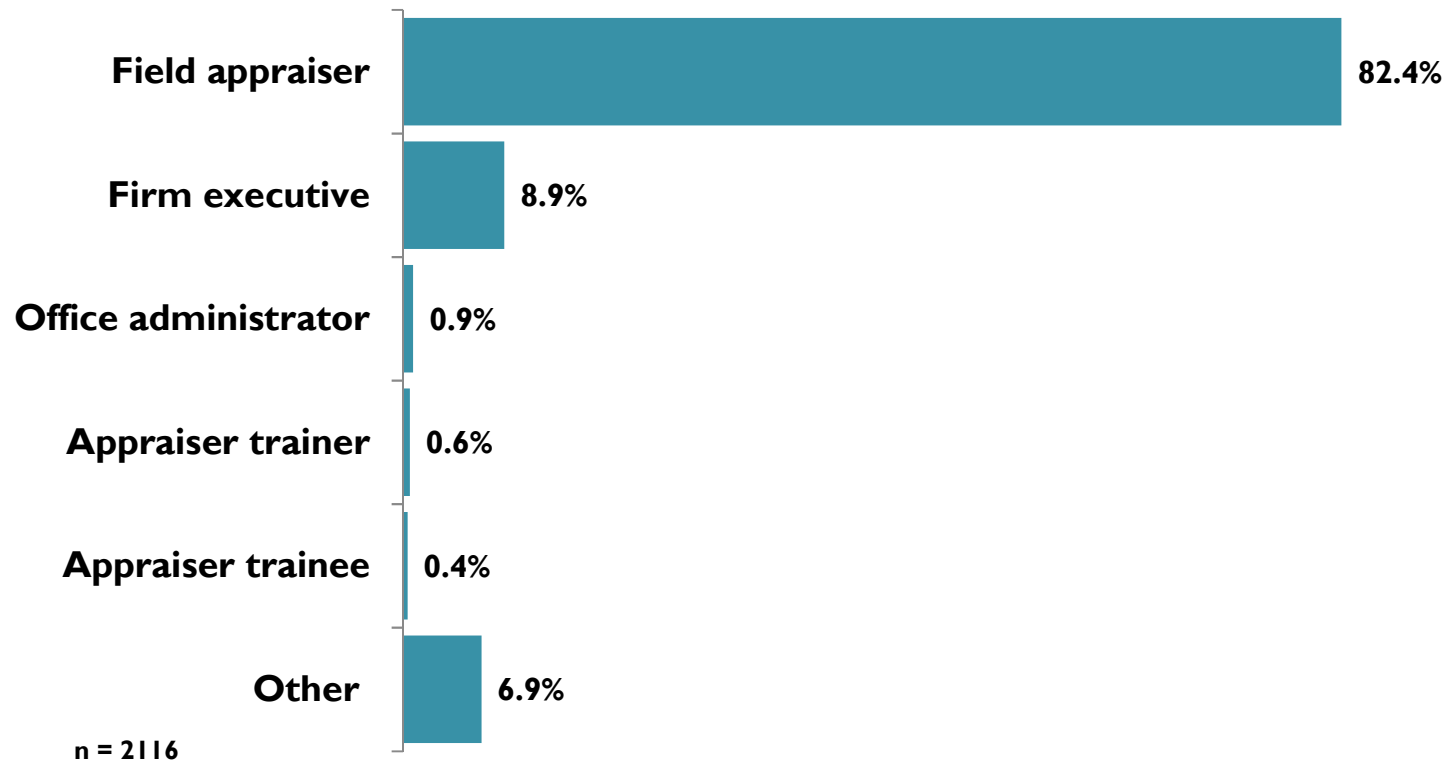
Appraiser Credentials

Nearly three-quarters of respondents hold a Certified Residential Appraiser credential.



Primary Function

A substantial majority of respondents primarily work as field appraisers.

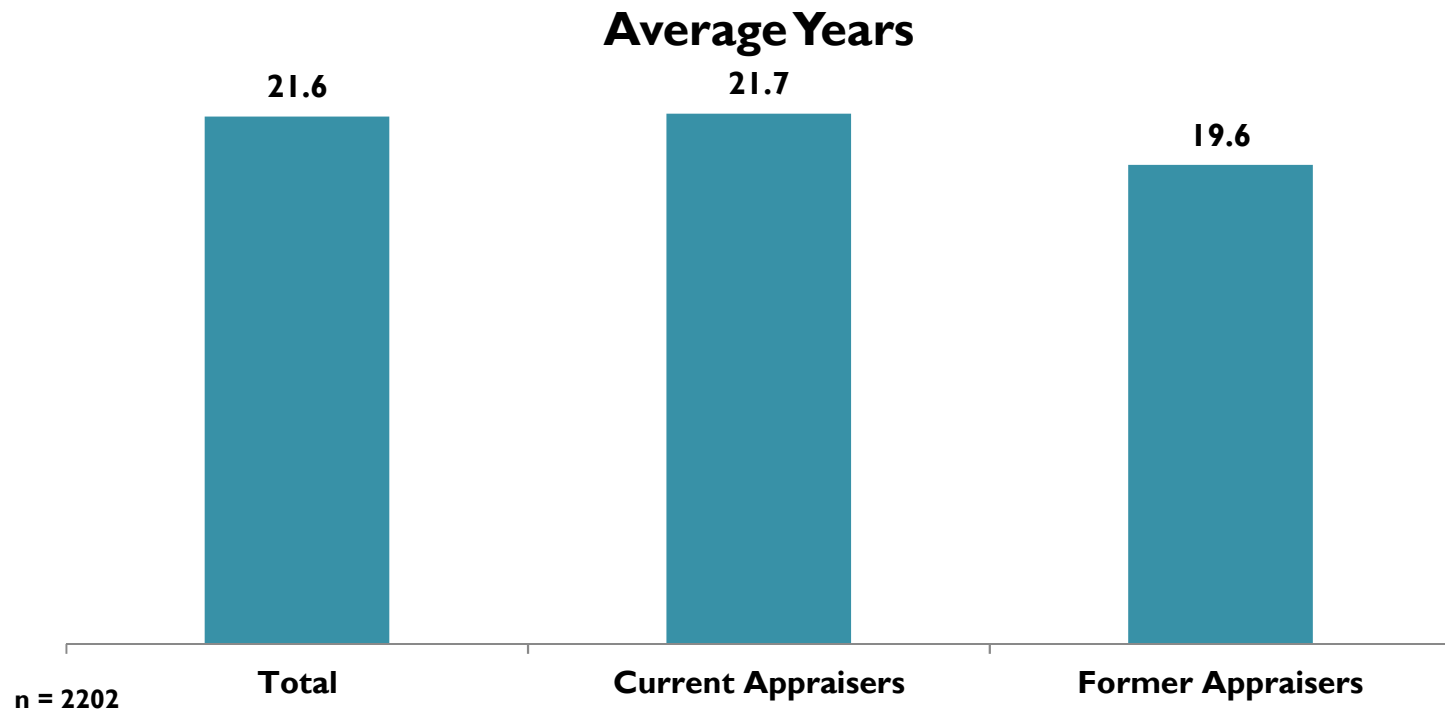




Job Satisfaction and Departure

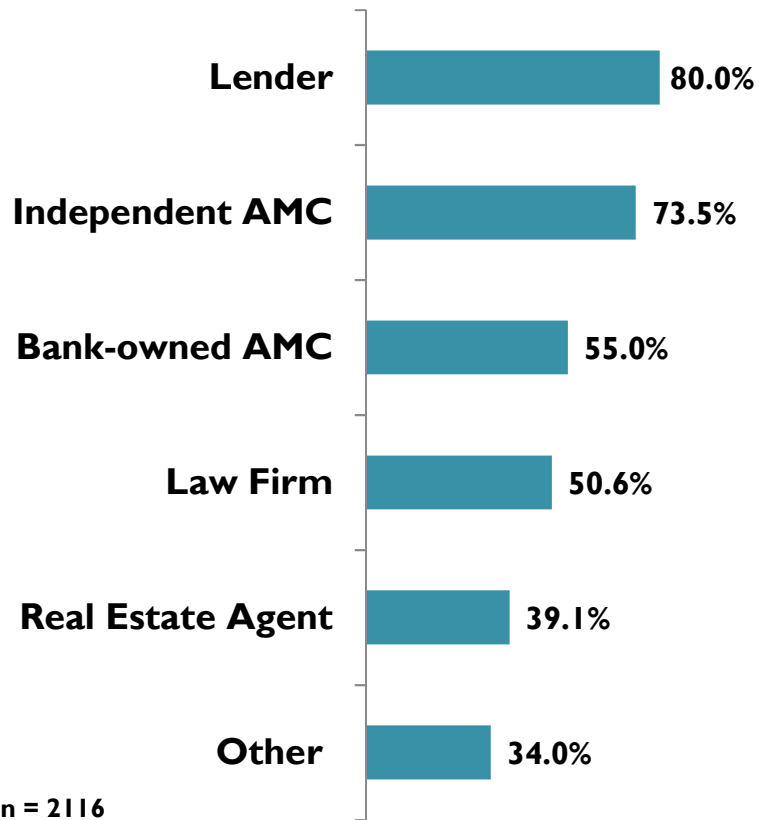
Years As An Appraiser

On average, appraisers have worked in the field for nearly 22 years.

