



USING TRAINEES – THE SAFE WAY

Lower interest rates usually result in increased real estate acquisitions and refinancing. Consequently, real estate appraisers have to keep up with the increased demand for their professional services. To meet their client commitments, appraisers often hire trainee appraisers to assist them with their workload. While this may appear to be a great solution, unsupervised or poorly supervised trainee appraisers are a liability to an appraisal practice.

Increased Liability Exposure

In the past a licensed appraiser would hire and supervise up to two trainee appraisers. It's not uncommon today for a licensed appraiser to oversee five to ten trainee appraisers at a time. We have seen a single appraiser sign as many as 1,500 appraisals per year with the assistance of numerous trainee appraisers and it is reasonable to assume that preparation of these appraisal reports by the trainee appraisers were not supervised properly.

25% of claims reported to us during 2005 involved a trainee appraiser. In some of these claims supervising appraisers did nothing more than sign off on a report improperly completed by a trainee appraiser. They now face the risk of legal action and/or loss or restriction of their licenses.

Claims against supervising appraisers involve allegations of monetary damages as a result of professional negligence (non compliance with USPAP, etc.) where the supervisory appraiser failed to adequately train or supervise the trainee appraiser. These claims can also evolve into State Licensing Board complaints if a supervising appraiser failed to properly supervise a trainee as established by state regulations, and/or, where a supervising appraiser represented that he/she performed an appraisal when it was actually done by a trainee appraiser.



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An appraiser must commit to make him/herself available for many hours of training and supervision before pursuing candidate/s for trainee appraiser position/s.

State Regulations

Most state appraiser boards regulate trainee appraisers and have established guidelines for the supervising appraiser. A supervising appraiser should research the following questions before hiring trainee appraisers:

- Should a supervising appraiser be in attendance if a trainee appraiser is performing an inspection?
- Should the trainee appraiser's name be mentioned in the report as someone who assisted in the preparation?
- Should the trainee appraiser sign the report?
- Should a supervising appraiser sign the report and say that they inspected the property, even if they did not do the inspection?
- How many trainee appraisers may a licensed appraiser supervise at a time?

Since the correct response to the questions above may vary from state to state, it is the supervising appraiser's responsibility to contact the state board and ensure that he/she is adhering to state regulations. Also, as of January 1, 2008, the Appraisal Qualifications Board will allow a supervising appraiser to have no more than 3 trainees; certain states have already put this requirement into effect.

Damage Control

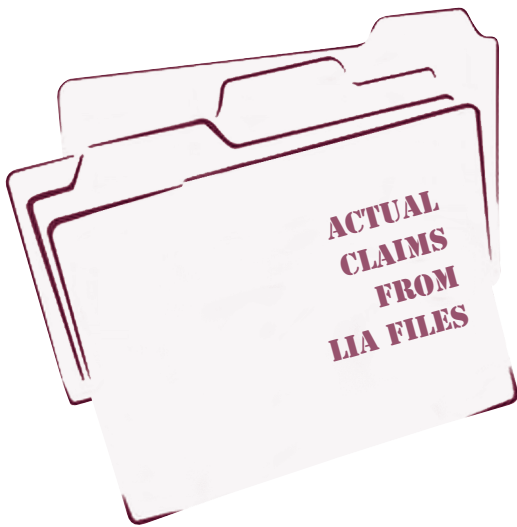
On average, a claim is made 28 months after an appraisal is completed. By the time a supervisory appraiser receives notification of a claim, the trainee appraiser who prepared the report in question may no longer be employed by the practice. It is therefore crucial that trainee appraisers are instructed to maintain well-documented work files. To assist a trainee appraiser with this task add the following to his/her checklist:

- Readable notes taken during the field inspection, including clarification of issues that could generate a future question.
- Printouts of information from public records searches.
- Printouts of data used for comparable sales utilized in the report, with notes detailing the reasons for their inclusion.
- Printouts of data used for comparable sales not utilized used in the report, with notes detailing the reasons for disregarding them.
- Interior and exterior photographs of the property.



