Avoiding “Catch 22” Developing Appraiser Competence via Peer Review and Self-Assessment
“When does Incompetence Breed Competence in Real Estate Appraising?”

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You may recall the historical movie Catch 22. It was a satire set during World War II in 1943, and is frequently cited as a critique of bureaucratic operations and faulty reasoning. For those not familiar with the movie, it is based upon the character, John Yossarian (played by Alan Arkin), a U.S. Army Air Forces B-25 bombardier stationed on the island of Pianosa, in the Mediterranean Sea. Yossarian had enough of flying bombing missions, so he tried to get an insanity diagnosis that would ground him. There was only one catch, and that was “Catch 22”, which specified that a concern for one’s safety in the face of dangers that were real and immediate, was the process of the rational mind. All he had to do was ask to be grounded and as soon as he did, he would be deemed no longer insane. He then would have to fly more missions, hence the term “Catch 22”.

In the appraisal world a similar scenario to that of Captain Yossarian, that is exemplified under the Competency Rule of The Uniform Standards of Professional Appraisal Practice (USPAP). In the broad sense of this provision, the rule states, “An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary competency to perform the assignment; or (3) decline or withdraw from the assignment.”

USPAP outlines that Competency requires:

1. “The ability to properly identify the problem to be addresses; and
2. The knowledge and experience to complete the assignment competently; and
3. Recognition of, and compliance with, law and regulations that apply to the appraiser or to the assignment.”

Under USPAP when an appraiser lacks knowledge and experience to complete an assignment he or she must disclose the lack of knowledge and/or experience to the client before accepting the assignment. This disclosure should be followed by appraiser recommendations for the steps necessary or appropriate to complete the assignment competently.

If one follows this logic closely, one can easily see the problem as it relates to Catch 22. In order for an appraiser to be competent, he must clearly understand the requirements of the appraisal assignment to adequately perform his duties. This sounds easy enough, however, herein lies the problem; if an appraiser is incompetent due to lack of knowledge and or experience as required by USPAP, the appraiser must either remedy the problem by getting help from another qualified appraiser or withdraw from the assignment. The contradiction is that in order to be considered incompetent, the appraiser must be aware of their own incompetency problem. However, in many cases an incompetent appraiser may not be aware
of any potential problems. Consequently the incompetency problem is overlooked and the work product may suffer.

Competence often breeds incompetence in real estate appraising and it occurs when an appraiser fails to recognize their incompetence. Likened to Yossarian’s fate in *Catch 22*, there is no viable solution to the problem. So why does USPAP expend so much time emphasizing the Competency Rule? Is it purely an ideological item? The bottom line is that the Competency Rule is, for the most part, an unenforceable rule. It often goes undetected, unless, perhaps, the report is reviewed by another competent appraiser. (There we go again with that term competency!) What if the reviewer is not competent? Is there no solution to this madness?

The way this problem could be handled is through increased appraisal reviews performed by competent appraisers who in turn can recommend to the appraiser and the client how problems with the report should be remedied. It may appear that I am suggesting that every appraisal be reviewed but of course this is not financially or physically feasible, but periodic reviews, whether they are requested by state licensing boards, or by clients may be in order. This would help stem the tide of incompetence by assisting appraisers with self-assessment and identify areas of needed professional development thus setting the stage for improved practices.

Periodic peer review of sample appraisals should be performed by two independent reviewers, according to a pre-established rubric (a standard of performance for a defined appraisal report) then a comparison of scores to determine consistency. For example, if scores are not adjacent by one point in each of the assessed areas then the sample appraisal report should be routed to a third reviewer and the scores again compared for agreement. This establishes interrelated reliability leading to a more reliable assessment of the report and skills of the appraisers. The appraisal profession could tap into the resources of current educational assessment research by such authorities as Richard J. Stiggins, author and founder of the Assessment Training Institute (ATI), in designing and implementing an improved system of initial appraisal licensure and license renewal that involves peer review of actual appraisal work samples that clearly delineates the skills and professional development needs of the licensure or re-licensure applicant. Course work only fulfills one necessary aspect of initial and re-licensure while peer review of sample work products provides the best evidence of competency and understanding of appraisal best practices.

The other important component is self-assessment which, while fueled by a peer review, also requires a little soul searching by the appraiser. In my own practice I conduct what I call the “stand back” test. When reconciling an estimated value, I stop, take a moment and think about whether I clearly see the validity and agree with the chosen methodologies used in the report? Finally I ask myself the simple question: “Would I pay that much for the property?”
Finally, I’m advocating that a hybrid of this competence assessment methodology include a peer review sample appraisal report required for license renewal with inter-rater reliability built in. Peer review, as well as a self-evaluation, is the way to assure that the appraisal industry standards are upheld according to the highest standards. Peer and self-assessment should be applied as the Competency Test for assuring that the appraiser of real property is as close to competent as the industry and assessment research can effectively assure. In this way the appraiser first, clearly meets best practice standards as determined by an appraiser’s peers, defines the problem and needed professional development to attain proficiency. The appraiser also needs to do a little soul searching to determine whether or not they have the competency to produce a credible report. Most important is that the appraisal industry recognizes the role of best practice reliable periodic assessment including peer review of sample appraisals and self-assessment techniques. It would assure the competency of appraisers to produce reports that accurately reflect market values.