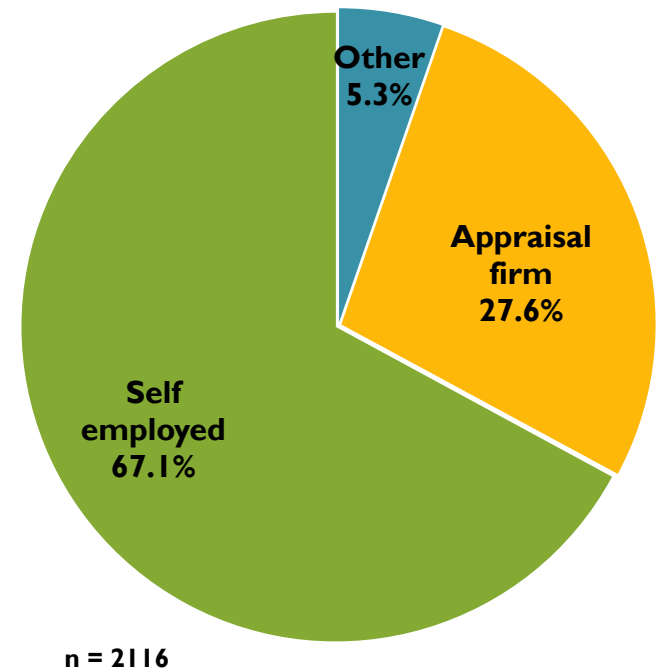


Clients and Organization

Lenders were the most frequently cited client

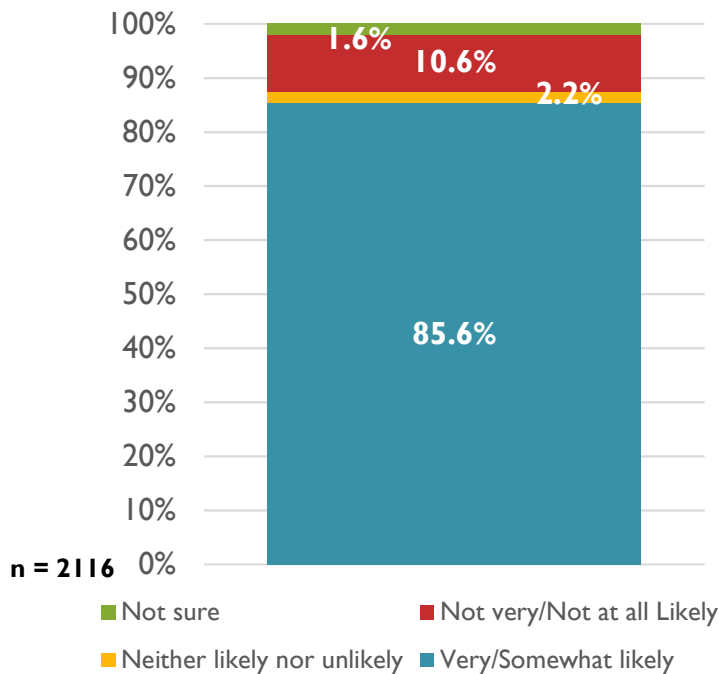


Nearly 70% of respondents were self-employed

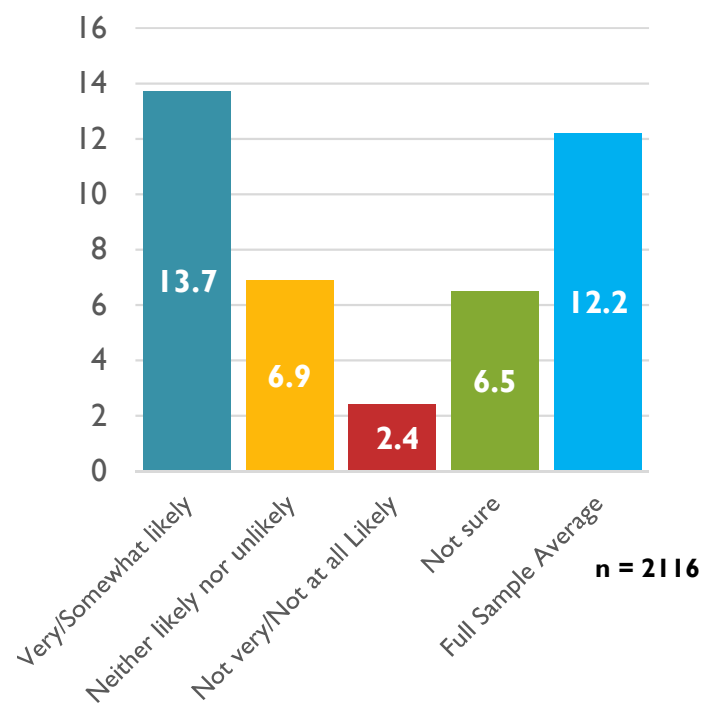


Intent to Stay in Field

85.6% of respondents were very or somewhat likely to stay in the field for 5 years



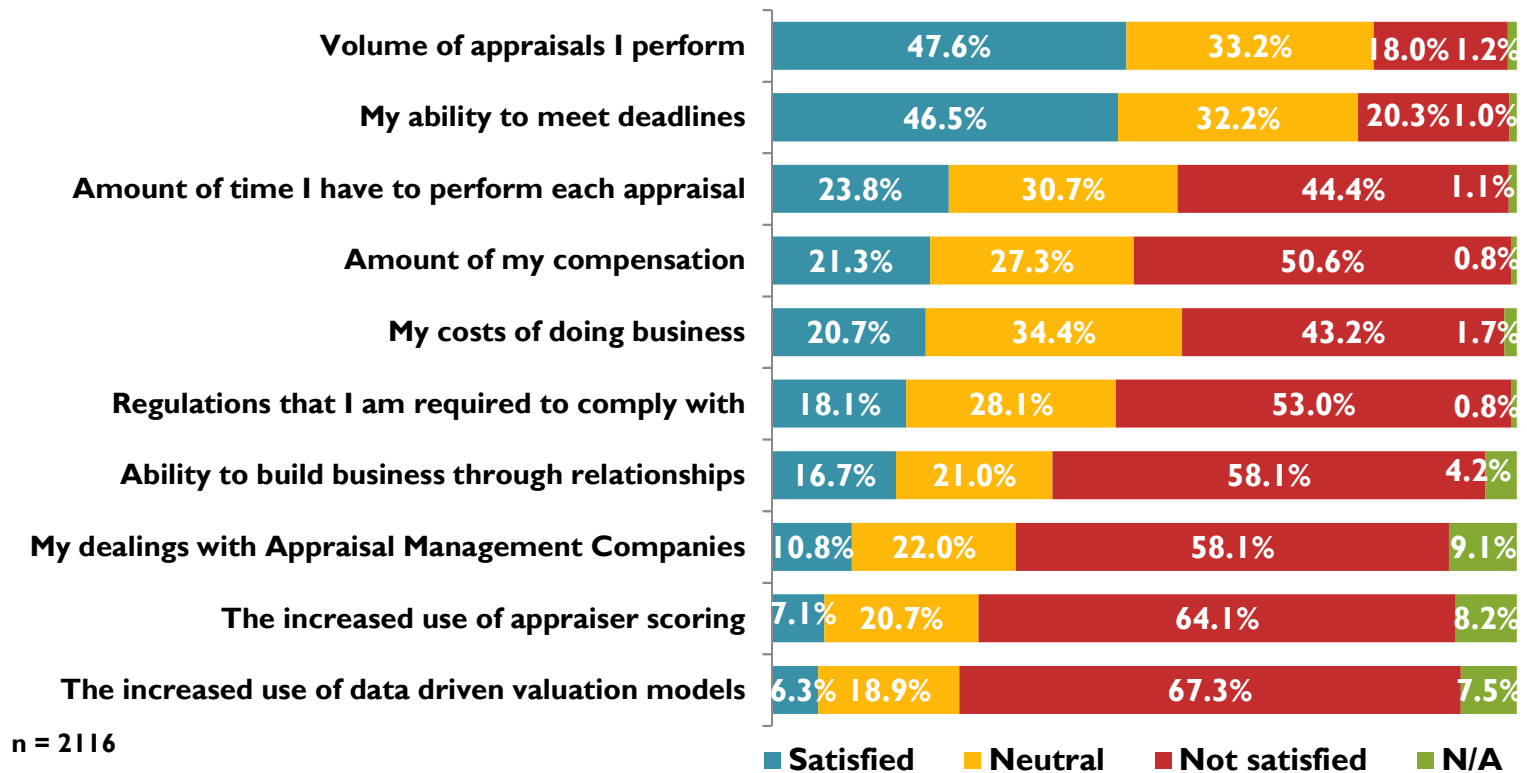
Of those who were very or somewhat likely to remain, the average expected tenure was 13.7



A large majority intend to continue working as an appraiser for the next 5 years.

