**S2E3 Final Transcript**

***Intro****: You're listening to “Drive with NAR” powered by REALTOR® Magazine. Listen in as real estate pros talk tools of the trade and share stories of inspiration. Get ready to step up your business.*

**Marki**: What's going on world? I'm your girl, Marki Lemons-Ryhal, the host of “Drive with NAR” and a REALTOR® member. You have an executed sales contract finally, the home inspection was clean, and now you have reached the appraisal process. This potentially could be the most frustrating part of a real estate transaction. Today we're talking about how appraisers and real estate agents can work together as a team to ensure accurate and unbiased appraisals. You have a role to play, but it may not be clear what that role is. We'll dive into that with our guests Michelle Bradley, an appraiser with Czekalski Real Estate, Inc., in Pennsylvania. And Christian Jackson, who is both an appraiser and a selling agent with Keller Williams Preferred Properties in Maryland. Thanks for being here. I want to ask this question to both of you. But first, Michelle, you're an appraiser. Are you a real estate agent’s friend or foe?

**Michelle**: Oh, that's a great question. I sure do want to shout this from the rooftops: We are all in the same real estate profession. We need to get along, we need to communicate with each other. You know, many appraisers don't even realize that they are REALTORS®. The REALTOR® brand has many specialties including appraisers. We all subscribe to the REALTOR® code of ethics. And we certainly can all get along. Think about article 15 and the code of ethics. That one that’s about not knowingly making false or misleading statements about other real estate professionals. Christian, what do you think? Are we friends or foes?

**Christian**: We need to absolutely be friends, for sure. Sometimes it might seem that we might be foes, which is why I'm sure the question is being asked in the first place. But no, we definitely need to be friends for sure. Um, like you said, we're all real estate professionals. Me as an agent, I'm studying the market close to the subject property and I want to be able to convey that to the appraiser when they come to the property. So I obviously need to have a good relationship with them. So yes, we're friends. I would love to be friends.

**Marki**: I'm glad we're all friends. Here's why I asked this. The 2022 appraisal survey conducted by the National Association of REALTORS® had this finding I found quite interesting: 19% of REALTORS® say they don't interact with appraisers at all in a transaction. What type of interaction is permitted or even encouraged?

**Michelle**: Well, not only *can* we all talk, we *should* all talk communication is key to any profession. We can exchange important information with each other, but what information specifically can be communicated? First, I just want to make sure everyone recognizes that appraisers are regulated differently than the sales side of the profession. Appraisers are bound by the uniform standards of professional appraisal practice USPAP. So we are nationally regulated we have different types of requirements. You know, I think part of the communication issues over the years stems from the fact that in the lending world, the appraisers client is the lender, not the real estate agent, not the buyer or seller. The REALTOR® is always trying to communicate with the buyers and sellers to help them navigate the process, right? So because appraisers cannot talk about all the confidential details of an appraisal with just anyone except the lender, it creates that communication gap. So the appraisal is done for the lender, not for the borrower. And that just adds to some confusion. Appraisers can ask, answer general questions about the process of the appraisal. But when it gets to those specific details, when the real estate agent calls the appraiser and says what comps did you use or what was the market value? Those are things that the appraiser is just prohibited from discussing with anyone else but the client. Christian, what do you think about that? What's your experience with it?

**Christian**: What you're talking about is that line, right? There has to be a line of communication that agents that we can't cross right but it doesn't mean that we can't communicate at all, we absolutely need to communicate. When my client hires me as their agent, they're hiring me to represent them and the way I look at it, I'm here to help protect the value of their home, I'm trying to get the most I can on the market and when it comes to the appraisal process, I'm trying to convey to the appraiser why I chose that price, why I think the house is worth that. Now the appraisers, they can take that information. They're professional, they know what their code of ethics are, they know what they need to follow according to USPAP, they can take my information and use it or not. But my job is to just give them the facts, show them exactly what it is that I did to come up with that price, right? And what factors are involved in the market that I might know about that might not be known just by looking at the MLS? And as long as I'm not pressuring them for value? I'm not asking, I'm not telling them, hey, you need to come in at this number because of XYZ. As long as you don't cross that line, communication is absolutely welcome for sure.

**Marki**: When the market was so hot, prices were rising rapidly by high amounts. Were appraisers keeping up? Michelle, how do appraisers take into account quickly changing markets, whether they're rising or slowing?

