



PART ONE

Looking in at the profession

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: Strategies to Earn a Six-figure Salary
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A five-step process

It is a hard business to get started in—the diligent can do it, but the price is high. In the long run I can't imagine anything better.

—GEORGE DELL, FORENSIC CONSULTANT APPRAISER,
SAN DIEGO, CALIFORNIA

Becoming a licensed real estate appraiser is a five-step process.

1. Investigate the career
2. Pass state-mandated appraisal courses
3. Find a licensed appraiser to supervise you for 2,000 hours
4. Work those 2,000 hours
5. Pass the state real estate appraisal license test

As with any new career you are considering, you should spend considerable time investigating whether the real estate appraisal career is for you. One of the best ways to do this is to activate your network. Talk



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with your relatives, friends, and neighbors about anyone they know who may be a real estate appraiser. Also, talk with real estate agents, accountants, and bankers who also may know appraisers.

Work to get contacts with as many appraisers as possible, and then contact them to schedule informational interviews with them. During an informational interview, you are not interviewing for a job, but rather trying to get a feel for exactly what the real estate appraisal job entails, determining whether you have the skills necessary to excel, and whether the job interests you. Some of the questions you may want to ask include the following:

- Why did you enter the real estate appraisal business?
- What do the successful real estate appraisers you know have in common?
- What skills do you look for in new trainees?
- Why do some trainees succeed and others fail?
- What do you do in the course of an average day?
- What parts of your job most interest you?
- What parts of the job don't you like to do?
- What is the most difficult part of your job?
- How do you see the real estate appraisal profession changing in the next few years? How will that change affect how you do business?
- What types of appraisals do you specialize in? Why?
- How strong is the local real estate appraisal market?
- How many hours do you work in an average week? Are those hours flexible?
- Are there too few, enough, or too many appraisers serving the local market?
- Is the market for local appraisers increasing, decreasing, or staying the same?
- How has technology changed the way you do business?
- Do you hire people with no appraisal experience? If so, please describe your training program.

Additionally, because breaking into the profession requires that you have a licensed appraiser supervise you for 2,000 hours, you should



inquire whether the appraiser might consider hiring you in the future, and whether his or her appraisal company could support another appraiser in the near future. And, of course, before you leave you should ask for referrals to other appraisers so that you can conduct additional informational interviews to get a well-rounded view of the profession.

State courses and tests

Next, you will likely need to pass state-mandated courses (some states also have provisional or intern licenses). While this isn't a national requirement, most appraisers will not seriously consider you as a potential trainee unless you have shown the initiative to spend the time and money to take and pass these courses.

Currently, states require about 75 hours of training, most often composed of three courses (see Appendix 4 for an outline of the topics covered in these courses):

- Basic Appraisal Principles
- Basic Appraisal Procedures
- Uniform Standards of Professional Appraisal Practice (USPAP) overview

In most states, especially in the more populated areas, you will likely have your choice of taking courses from either trade associations or for-profit companies. To find the exact requirements in your state, see Appendix 8.

To determine which organizations will best prepare you for a real estate appraisal career, be sure to ask the appraisers during your informational interviews. Some organizations will sport glossy course brochures or slick Web sites, but asking those who have taken the courses about their quality can help you select the best choice and get your career off to a strong start.

Remember, when taking these courses you want to gain valuable knowledge that you will draw upon for your entire career. Courses that focus on passing the test, rather than learning basic real estate appraisal information, are less valuable to you in the long run.



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Passing the state licensing test is a challenge—especially for those who aren't adequately prepared. The test is not a pushover, and you will need to put in the time to ensure that you are prepared for it by spending time studying over several months.

After passing the state licensing test, keys to a successful career include continually challenging yourself to learn new skills to better serve your local market. Many successful appraisers take continuing education courses calculated to increase their knowledge of their profession, often-times learning key information about new types of appraisals they wish to specialize in.