Satisfaction Ratings

Satisfaction ratings with a variety of factors relevant to the appraisal field were low with AMC's, automated scoring, and data driven valuation models scoring lowest



Drivers of Intent to Stay in Field

Researchers explored which factors drive intent to stay in the field. Results are based on an OLS regression analysis of “likelihood of remaining in the field” (pp 16) on the set of factors used to rate satisfaction (pp 17)

Significant Drivers In order of Relative Importance

1. Satisfaction with regulations
2. Satisfaction with volume of appraisals
3. Satisfaction with compensation
4. Satisfaction with time to perform appraisal

n = 2116

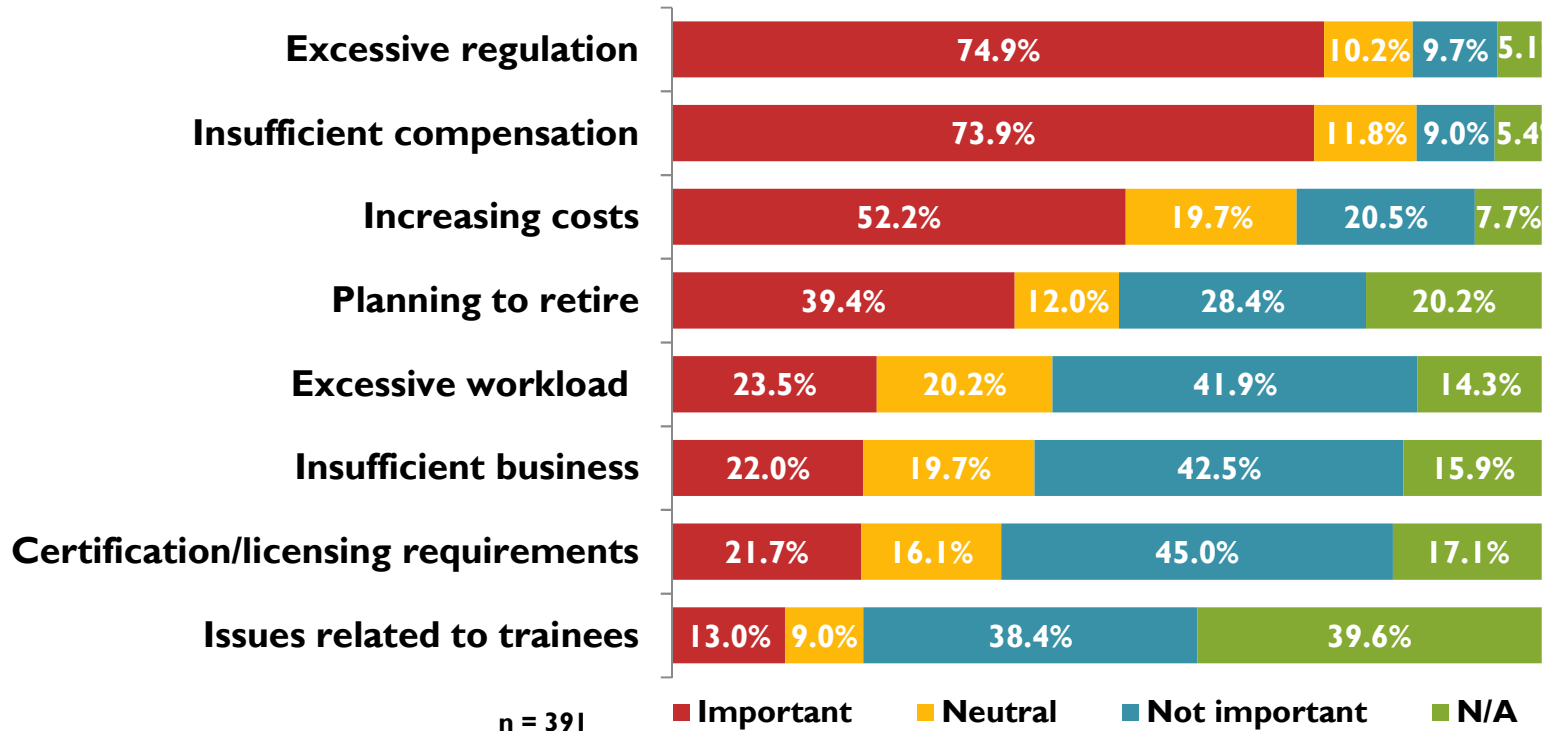
Example: the more satisfied an appraiser is with the amount of regulations that exist, the more likely he/she will be to stay in the field. Conversely, the less satisfied, the more likely they will depart.

“N/A” and “not sure” ratings were recoded to the middle value on 5-point scales – this retains the case for analysis while not impacting the results with that rating.

Reasons for Leaving

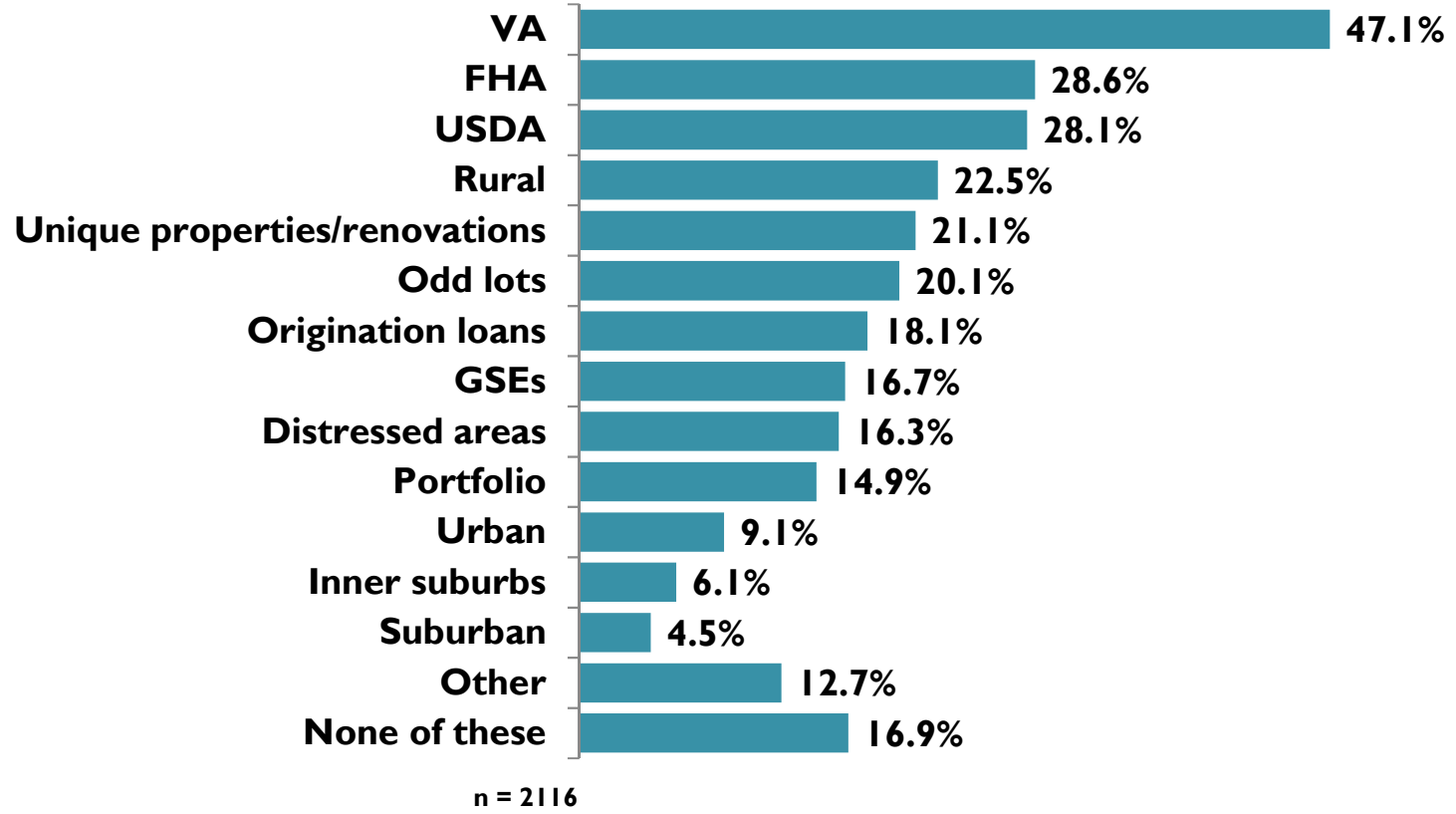
(FOR APPRAISERS LESS THAN “SOMEWHAT LIKELY” TO STAY FOR AT LEAST 5 YEARS - SLIDE 15)

Excessive regulation and insufficient compensation were the highest rated reasons for potentially leaving the field.



Assignments Foregone

VA loans are the appraisal assignments that respondents were most likely not to perform.