SUMMARY

Always remember that a supervisory appraiser will be held accountable for a trainee appraiser's work product, hence, the time it takes the supervisory appraiser to review a trainee appraiser's work is well worth it. A supervisory appraiser should never affix his/her signature to a report if he/she is not satisfied with the content of the trainee appraiser's work file. With adequate supervision, the addition of trainee appraisers to an appraisal practice may provide a cost-effective increase in productivity without additional liability exposure. Furthermore, it will allow the supervising appraiser to maintain his/her reputation for quality work and make a meaningful contribution to the trainee appraiser's developing career.



TELL TALE CLAIMS...

Hole-In-The-Wall Gang Strikes Again

A lender sued an insured appraiser for over-appraising a commercial building. The lender alleged that the building was virtually worthless because it had no plumbing or electricity. If the lender made the necessary improvements they would still not be able to recover the loan balance upon resale of the property. The lender argued that they would not have approved the loan if the absence of plumbing and electricity in the building were disclosed in the appraisal report.

At first, the insured appraiser seemed confused by the allegations. Upon reflection, he admitted that what he thought was a bathroom might have been a closet. The door was closed and he did not go inside. The matter of electricity was a little harder to



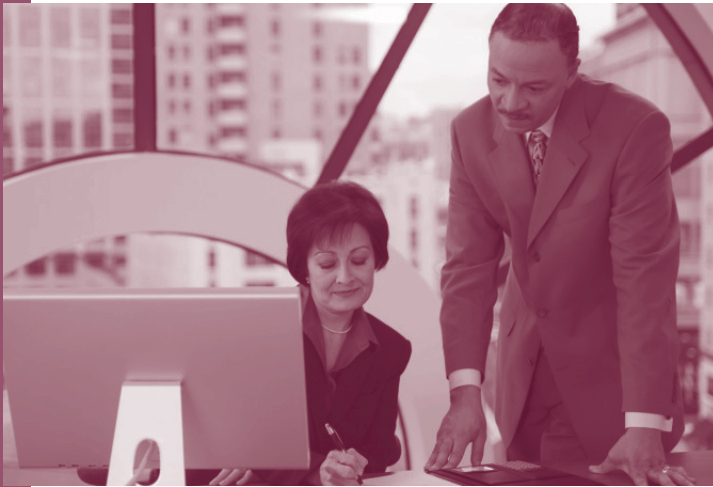
explain. The insured appraiser swore that the building was occupied with people at desks working on computers and adding machines and that the interior lights were on.

After further investigation, we learned that the building in question shared a common wall with the building next door. Both buildings were owned by the same individual; people who worked at the building in question used the bathroom next door, and extension cords were run from one building to the other through a large hole in the common wall. The property appraised truly had no utilities present.

When faced with this information, the insured appraiser finally admitted that a trainee appraiser did the inspection and that he had not personally inspected premises. He didn't mention this before because he had signed the report and stated that he had personally inspected the property.

Supervising Trainees – Priceless

An insured appraiser hired a trainee appraiser to assist with his demanding workload. The trainee appraiser did research on certain appraisals and on other appraisals the trainee appraiser prepared the entire report, including the inspections. The supervising appraiser always signed all of these appraisals as if he had prepared them himself.



A problem appraisal was brought to the attention of the State Board, after an investigation they determined that numerous reports had been prepared improperly. The insured appraiser never realized that the trainee appraiser was fabricating comparable sales data to complete his assignments. Ultimately, the insured appraiser's license was revoked due to his failure to properly supervise the trainee appraiser.



It is not the intent of the article to establish an appraiser's standard of due care. Instead, the article makes suggestions about conduct that may be well above the standard of due care. This article is intended for general information purposes. It does not imply or warrant that implementation of suggestions will prevent claims. If you have specific questions after reading the article, you should consult an experienced local attorney to determine how applicable law relates to your specific facts or situation. No material contained herein may be reproduced in any manner without written permission.