Finding a supervisor

Finding someone to supervise you for the 2,000 on-the-job hours (usually over two years) required by most states is often the most challenging part of entering the business (see Chapter 4). That is why it is important for you to get a good feel for the strength of the local appraisal market during your informational interviews. You will need to spend the time up front to make sure that the market will be sufficiently strong to provide you with a job once you pass the introductory courses.

Working those 2,000 hours can be tough. As with any new profession, you will at first find it challenging to feel like you are making a strong contribution to the success of the appraiser who has hired you. But if you have chosen the right supervisor/mentor, you will quickly begin gaining the skills you will need to build a successful career.

Appraisal is a tough profession to enter, but reading the success stories presented throughout this book can help you to chart your course to the top of the profession.

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So, you want to become an appraiser



This chapter describes why:

- Math and analytical skills are important, but writing skills are, too.
 - Industry changes have come quickly due to technology.
 - Urban and rural appraisers operate very differently.
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There are about 71,000 licensed real estate appraisers in the United States. These appraisers receive in total about \$5.1 billion in fees per year.

The 2004 Appraisal Institute Member Survey shows that appraisers earned an average of \$85,500 from real estate appraisal services. Average incomes differed by type of appraiser:

- Principal/partners of appraisal firms reported average incomes of \$120,000.



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- Sole proprietors reported average incomes of about \$85,000.
- Employee/contractors reported average incomes of about \$72,000.

Furthermore:

- 16 percent reported incomes of \$150,000 or more.
- 9 percent of the previous group reported earning \$200,000 or more.
- 8 percent reported incomes below \$40,000.

Getting in

Some businesses are easy to get into. The pay for rookies is good. The hours are regular. The work is consistent. The training is standardized—all you need to do is follow the track laid out for you, work hard, and you'll reach the pot of gold at the end of the rainbow.

When it comes to real estate appraising, the opposite is closer to the truth. You would be hard pressed to find a single appraiser who would tell you it is easy to enter the business; that you don't have to work very hard to make a great living; and that you'll be making a lot of money within two years.

Successful real estate appraisers are a tough breed. Most have paved their own roads to success. Most will tell you it is very difficult to break into the business; it is challenging to move from being a trainee to being an appraiser; and developing steady work takes a long time. And even when you have "made it," external events such as a jump in interest rates, a recession, a real estate bubble that bursts, or a generally weak economy can damage your ability to earn a good living.

Find an appraiser who has all the work he or she needs and chances are that he or she:

- Has worked very hard to succeed
- Has carved out a niche
- And/or is working in a vibrant economy

Those who work hard to succeed earn six-figure incomes, enjoy flexible hours that allow them to spend quality time with their families, and are looked upon as leaders in their profession. Many of the top appraisers



Take the appraisal quiz

Ready for a quick exercise to tell you whether you could excel in the real estate appraisal business?

Answer each of the following questions by circling either 1, 2, or 3 where 1=disagree; 2=neither agree nor disagree, and 3=agree.

1. I would like a job in which I am able to determine my ability to get ahead by how hard I work. 1 2 3
2. I'm the type of person who needs a supervisor to get me started, but then I want the freedom to complete the job on my own. 1 2 3
3. I am comfortable using technology to better complete tasks and I frequently look for better ways to get the job done. 1 2 3
4. I have the ability to independently analyze information and form logical conclusions. 1 2 3
5. Crunching numbers is something I enjoy. 1 2 3
6. I have the ability to take complex information and write a detailed report about that information that others can easily understand. 1 2 3
7. I view constructive criticism as a growing experience. 1 2 3
8. I like the challenge of being confronted with different jobs every day. 1 2 3
9. Becoming a dinosaur frightens me—I'm looking for a profession where continuing education is required. 1 2 3
10. I understand that starting a new profession will be challenging: I'll likely begin doing menial tasks, the pay will likely not be high to start, and the hours may be long. 1 2 3

Tally your total score.