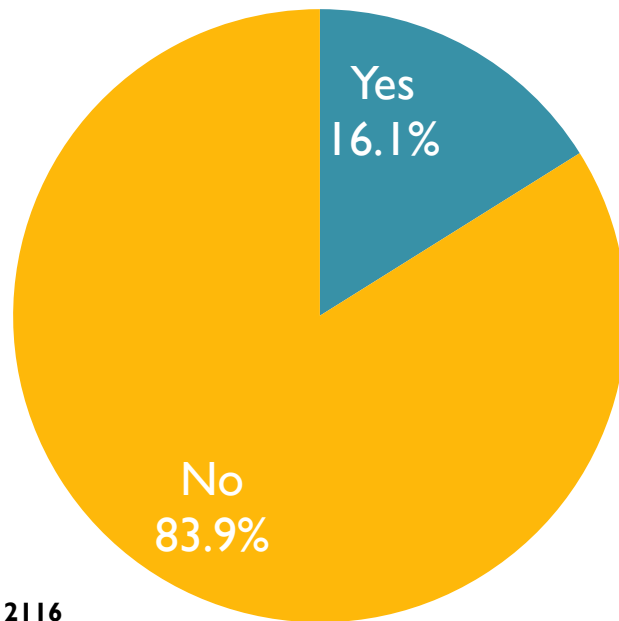




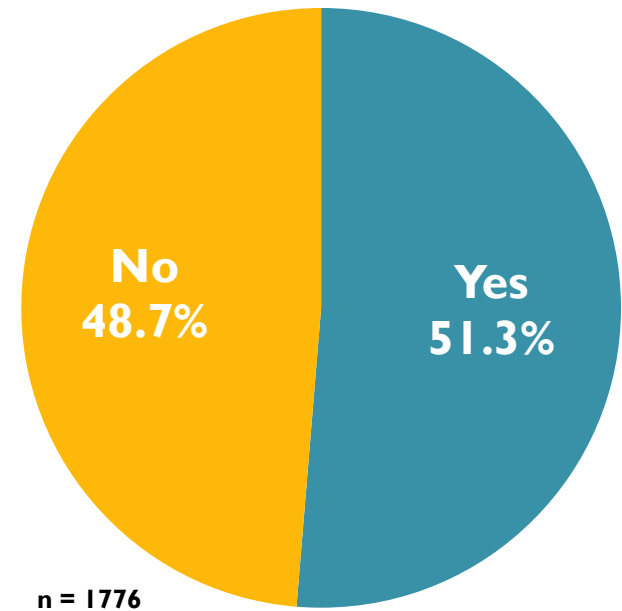
Training The Next Generation

Training Appraisers

Less than 1 in 5 respondents currently train appraisers...



...but over half of those who do not currently train appraisers did so in the past.

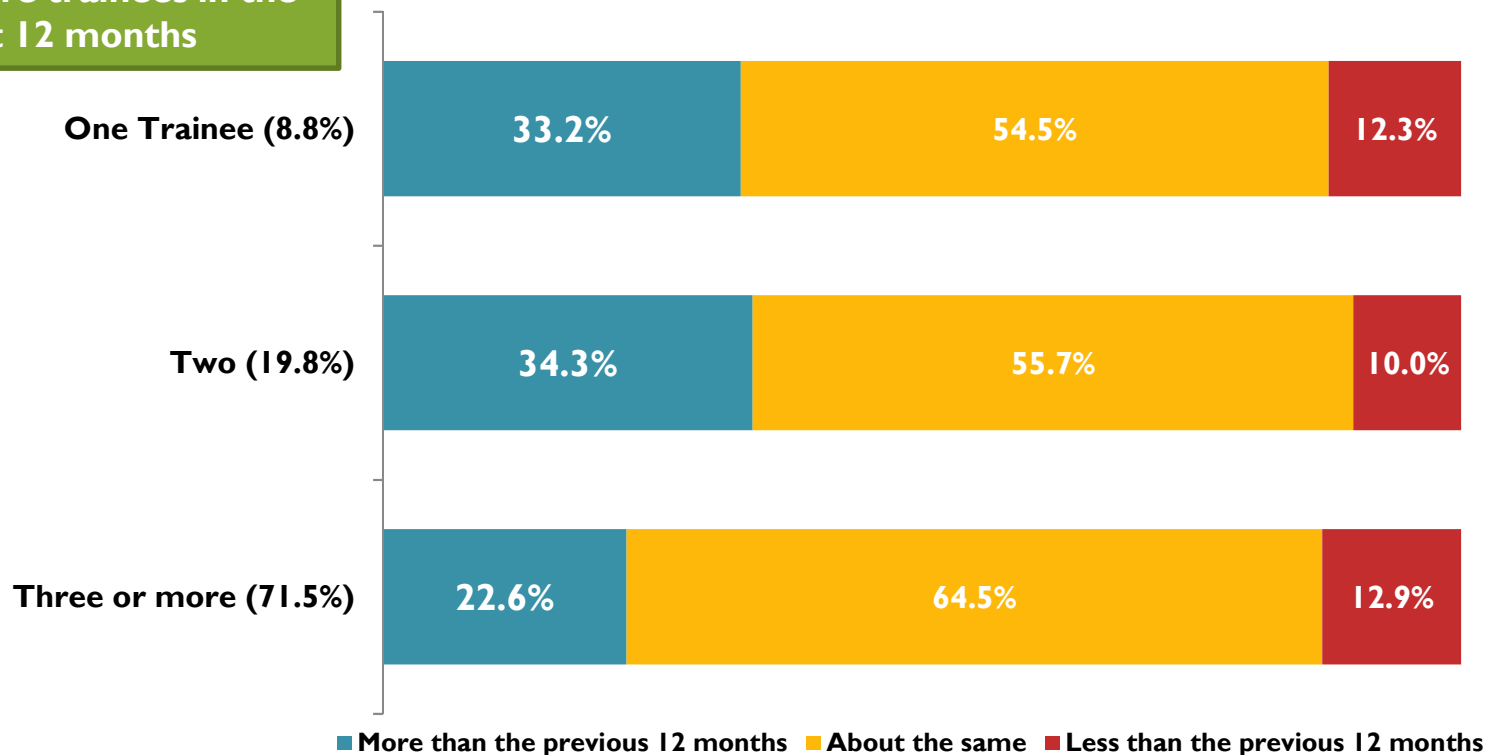


Number of Appraisers Trained

(APPRAISERS WHO CURRENTLY TRAIN OR HAVE TRAINED OTHERS)

Of respondents who train, nearly three-quarters had 3 or more trainees in the last 12 months

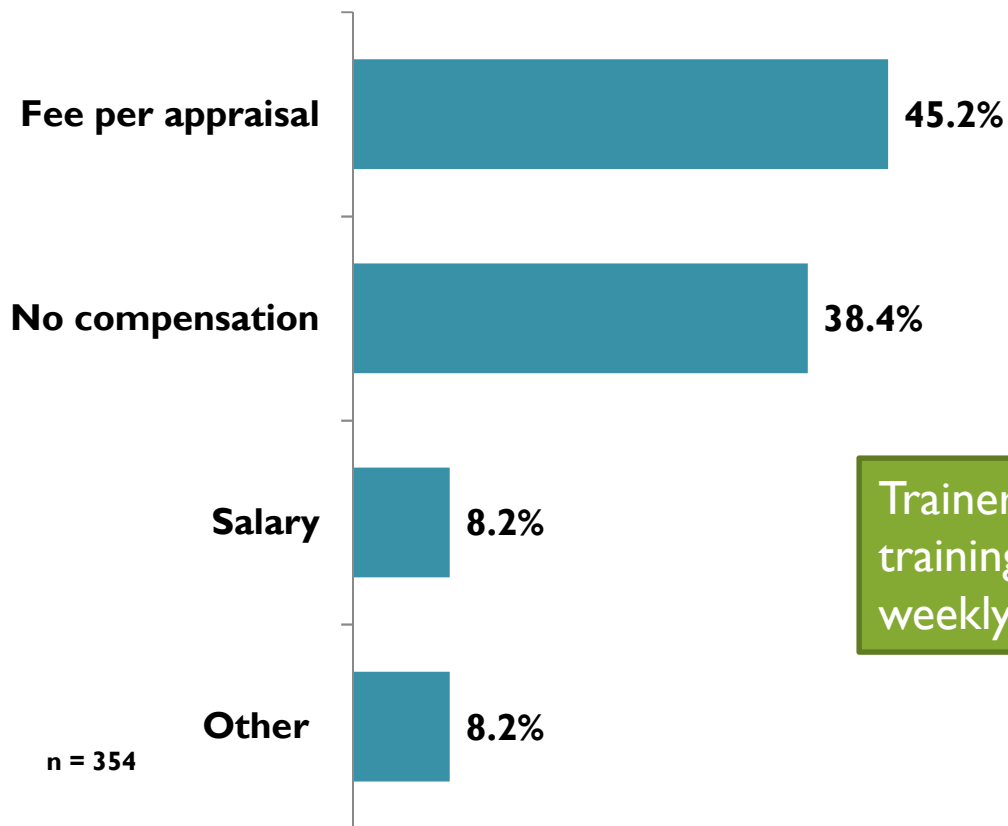
Of those respondents who trained 3 or more persons in the last 12 months, 22.6% indicated that this was an increase from the prior 12-month period