**Michelle**: That's a great question, especially now, because we've seen everything be a little bit turbulent over the past year or so. So a competent appraiser is in tune with the local market. They're studying the supply and the demand. They're talking with market participants about what's going on. An appraiser with geographic competency, now, geographic competency, that means an appraiser who knows the market forces in that area, well they're studying what's happening, let me give you an example. An appraiser will be, for example, watching to see how many days it takes for homes to sell in a particular area, and what the listing to sales price ratio might be. So if it takes longer to sell the homes, if the listing to sales price is going down, that indicates to an appraiser it's a slow or downward market. On the opposite side, if listings are selling very quickly, with multiple bidders, and the prices are going well above the listing price, that's indicative of an increasing market and the appraiser will need to make market conditions adjustments either up or down, depending on what they're seeing. What do you think about that, Christian?

**Christian**: So I think it's important to understand the approaches, right? As far as what we're taking agents versus appraisers, right. Appraisers are reactionary, appraisers are going to react to the market, they're looking at past data to come up with their value opinion. Us as agents, we're using that same data, but we're trying to project what the house will sell for tomorrow when we price it today. Once we put the house on the market tomorrow, we want to know what it's gonna sell for on that particular day. It's important when we have changing markets like we do now that the agent provide the appraiser with real time data, like you said, how many days on market was the property? How many offers did we receive, I want to be able to give all that to the appraiser so that I can see how much the house how the market reacted to the house today, not necessarily three months ago or six months ago, because in a market like this, we know that six months ago was a completely different market than it is today.

**Marki**: There's been a lot of disruption within the appraisal industry with a lot more ways to conduct an appraisal nowadays besides just in-person valuations. Michelle, can you talk about these alternative valuation methods, and why and when they're coming into play?

**Michelle**: You know, the only thing constant in this world is change, processes change, technology changes, and it moves at the speed of light. I remember early in my career stopping at a payphone to call my office and see if I had any other calls that came in. And some people were afraid of change. But it's important to remember it's not going away, you might as well embrace it, you know, through technology, we got big data, we have artificial intelligence, and it's changing the way we can work in our world. Automated valuation models (AVMs) are used without transparency, about the data points being measured. I would say everyone in our audience is familiar with those online computer-generated values on various different websites. It’s a little sad, because sometimes consumers will believe that these values are right. And they're making life-changing decisions based upon these online computer-generated numbers. The question becomes how do we harness big data? How do we harness artificial intelligence and continue to improve the valuation process without eliminating the only entity in the transaction? Who is independent, impartial and objective, and that is the appraiser. Christian, what do you think?

**Christian**: I agree wholeheartedly. As somebody who's advocating for value for my clients, I would feel more comfortable being able to lay eyes on and seeing the person that, like you said, is independent, and it's coming up with their value opinion. Are there some tweaks to the system that can be made? For sure. Is technology coming into the appraisal industry? Absolutely. I think that what the use of, as lenders, you know, try to go down the AVM route or you know, doing more drive-by appraisals or that I think that the lending community needs to, like you said, be more transparent with how these values are derived. I also think that they need to do that so they can instill confidence in the general marketplace, right? Because right now, I don't think there's a lot of confidence in these values. And I think that's where a lot of the concern comes from.

**Marki**: And I want REALTORS® to keep in mind that they always can rely on [RPR](https://auth.narrpr.com/auth/sign-in?ReturnUrl=%2Fconnect%2Fauthorize%2Fcallback%3Fclient_id%3Drpr_website_client%26redirect_uri%3Dhttps%253A%252F%252Fwww.narrpr.com%252Fauth%252Fcallback%26response_type%3Dcode%26scope%3Dopenid%2520email%2520rpr_contact%2520rpr_current_user%2520rpr_permissions%2520rpr_roles%2520main_api_access%2520web_api_access%2520auth_api_access%26state%3D1caaa9ade13e43039d5eb348fdc40567%26code_challenge%3D_sZUCnw0gYQ8AJLlu6C7Yq83xkNXD3Z87d7CrHLsGX0%26code_challenge_method%3DS256%26response_mode%3Dquery), which is the only REALTOR® valuation model that is out there in the marketplace. That is definitely a REALTOR® benefit. Appraisal management companies, apparently, they're quite upsetting to a number of appraisers. 54% of appraisers surveyed by NAR said that AMCs are the biggest challenge in their business. Michelle, why do you think this is?

**Michelle**: Well, once again, the National Association of REALTORS® has correctly interpreted what is going on. AMCs, appraisal management companies, you know they exploded in market share after the Dodd Frank financial reform legislation was passed. They had existed for decades, of course, but their market share went up tremendously after Dodd Frank. Now, I want you to think about this as them being the middleman between the appraiser and the lender, and appraisers identify AMCs as a challenge for many reasons, but in particular, because they take a percentage of the appraisal fee. appraisers are still doing the same work. In fact, sometimes more work, often for less money when an AMC is involved. Now, to put this in terms for agents to best understand, I want you to think about having to pay a very high referral fee for every sale you do. Never getting the full commission that you traditionally would have gotten. That's a very loose parallel, but it helps to explain the cause of the appraisers’ concerns with AMCs being in a large market share. Christian, what do you think about AMCs? And the concerns appraisers have?