If you scored less than 15 points, this might not be the profession for you, or you will at least need to dramatically change your

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expectations. Read this book carefully to determine whether you should proceed.

If you scored 16 to 22 points, you have some of the skills and attributes you will need. Read on to learn what others have done to get off to a strong start and what they have done to build a successful career.

If you scored 23 or more points, read quickly so you can find out what you need to get your career off and running!

profiled throughout this book spend no time seeking additional clients—they have built strong businesses based on their reputation for quality and provide the highest level of service to their clients.

Others, who often work as independent contractors who aren't aiming for the top of the appraisal profession, look to the industry for an average income with above-average flexibility.

What do successful appraisers have in common?

Many people enter the appraisal business as a second career, often with diverse backgrounds. Based on interviews with top appraisers, more appraisers entering the business today have four-year college degrees, often in business, mathematics, or English. Frank O'Neill, a 20-year appraisal veteran who has taught appraisal techniques for 12 years, says that most successful appraisers have an analytical streak. They have to be able to write reports that people can understand, and the reports must be convincing.

Going forward, appraisers who don't embrace technology will likely have a difficult time succeeding. Those who are early adopters of technology may see their earning power increase.

Appraisers need a good aptitude with math because they will be doing analyses, measuring rooms and totaling square footage, and reviewing other sales information to make a determination on a property's value.



Appraisers also need to be part detective as they investigate a property to determine its value.

Appraisers need to be self-starters. The speed at which you progress in the career will be determined in large part by the initiative you take to learn the job, ask for more detailed work, and learn enough to begin measuring properties on your own. Self-starters will find new markets, new ways to accomplish tasks more quickly, and new clients to keep their businesses growing.

Appraisers need thick skin, especially when starting out. The job will likely be all new to you. That means mistakes, and your supervisor will be correcting your work. It can be very frustrating if you aren't able to accept constructive criticism.

What may come as a surprise to you is that appraisers need strong writing skills. Candidates will quickly learn that after the physical work of taking measurements comes the analytical work—followed by the narrative report. The best investigators can gather all of the information needed to make a valuation determination, but if the information isn't conveyed in a logical, easy-to-understand manner in the narrative report, then the person reading the report may not understand how the conclusions were drawn. That can result in not getting additional work from that company.

Where has the industry been?

The real estate appraising industry has been one that has attracted a large number of its ranks from those looking for a second career. Industry experts say this is at least partly true because the profession is not one that has undergraduate degrees in colleges across the country as do other business professions such as accounting. There also isn't the sort of structure that would provide young candidates with a clear-cut career path, nor do new appraisers have the ability to earn a whole lot in the first year. Because of this, few college graduates in the past were attracted to the profession.

How appraisals get done was also dramatically different in the past. Buildings were always inspected in person, both externally and internally, and getting appointments to get access to the buildings could take time. Buildings were measured by hand with measuring tapes; pictures



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were taken using cameras with film, which then needed to be processed (taking about a week); sketches were done by hand; and forms were filled out by hand. Then the reports were typed up (with the help of a lot of correcting tape), photos were attached to the report, and all was mailed back to the requester.

A challenging part of the business was finding “comparables,” or properties that were similar in size and location so that an accurate determination could be made about the value of the property just inspected. In the past, comparables in urban areas would be obtained by talking with real estate brokers, people who recently sold their homes, town assessors, and perhaps town or county clerks who recorded sales. The smaller the community, the more of a challenge it was for appraisers to find quality comparables.

The whole process for completing a residential appraisal would easily take a week: from receiving the order to receiving an appointment to visit the property, to examining and measuring the property, to typing up the report, to waiting for the pictures to be returned, and, finally, to mailing the report. Getting things done in a day or two was virtually impossible but, then again, bank loans would take about a month to be approved, so rapid turnaround was not critical.