The number of trainees appears to have risen across all categories

Training Compensation and Hours

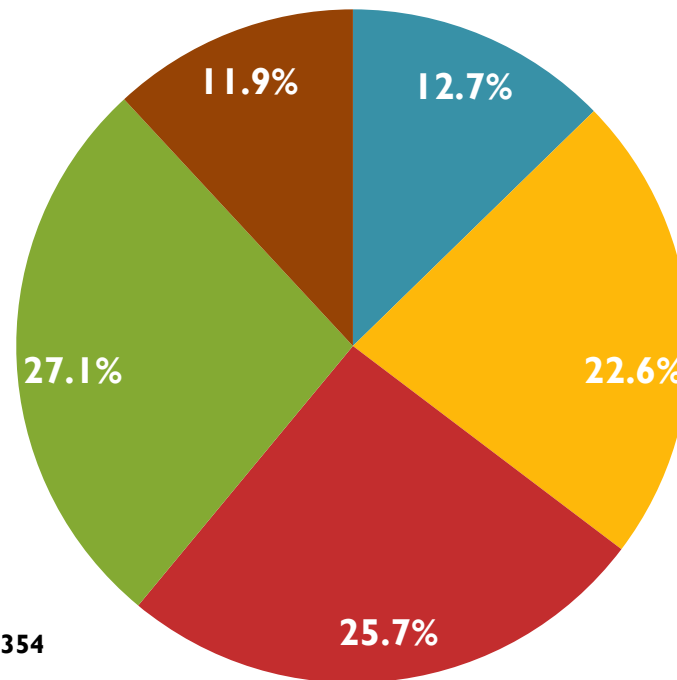
Nearly half of appraiser-trainers were paid per appraisal



Trainers report that, on average, training adds 10.2 hours to their weekly workload.

Accepting Trainees' Work

40% of respondents indicated that clients would either “rarely” or “never” accept work done by a trainee. Only 12.7% indicated that their clients “always” accepted a trainee’s work.

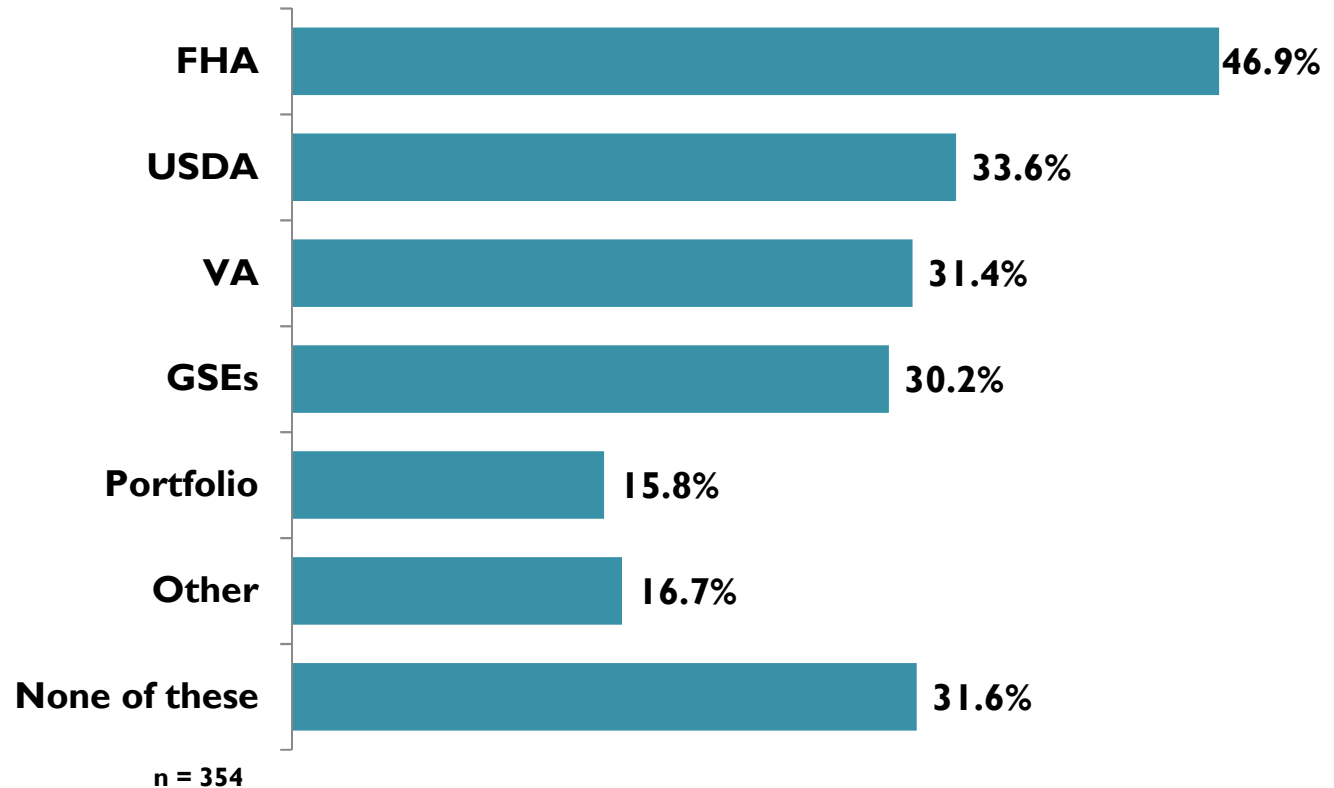


- Always
- Most of the time
- Some of the time
- Rarely
- Never

n = 354

Client Reluctance

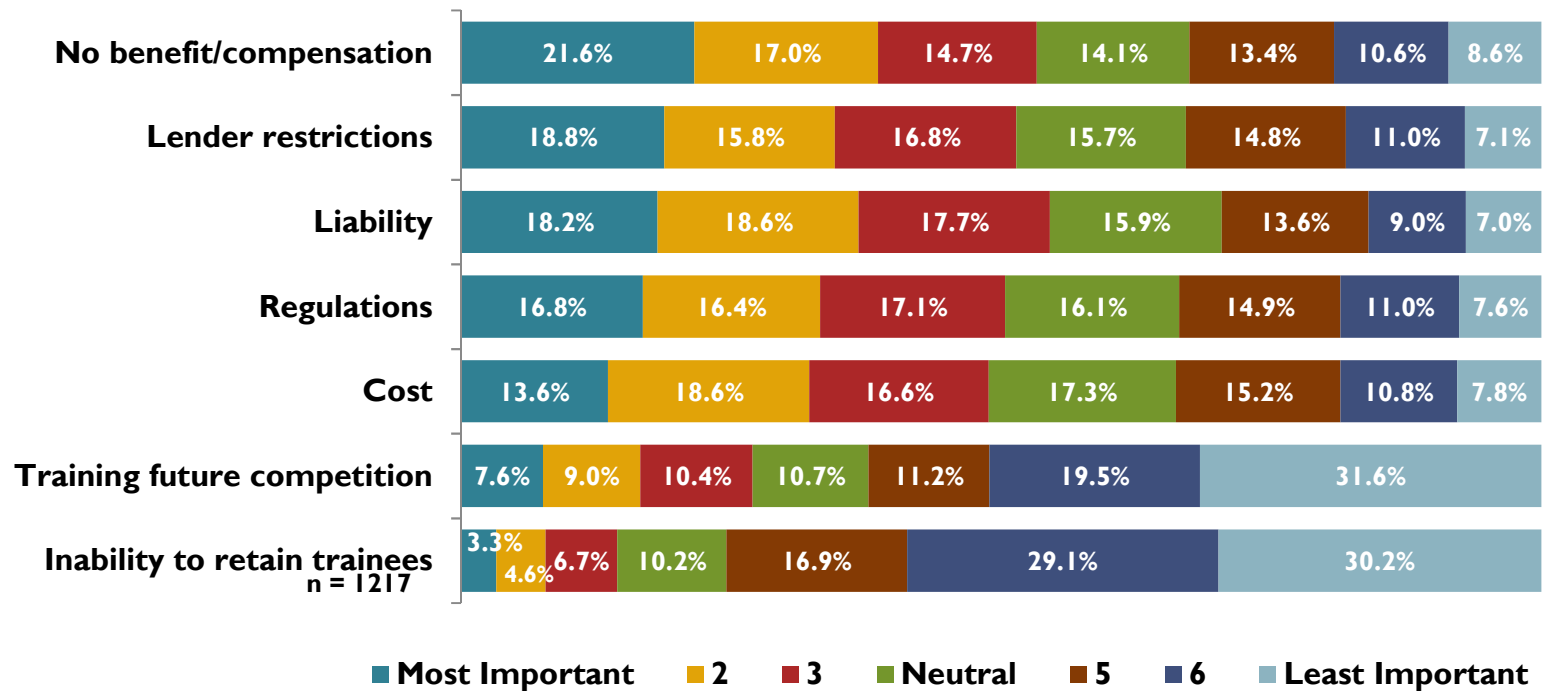
Not all clients accept work done by trainees. Clients are least likely to accept a trainees' work when dealing with FHA loans.