**Christian**: Yeah, I mean, I think you spelled it out correctly. It's basically somebody jumping in the middle and halfway dictating how an appraiser runs his or her business. From the agent side, though, it kind of creates a little bit of confusion of who we are to contact and who you know, who we can contact in terms of in the appraisal issues, not just us, but the lenders as well. Sometimes, we'll reach out to the lender and say, hey, you know, have you heard from the appraisal in all I can get back to you and says, Oh, I put a message in the portal, you know, for the appraisal management company to get back to us. And then we're just sitting in limbo waiting on this to happen. And a lot of times what happens is the appraiser has already turned in the report and the AMC is going through whatever their process is to deliver it to the lender. So we had that extra lag time in there that I can see why it gets frustrating to basically all parties involved.

**Marki**: A little more than a quarter of appraisers surveyed by NAR expressed facing pressures from real estate agents and brokers calling that another major challenge. Michelle, what do you think, is behind that number? What are REALTORS® doing to pressure appraisers?

**Michelle**: Back before the 2006 mortgage crisis, appraisers were routinely asked how much are you going to appraise this house for? And that was before an appraiser even did any work. That was before the assignment even got placed with the appraiser. Well, how would we know whether we were going to appraise the house for, and that was a form of pressure. Are you going to get the business or not? The goal of that question then was are you going to be high enough for us to be able to make this loan? It was a crazy world. And we all know where that led after the 2006-2007 mortgage crisis. Today is very different. But pressure can still happen, and it can be in many forms. One of the biggest threats, I would say, is a threat of future business being withheld. For example, if you don't appraise this house high enough, I'm going to complain to the lender, I'm going to tell the lender not to use you, which of course, can be illegal, and we know also a violation of the REALTOR® code of ethics. Sometimes agents may think that the appraiser isn't entirely forthcoming with information about the appraisal process because again, we're regulated differently and we have confidentiality requirements that we can't go over. But remember that appraisers regulated differently we can't discuss certain details of the appraisal itself with a non-client. And I really believe that's what helps to cause that anxiety and confusion and lead to a lot of aggravation. Christian, I'd be curious to know what you think about that.

**Christian**: We need to make sure that I guess as we're going back to what we talked about earlier, there's a fine line between the pressure and me just giving information to the appraiser that, you know, is relevant for them. So, pressure from the agents doesn't mean that agent shouldn't communicate, right, it just means that the agent should be aware of what they can and cannot talk to. So Michelle, if I'm bringing you comparables, you know, from the market area, and you know, all the data that came from my listing, would you consider that pressure?

**Michelle**: I would absolutely not consider that pressure. You know, I hear from agents all the time that say, I meet the appraiser at the listing for the appraisal appointment, and I try to hand them a packet of information, and it just has factual information on the data. And some appraisers don't want to take that. Some appraisers look at that as a form of pressure. I would ask to the appraisers what you're still using the MLS information. As long as that real estate agent is not saying use these comparables, or else, you know, it's about us, it's about an open line of communication. Having the agent provide data isn't a form of pressure, having an agent provide data coupled with use this or else, of course, we all know that that's a form of pressure. But I like to tell agents it's always best, especially in a very high market or a decreasing market, particularly, meet the appraiser at the house. And if you get that appraiser that might not want the agent to meet, here's the easy way to explain that. Just tell the appraiser, you know, I'm doing my job, you're doing your job, my homeowner wants me to be present as a sales agent, they want me to be present at the house for any appointments that come through. So I won't get in your way, appraiser, I'm going to put some data down on the table, and I'm going to let you do your job, I'm not going to interfere. There's no pressure there. But again, we're in an information business that we have to share that information very much.

**Marki**: As a REALTOR®, I completed the PSA, which is the pricing strategy Advisory Program. And there were two sets of acronyms that came from that class that have influenced me one is SBA subject better add to comp, and CBS comp better subtract from comp, because what I realized is I was often calculating the numbers totally different. So I would encourage my fellow realtors to take the PSA course. But, Christian, I want to come back to you. What are some of the things that you believe we can do to improve our relationships with an appraiser?

**Christian**: You want to make sure that you take some time and get to know your local appraisers? When one calls you to ask for some market data about a listing that you have months before actually have a conversation with them. Ask them how their business is going, ask them and what they're seeing in the market right now. So some general questions. When you have to meet in the present for property, go and meet them, shake their hand, you don't get to know that not so that you can coerce them any kind of way in the future or abuse that relationship, but as you have that relationship so you understand where they're coming from, so that you can better serve your clients when you're explaining that appraisal process. Michelle, what do you see on your side?