Like most businesses before overnight couriers, fax machines, and e-mail, things moved slower. Processes simply weren't in place for a turnaround that would be considered “fast” by today's standards.

Things began to change in the late 1970s as momentum began to increase for licensing. The idea that began the licensing movement was that licensing would increase the level of professionalism across the country.

Then in the late 1980s, when the savings and loan crisis hit, licensing became reality. By the mid 1990s, real estate appraisal licensing was a requirement in every state.

Where is the industry today?

“The industry has evolved to the point where we want it faster, we want it cheaper, and we probably want it better,” says Jeff Grendysa, SRA, a



mortgage banker for a bank in southeast Michigan. “In the past, if you closed a mortgage in a month you were a superstar. Today you can close a loan in two weeks, and in some instances quicker, depending on the type of the loan,” says Grendysa.

Like every industry, technology has dramatically changed how real estate appraisers get their work, do their work, and submit their work. Appraisers with an established clientele now conduct much of their business using e-mail.

Not every appraisal requires a physical inspection today. The credit score of the person or persons requesting the loan, along with the loan-to-value ratio, can determine the extent of the appraisal requested. *Automated Valuation Models* (AVMs) have taken on some of the loan work that does not require a physical inspection. AVMs—computer software that helps perform appraisals—have had a dramatic effect on those residential real estate appraisers who specialize in basic appraisal reports in well-populated areas.

Instead of using tape measures, many appraisers today use laser tools to more quickly and accurately measure structures, easily shaving the time spent on site by half. Some appraisers use software to sketch the property.

The narrative portion of the average appraisal report is longer, but that isn’t a problem because of computer software. Gone are typewriters, along with the endless corrections, replaced with software programs that allow appraisers to quickly populate fields to provide quality reports.

Obtaining data with which to review comparables has gotten much easier in the more urban areas, with the use of databases of sales information. Appraisers oftentimes have at their fingertips volumes of information—the key remains selecting those properties that are comparable to the property that is being appraised.

Although the average cost of a typical real estate appraisal has changed little over the past 20 years, appraisers are nonetheless earning more money on average than they did 20 years ago, thanks to technology. Those who have embraced technology have seen their incomes rise rapidly.

Although the cost of appraisals is almost always a flat fee, appraisers determine that fee based on the hours it will take to complete the



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appraisal. Technology has enabled appraisers to cut the amount of time it takes to complete an assignment in several ways:

- Assignments come into the office via e-mail, often in a similar format, saving processing time.
- Many appraisals today don't require a physical interior inspection.
- Appraisers who use electronic tools to measure those jobs that do require a physical inspection can often cut their time on site in half.
- Accompanying photos are now digital, eliminating the time and cost of using film. Appraisers can simply download digital photos into their computers and then electronically insert them into the final appraisal reports.
- Electronic forms allow the appraiser to quickly fill in the necessary data.
- Completed forms in .pdf form can be e-mailed back to clients.

So those early adopters of technology today have a well-oiled system in place that allows them to easily complete in a day a detailed appraisal report that formerly took them a week. And a report that formerly took days to complete can often now be turned around in the same day.

Where is the industry heading?

As with virtually every other profession, technology will have a continuing and dramatic impact on how appraisals get done. Today, appraisers in urban areas have databases of sales information at their fingertips that can be used to find comparables. Typically, appraisers in rural areas still need strong networking skills in order to gain information they need to find comparables. These networking skills are useful for obtaining sales information from real estate agents, mortgage officers, and town clerks who record deeds. Because of this, there can be less competition in rural areas than in urban areas.

Some of those appraisers who were in favor of making licensing a reality are dismayed because they believe it hasn't improved the industry's overall professionalism. These people believe that licensing has put all



real estate appraisers on nearly the same footing and feel that this is far from the truth. Many who led the original fight for licensing are now rethinking their stand.

