

George Demopolos And The Challenges Facing Appraisers

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PERSON OF THE WEEK: **If anything, this is not a boring time to be an appraiser.** This week, MortgageOrb talks with George Demopolos, president and chief corporate appraiser of Lincoln Appraisal & Settlement Services, headquartered in Providence, R.I., about the challenges facing appraisers.

Q: There are many people in the mortgage banking industry that put a heavy degree of blame for the current crisis on appraisers. Do you believe that the appraisers, as a whole, are deserving of this blame?

Demopolos: As a whole, no. The vast majority of appraisers provide quality service and quality reports to all of their clients. They work hard every day, take a great interest in their profession and improve their capabilities by being invested in their business and routinely taking continuing education courses.

However, there was a huge amount of pressure to push and push values as high as possible. Most appraisers resisted - some may not have - but I think those who pushed and those who were pushed are now gone from the market. For those who are in this business as a profession, it is our job to continue to provide the best possible product and service to our clients and to resist any outside inappropriate interference regarding our product/service.

Q: What is your take on the Home Valuation Code of Conduct (HVCC), and do you believe that it is addressing the problems facing the industry?

Demopolos: I think it has its good points and bad points. It has been highly misinterpreted by many people. It would have been easier just to make it a violation of law to have anyone pressure appraisers regarding value. Instead, it has forced lenders to use appraisal management companies (AMCs) far more than they did in the past.

What some people forget is most larger lenders did not want the responsibility and cost of "managing" a regional or nationwide appraisal panel. Now, for some reason, the AMCs are considered the bad guys in the appraisal world, when in fact, they have been active and involved for over 15 years. Furthermore, I now see many states moving toward AMC regulations - which will not help the appraisal industry in the least and will further exacerbate the level of discontent in the industry.

As far as the individual mortgage brokers, the HVCC has made them re-think their attitude toward appraisers. Appraisers provide an important product for the mortgage financing industry, and we cannot and should not be pressured into any value to fit their specific needs for an individual to close a deal. Our work must be valued by all parties.

It should be noted that the HVCC applies only to Fannie Mae, Freddie Mac and Federal Home Loan Bank loans. The Federal Housing Administration has adopted similar policies of "appraiser independence," but does not mention the HVCC in its guidelines.

Q: What can appraisers do to ensure that they are providing the highest-quality information to their clients?

Demopolos: Appraisers must continue to improve their position by staying active in their profession and by getting involved in the various appraisal organizations in their states, as well as on a national level. They must stay educated by attending up-to-date classes on a regular basis.

We must also understand that we are in a service business. We must stay customer-focused and customer-driven in order to increase our business and our value in the real estate world.

Individual appraisers must be willing to engage their clients when providing appraisal services. We must understand what clients need and help them succeed by providing the best possible appraisal products and customer service. This attitude works in all business models, and it will and does work in the appraisal field as well.

We must provide the customer service that is vital when working in real estate transactions in order to stay relevant in the market. If clients wanted just a number, they would rely only on computerized values. They don't want that. They want appraisers to provide them with the best information possible while being able to engage appraisers before, during and after the actual report is delivered.

Too many appraisers hide behind Fannie Mae or Uniform Standards of Professional Appraisal Practice (USPAP) guidelines and are unwilling to talk to their client about their work product. I will never understand that attitude. If clients have questions about a product they paid for, then they have all the right in the world to expect the appraiser to talk to them, to defend their work and, yes, admit mistakes.

In my experience, it is unfortunate, but many times, appraisers are unwilling to admit they delivered a less-than-perfect product and that they have made a mistake. Most clients understand the appraisal is not a perfect product and that mistakes occur. Some appraisers do not understand that they can revise and fix an appraisal report without violating any Fannie Mae or USPAP guidelines.

Q: From a human resources consideration, what can appraisal companies do to ensure that new employees are the right people for the job?

Demopolos: AMC's want to work with good people and quality appraisers. It's that simple. It makes our job that much easier. We do everything we can to assure we are working with appraisers who are fully licensed, are serious in their profession, who are geographically competent and who provide superior customer service. AMC's also need to hire people who have experience in the appraisal field, as well as in the mortgage field. Without a quality appraisal panel, an AMC cannot stay in business.

Furthermore, a high-quality AMC should evaluate any appraiser who seeks to join their panel with strict criteria, and they should evaluate their nationwide appraisal panel on at least a quarterly basis. At Lincoln Appraisal & Settlement Services, we conduct performance evaluations on our appraisal panel every quarter, where we review them for quality, accuracy, customer service and speed. If they fail to meet our requirements, they cannot remain on our panel.

Q: On a macro level, where do you see the near-term future of the housing markets?

Demopolos: With current interest rates at historic lows, we have seen an uptick in refinancing and sales in certain markets. Prices are not increasing, per se, but refi volume and sales volume are increasing. We are

getting back to homeowners who actually are buying their homes with some of their money, too!

By having people actually put down money for their home, there will be fewer foreclosures in the future. That has been proven year after year.

It will take time for all of the excess foreclosure inventory across the country to be marketed and sold. And, of course, employment needs to improve for residential mortgage transactions to increase. I think most homeowners are no longer trying to squeeze out as much as possible from their homes to finance extravagant and wasteful purchases. They are taking advantage of low rates in order to lower monthly payments or to purchase a new home at historically low prices.

In my opinion, now is the time to refinance or buy a home. It is a buyer's market, and I believe it will remain so for at least 18 to 24 more months.

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