**Michelle**: I say be respectful of each other's time. We're all professionals. And we're all busy. When an agent provides me with data that I need on a sale, I thank them. When an agent calls me back, you know, I used to send postcards to the agents that would call me back. I had these postcards printed up with my name and my information. And it would say just thanks for the information about 123 Main Street. And it was such a popular thing that people got these postcards, they would call me back up and they would say, here's the information you need, no postcard needed to be sent. Appraisers can also volunteer to educate sales agents on appraisal related issues at office meetings. I've been doing this for a very long time. It goes a long way and it opens up that dialogue. I simply call the office manager at brokerages in my area and say, hey, your next sales meeting, how about I come in free of charge? I'm just gonna spend 15 minutes talking about some appraisal issues and answering some questions. And it's been very, very popular and it helps me as an appraiser learn when I have questions, I know the agents that specialize in in farm type properties or riverfront properties because I get to know them as well. So respect is a two-way street and we need to just continue to communicate and meet each other.

**Marki**: Appraisers have been in the news a lot lately and facing lots of allegations, even lawsuits, over appraisal bias and home valuations. NAR has fought to eradicate appraisal bias recently helping the White House to develop its PAVE action plan. The plan includes improving government oversight of the appraisal industry and educating consumers to recognize and report instances of bias. But one appraiser wrote into NAR to say that they felt they had a big target on their back, and the profession was being called racist. Michelle, can you talk about some of the controversy lately around appraisal bias?

**Michelle**: Yes, certainly, you know, it's probably the biggest issue in the valuation profession today. Not one family should ever have to go through that. One time is too many times. There are great education courses available now, in particular, the At Home with Diversity designation program that the National Association of REALTORS® has, I'm very proud to say that I went through that it was a phenomenal program, I encourage everyone to complete it. You know, appraisers are really brilliant at what they do and what they know. And with all the data and that in the changing in our profession, maybe we can communicate in our reports just a little bit better. With a little bit more transparency, we know how we developed our adjustments, for example, maybe we can be a little bit more clear in the appraisal report about how we develop the adjustments. I think the consumer public people in general, just really want to understand our process, how an appraiser develops that value opinion. Christian, what do you think about that?

**Christian**: I think you hit it right on the on the head of the show, as an agent and as an appraiser. I see that there's a gap between the two sides, right? There's a gap in education from the agents and the general public side on what an appraiser actually does to come up with a value, when that's has a little more understanding. And you'll know that the appraisal profession is more reactionary react to the market, that we're seeing, we are deciphering the market dictating the market, right. And a lot of times I think people take that appraisers dictate the market. On the flip side of it, but I think in the appraisal profession, I think it's very important to be empathetic to the fact that there is bias in every single industry in this country. And the appraisal profession is not immune to that. So I think it's important for the appraisal profession to look at ways that we can try to mitigate some of that bias with coming into the court.

**Marki**: Looking ahead, what do you think is in store for the appraisal industry, Michelle?

**Michelle**: Oh, I just love this profession. My grandmother got into it in 1958. And my parents, and I just trained my nephew to be the fourth generation of appraisers in my office. But I also trained three young women. And it's their first career choice. And they have new and fresh ideas, and I'm learning from them as much as they're learning from me. And that's what it's all about. I love it. And I can't imagine being in any other profession. Christian, what do you think?

**Christian**: I love it as well. You know, I got to the point. I'm a first-generation appraiser and I kind of got into it by accident. I met an appraiser at one of my houses I was doing a renovation for in Tampa, Florida. He walked through the house for 15 minutes, I gave him a $400 check and I said I'm in the wrong business, I need to do what you're doing, buddy. So I did. I didn't know everything that went into doing an appraisal. I just saw his walkthrough of the home. But when I got into it, I was lucky enough to actually have had an old boss of mine whose son-in-law opened up an appraisal company right when I started taking my trainee classes. So it was just a complete coincidence that I was able to get lined up to him to get my appraisal career going. And I haven't looked back since. So I've also trained three certified appraisers now at this point, and it's been an absolute pleasure. So these people show people who otherwise would not have been exposed to this industry. Give them a door into it.

**Marki**: I hope that my fellow REALTORS® start leveraging RPR in their businesses, and that they sign up for the pricing strategy advisory program so that we can work well with our appraisers moving forward for our clients. Thank you, guys, for tuning in.

***Outro****: Thanks for joining us on this episode of “Drive With NAR.” Tune in every month on* [*Magazine.realtor/drive*](https://magazine.realtor/drive) *or subscribe wherever you get your podcasts. Find more tips to boost your business at* [*Magazine.Realtor*](https://magazine.realtor/)*.*