Training Hindrances

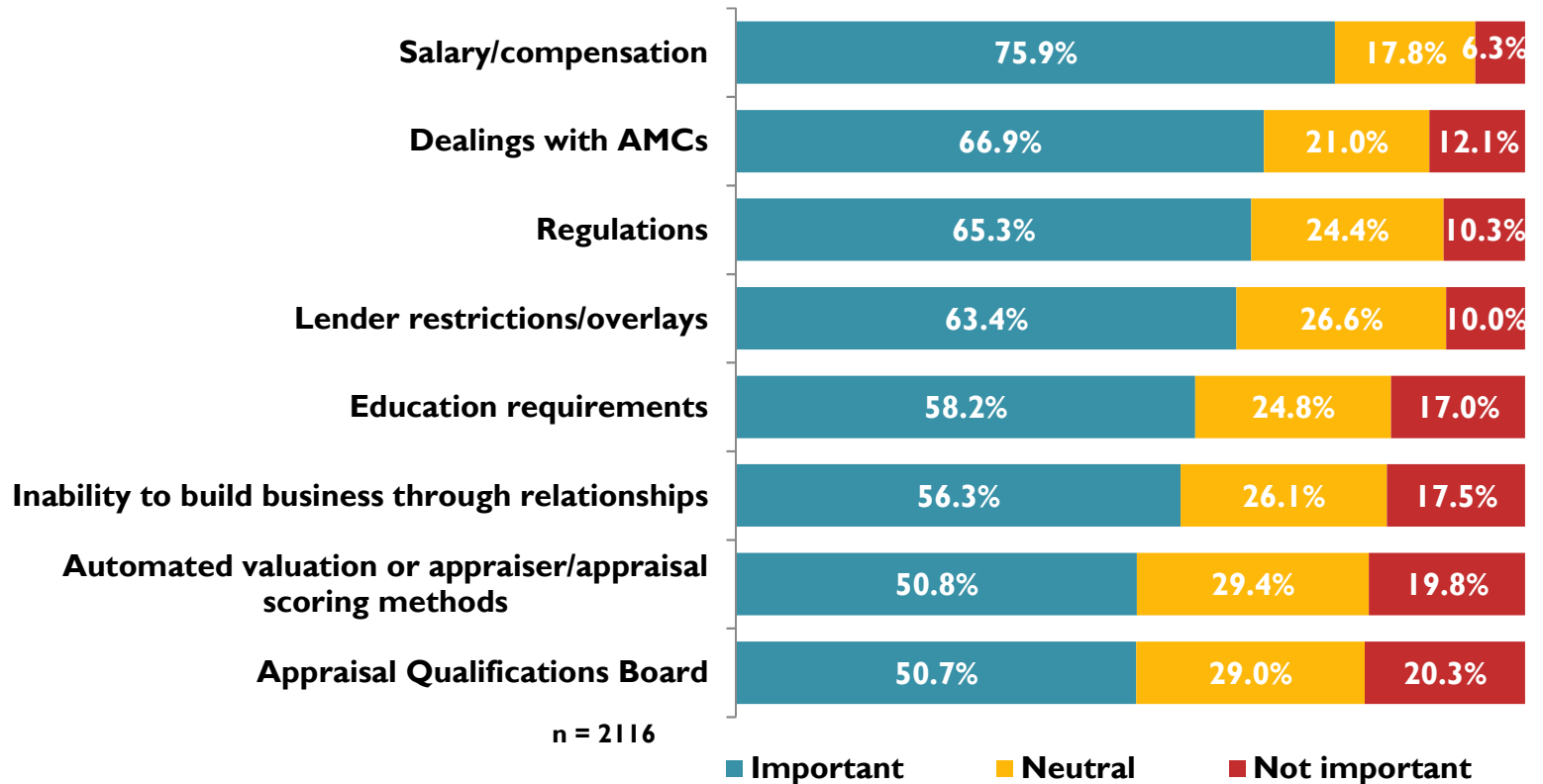
(FOR APPRAISERS WHO REPORT BEING HAMPERED IN TAKING ON TRAINEES)

Among the 58% of respondents who report having been hampered in taking on trainees, lack of compensation is the highest ranked hindrance.



Hindrances to Field Entry

Compensation is most frequently rated important as a factor inhibiting entrance into the appraisal field.

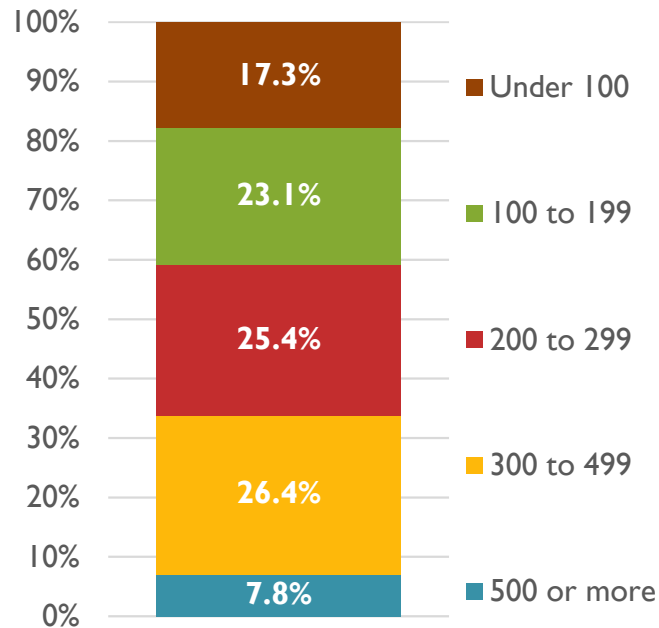




Trends: Volume, Fees and Costs

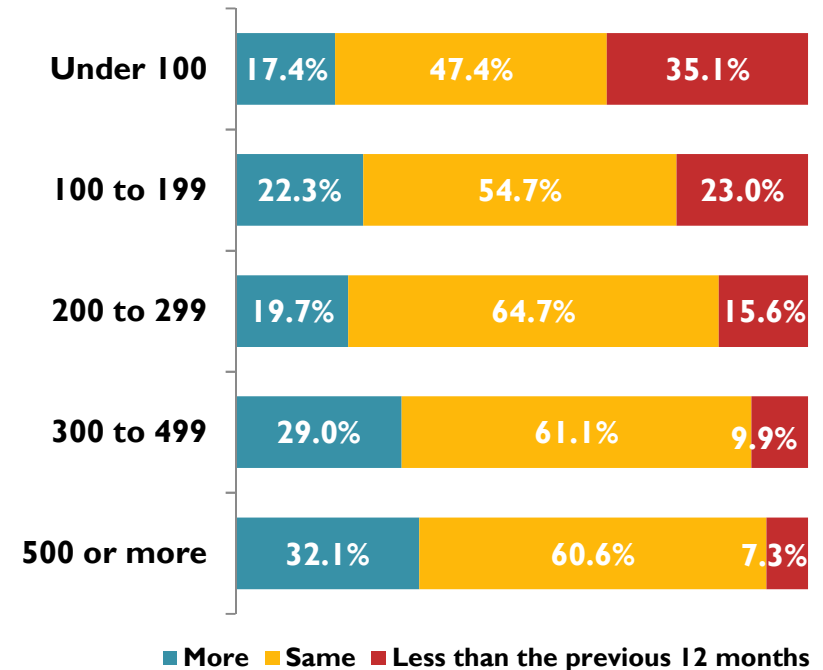
The majority of respondents said that they had performed about the same number of appraisals in the past 12 months than in the previous 12 months

Nearly 35% of respondents performed more than 300 appraisals in the prior 12-month period



n = 2116

Of the respondents who performed more than 300 appraisals, nearly a third indicated this was an increase from the prior 12-month period.



Appraisers reported an average of 243.3 appraisals over the past 12 months.

Appraisal Specifics

Appraisals for unique or odd lots take nearly 50% longer than a standard appraisal, while a short turn around appraisal on average must be completed in half the time-frame of a standard appraisal and accounted for 10.8% of volume.