AVMs (Automated Valuation Models) have been around for about 20 years, and they are here to stay. They will likely continue to take market share away from those residential appraisers who focus on the most basic types of appraisals. What may occur is that AVMs may enter into the commercial side of the real estate profession, providing another tool for commercial appraisers to use and for loan officers to consider when making or evaluating loans. AVMs will be discussed at greater length in Chapter 11.

Commercial appraisers will likely have more databases of sales information at their fingertips to help them determine a property's value. And an increasing number of residential appraisers located outside of urban areas will likely have access to more databases of sales information, lessening the time needed to complete appraisals.

Work to smooth out the cycles— a conversation with Richard Powers

The biggest long-term challenge of the real estate appraisal profession is overcoming the long, deep market cycles. But becoming a student of the industry can provide you with the information necessary to develop specialties that may be countercyclical to each other, therefore providing you with the ability to continue to make a good living, despite the economic conditions.

Richard “Dick” Powers, MAI, SRA, 2006 president of the Appraisal Institute, says the key to the appraisal profession is getting involved with professional associations from day one. Powers says that even before entering the business, involvement in a professional association as an associate member will provide you with firsthand information, not only about the profession, but also about the best appraisers. Armed with this knowledge, you are better able to target high-quality appraisers as potential mentor candidates and learn from industry leaders early in your career. “And you can form relationships that can level out those



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cycles a little better,” says Powers. Relationships with top appraisers can provide you with valuable insight into the various subsets of the profession, helping you identify different areas in which you might want to specialize and build a business for the long term. Your specialties can all be in residential or commercial, or a combination of the two. The key is finding those specialties in your region that are large enough to support you and that don’t all react to economic conditions in the same manner.

Powers says that to get an accurate picture of your region’s marketplace, your network should include not only top appraisers, but also realtors, lenders, attorneys, and accountants.

Getting his start

Powers, owner and president of Powers, Smith & Associates in Keene, New Hampshire, a city of about 23,000 residents, began his career as a mortgage loan officer in a local bank. The person in charge of the loan department made loan decisions and was also the appraiser. As the job expanded, this person didn’t have time to complete all of the appraisals himself, so he posted the job.

Becoming a real estate appraiser in a bank seemed like a good challenge, so Powers applied and got the job. After seven years, he decided to strike out on his own. He began with a one-room office. Technology at the time consisted of an electric typewriter. Not being a good typist, he hired a secretary to type the appraisal reports.

He steadily grew his business, eventually adding a partner a couple of years ago in order to free up time for his Appraisal Institute duties (he is on the road 100 to 120 days per year). He has three commercial and four residential appraisers on staff—during the 1980s boom he had as many as 12 people working for him.

Over the years, Powers has developed appraisal specialties, including gas stations, convenience stores, hotels, and golf courses. “In rural areas you end up doing a little of everything,” explains Powers, adding that in large metropolitan areas you can develop much narrower specialties. Overall, Powers concentrates his energies in residential appraisals in Cheshire County, New Hampshire, and commercial work that is no more than an hour away from his Keene office.



Entering the business

Powers says that trainees entering the business today are often younger, have stronger technical skills, and possess more analytic ability than those 20 or 30 years ago. He says that trainees today need to analyze the profession and decide which area they want to specialize in—the goal being to move from being a technician to becoming a valued analyst.

For those looking for quality mentors, Powers urges people not only to join local chapters of appraisal associations, but also to talk with local lenders and attorneys to learn whose appraisal report work they most value.

Powers offers this advice: As your career progresses, be sure your goals with continuing education are to stretch your mind to learn about new techniques, and perhaps to open your eyes to new markets that may be underserved. “Twenty hours a year [of continuing education] might not be enough to keep up with the changes coming over the next five years,” says Powers. “The profession will likely change at a quickening pace,” he says, and he predicts that the pace of change might double or triple over the next five years.

The future is bright for residential and commercial appraisers—both for those seeking positions as independent contractors and for those aiming for the top of the profession.

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