	Time frame given by lender for completion (Days)	Time taken to Complete (Hours)	Compensation Per Appraisal (% of overall weighted average)	Share of annual appraisal volume (%)
Standard property	7.3	10.6	89.1%	75.6%
Unique or odd lot	9.2	15.4	111.1%	15.5%
Short turn around or time dependent closings (e.g. “rush” jobs)	3.5	9.4	99.8%	10.8%

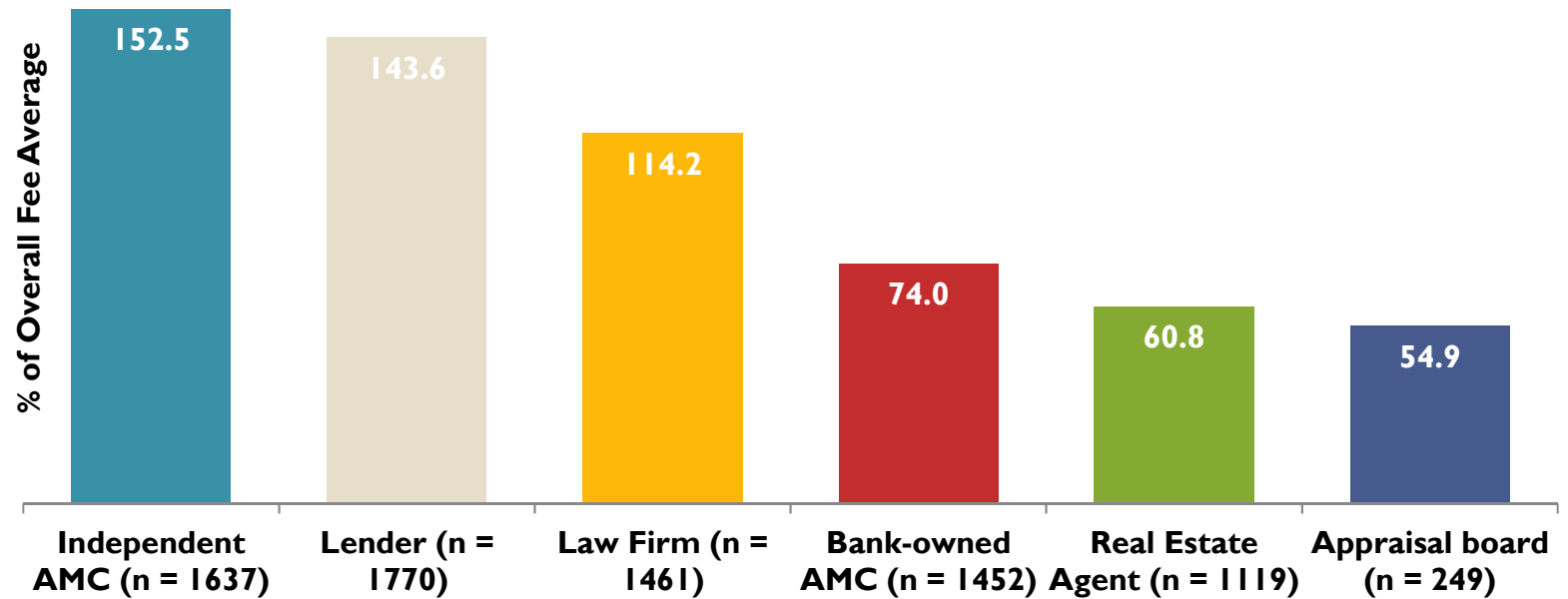
Appraisers are compensated for the shorter time frame and longer time to complete both “rush” appraisals and “unique or odd lot” appraisals.

Note: Respondents were able to skip question.

Fees Per Channel

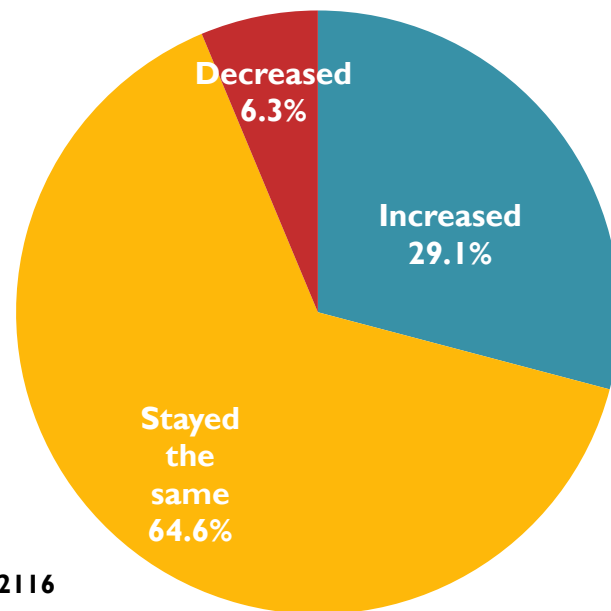
On average, independent AMCs pay the highest fees of all clients. Conversely, bank-owned AMCs were near the bottom.

(average client fee in bar is a percentage of the survey average)

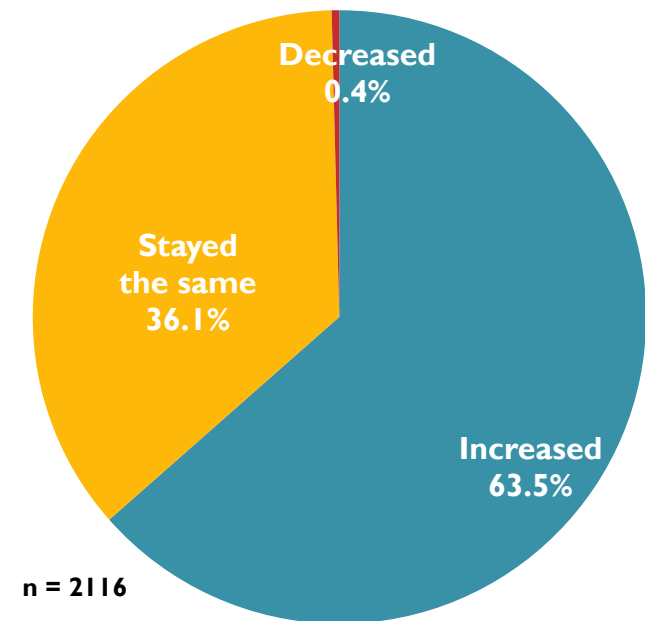


Revenues and Expenses

Nearly two-thirds of respondents indicated that compensation had remained unchanged in the most recent 12-month period

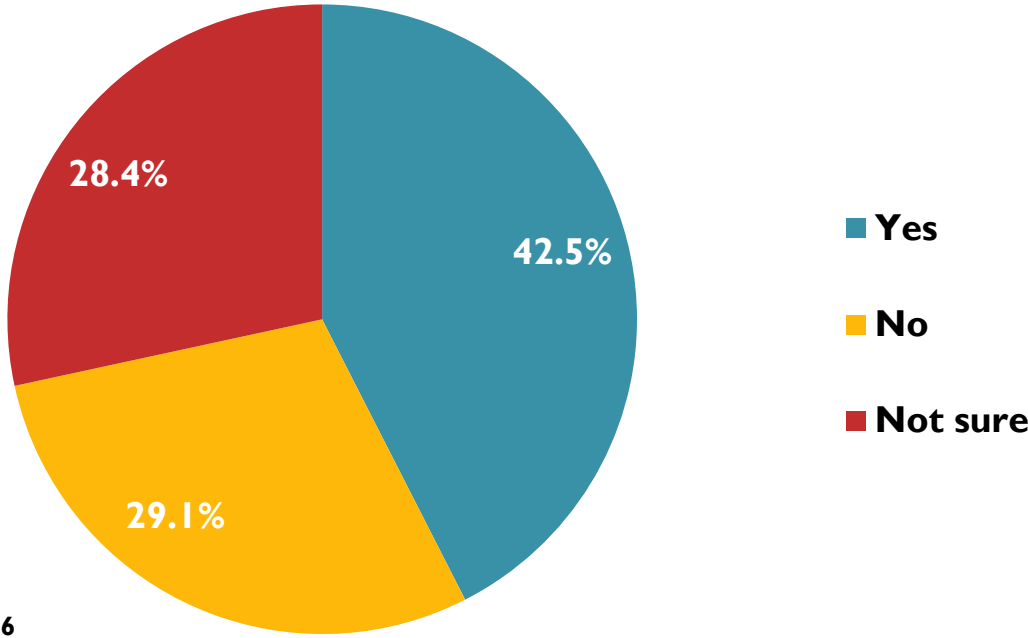


...while nearly the same share indicated that costs had increased over the same 12-month period



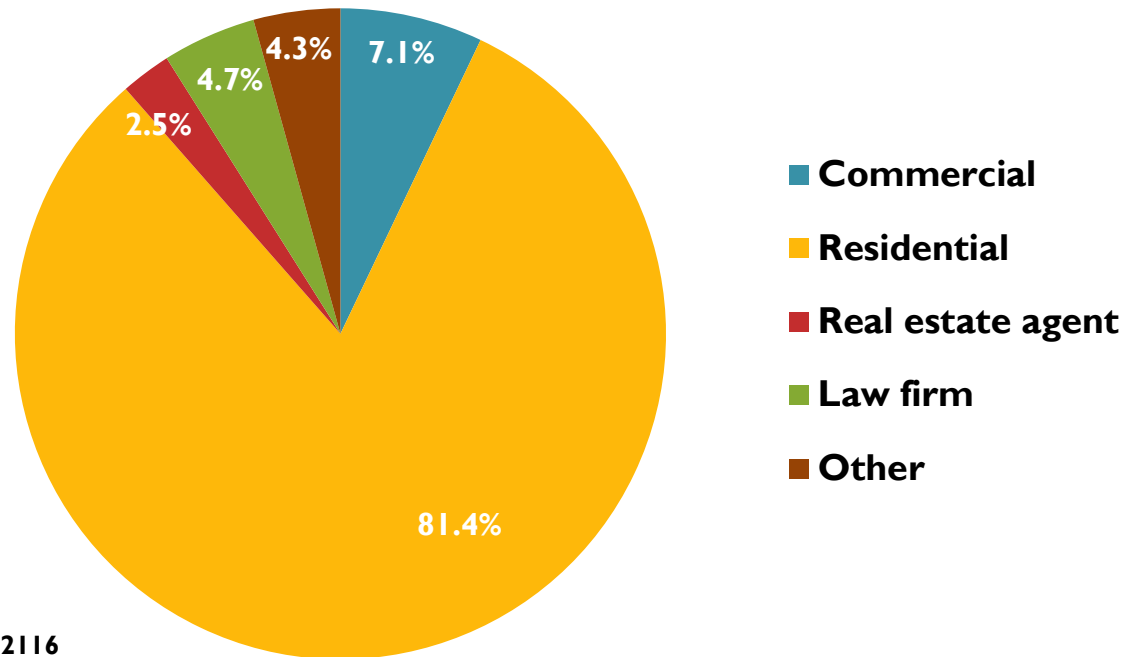
Technology Investment

Less than half (43%) indicated that they plan to invest in software or technology.



Business Allocation

The vast majority (81%) of 2016 appraisal business for this sample was residential.



n = 2116



Summary of Open Ended Responses

Why I Stopped Training

APPRAISERS WHO NO LONGER DO TRAINING

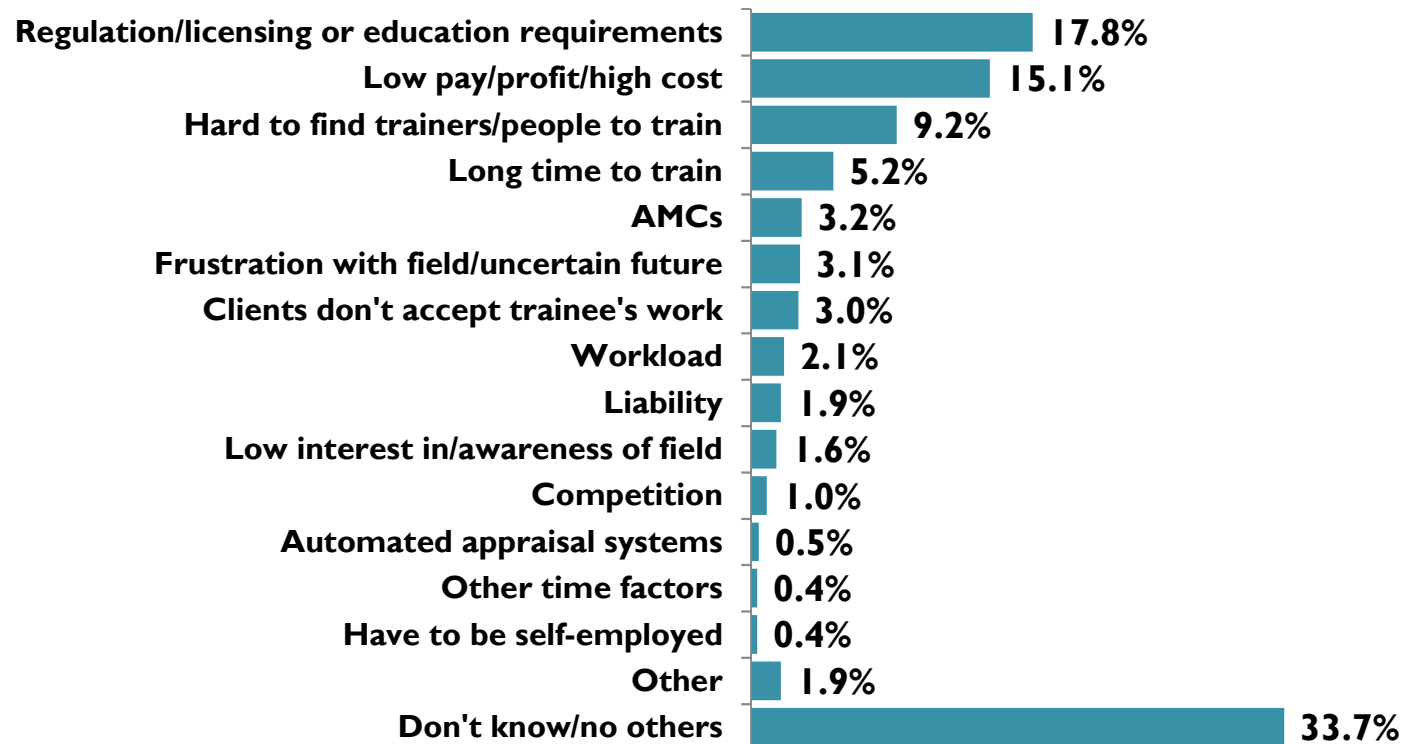
The general perception that training was not worth the time, cost, or effort were the most frequently mentioned reasons for ceasing to train in the open-ended responses.



n = 910

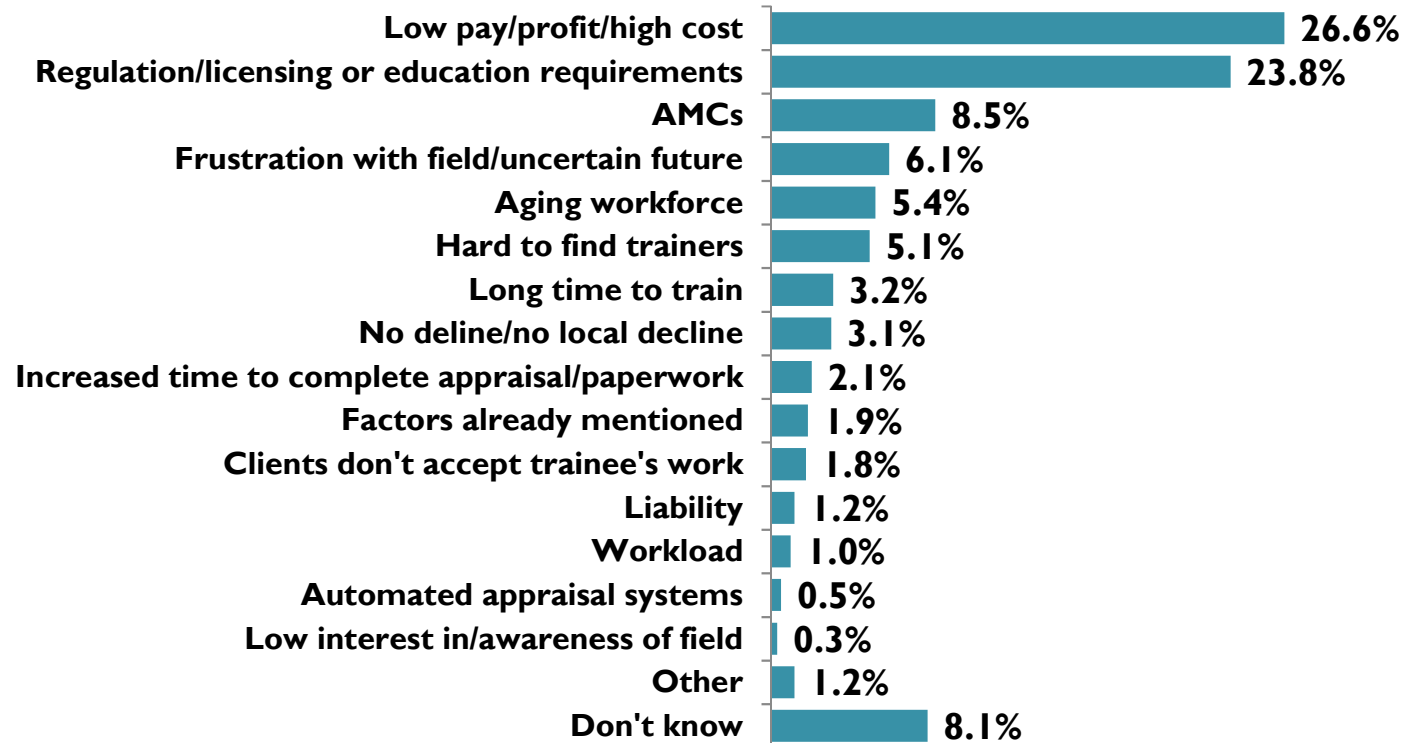
Other Factors Inhibiting Training

When asked to elaborate on the factors that inhibit potential entrants from beginning a career in appraisal, respondents noted education and licensing requirements as well as low pay.



Factors Driving Decline

When asked to elaborate on factors driving the decline in appraisers, respondents noted that pay and regulations as well as factors such as AMCs, frustration and uncertainty, and an aging workforce are also mentioned by significant percentages.





Appendix

Respondent Profile

Average age	54.5
Education level:	
High school graduate	4.0%
Some college	25.4%
Associate degree	10.6%
Bachelor degree	46.5%
Graduate degree	9.3%
Technical or trade school	2.0%
Prefer not to answer	2.2%
Income level:	
Under \$35,000	2.2%
\$35,000 to \$49,999	6.0%
\$50,000 to \$74,999	15.6%
\$75,000 to \$99,999	17.0%
\$100,000 to \$149,999	24.7%
Over \$150,000	16.9%
Prefer not to answer	17.5%
Gender:	
Male	70.9%
Female	29.1%