

June 5, 2023

**Maine Board of Real Estate Appraisers**

35 State House Station  
Augusta, ME 04333-0035

Dear Members of the Maine Board of Real Estate Appraisers,

The appraiser shortage is a national problem. Since the rise in homebuying during the historically low interest rates of the pandemic, appraisers nationwide have been on the decline and are likely to decline further. More than 70% of appraisers are over the age of 50, with more than 20% over the age of 65<sup>1</sup>. Most financial institutions have only one or two appraisers available, and should those individuals retire, the financial institutions would need to find other options, most of which are inferior or don't exist. Already because of this crisis, more financial institutions have turned to Automated Valuation Models (AVM), or remote appraisals. However, AVMs are not permitted for all types of transactions, and are typically less accurate in rural areas, which is especially problematic for Maine<sup>2</sup>. We desperately need appraisers and are unable to find enough.

This reality is represented in statistics and stories. Maine has nearly half as many appraisers per active listing as the national average. This shortage has driven up the cost of appraisals as well as the length of time they take. Maine's problem is especially acute with regard to the number of certified appraisers available for complex or FHA appraisals. Fewer than 60% of Maine's appraisers have this certification level, a full 18% points lower than the next worse state, Oklahoma<sup>3</sup>. **The ratio of certified appraisers in Maine to active listings per year is 1:19, compared to a national average of 1:6.** This discrepancy is a direct representation of the challenges of gaining certification in Maine, the requirements of which are set by this Board.

Financial institutions in Maine report appraisals for FHA loans costing just shy of \$900 (before travel fees are added). The VA maximum cap allows single family appraisals in Aroostook County to cost up to \$1,000. This is compared to \$800 in the other counties in Maine and just \$600 to \$625 in other New England states such as Connecticut and Massachusetts<sup>4</sup>. Some financial institutions have turned to Appraisal Management Companies (AMCs) which provide the benefit of not needing in house management but come at an additional cost to the consumer. Even a basic drive-by appraisal can cost \$800-\$900 and take 5 weeks in some counties.

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<sup>1</sup> [file.aspx \(appraisalinstitute.org\)](file.aspx (appraisalinstitute.org))

<sup>2</sup> [About Automated Valuation Models \(corelogic.com\)](About Automated Valuation Models (corelogic.com))

<sup>3</sup> [https://www.asc.gov/?state=me&state\\_id=38](https://www.asc.gov/?state=me&state_id=38)

<sup>4</sup> <VA Appraisal Fee Schedules and Timeliness Requirements - VA Home Loans>



Maine Credit Union League



Maine is one of the states with the highest turnaround timeframe (along with Vermont and North Dakota), with 15 business days being the minimum, compared to a national average hovering around 7 business days<sup>5</sup>. Financial institutions in urban counties like Cumberland and York expect appraisals to take 3 weeks, while those in more northern counties report seeing wait times of 3-4 weeks in the winter and **2 months in the summer**. For homeowners who need an equity line of credit within a certain timeframe, small financial institutions that require an appraisal often lose business to larger institutions that are more insulated from risk and less dependent on appraisals.

It is our understanding that the role of the Maine Board of Real Estate Appraisers is to protect the public, but these wait times and high costs are hurting Maine consumers, especially first-time home buyers. First time homebuyers often rely on FHA and USDA loans, and the lack of certified appraisers available means those appraisals are more expensive. FHA and USDA loans allow for lower credit scores and minimal down payments, meaning the price of these high-cost appraisals is borne by those who can least afford it. Additionally, consumers who need less complex appraisals are often forced to pay for “more appraisal than they need,” as the shortage has meant that appraisers can decide not to do lower-level appraisals, which would be cheaper for prospective homebuyers. or equity loan consumers

Furthermore, the delay in appraisals may mean that loans cannot be processed in a timely manner, making it more difficult for a first-time homebuyer to find a seller to accept their offer. Thus this population is being disenfranchised from homeownership; creating a situation that is exacerbating income inequality and stymying the building of wealth and financial resiliency. Smaller financial institutions, which are often most responsive to consumers and the primary source of financing for small businesses, are often shut out of providing loans because of this crisis.

Due to the high cost and lack of availability, many financial institutions have turned to other products. Community banks and credit unions are using a combination of AVMs, drive-by appraisals, broker’s opinions, commercial evaluations, or even appraisal waivers. However, this lack of reliable data has changed the level of risk involved with making these loans, as the loan-to-value amount has become uncertain. Depending on the loan, a lack of an appraisal may mean a loan cannot be made. This harms the ability of credit unions and banks to invest in the local economy and spur economic growth.

Providing commercial loans is even more of a challenge. Those institutions who are lucky enough to find an appraiser willing to do a commercial loan face a **minimum turnaround time of 100 days, and costs ranging from \$2,500 to \$10,000**. In Aroostook County, there is only one individual available to do agricultural loans, but all his work is done with the Farm Services Administration, so small financial institutions serving our most rural parts of the state are not able to provide agricultural loans.

Appraisers need independence and to be a trusted partner in the homebuying process. Overvaluation of homes in 2007-2008 contributed to the housing crisis<sup>6</sup>. However, the lack of appraisers in the current market may have a similar effect, as lending institutions cannot

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<sup>5</sup> [Appraisal Performance Index: 2022 Insights \(reggora.com\)](https://www.reggora.com/blog/appraisal-performance-index-2022-insights)

<sup>6</sup> [Home appraisals are increasingly done remotely rather than in person : NPR](https://www.npr.org/2023/03/01/1158888888/home-appraisals-are-increasingly-done-remotely-rather-than-in-person/)

accurately guarantee the value of loans when they are relying on substandard products like AVMs.

There is a housing crisis in Maine. Lengthening the time it takes to get people into homes for the sake of opaque credentialing requirements that are not listed in Maine statute or adopted rules only hurts Maine people. Inventory availability continues to be a challenge, and housing prices may continue to go up. As that happens, the need for certified appraisers qualified to appraise properties over \$1 million will rise. Should inventory increase, interest rates decline, and the refinance market rebound, Maine's financial institutions and appraisal market would be unable to cope with the demand. The Board needs to develop additional opportunities and pathways to certification now.

Based on Maine's outlier status in terms of the proportion of certified appraisers, it is our belief that the requirements above what the federal Appraisal Qualifications Board (AQB) suggests are hurting Maine's consumers and exacerbating gatekeeping within the industry, worsening our already acute appraisal shortage. Blocking the licensing of certified appraisers means fewer appraisers are qualified to train new appraisers and Maine's appraiser shortage will continue to grow.

We encourage the Board to align licensing requirements to federal minimums as set by the AQB. The requirements for certification, especially complexity and number of assignments, should be made transparent and equitable so prospective appraisers can gain certification within the timeframe set by the Board. We know this will only be a start, and that long-term solutions like developing the PAREA program will be needed in the future. Without additional pathways to certification, this crisis will only continue to worsen, impacting Maine's consumers, financial institutions, and economy. It is incumbent upon the Board to act now to solve these problems.

Sincerely,

Maine Credit Union League

Maine Bankers Association

Maine Association of Mortgage Professionals

CUSO Home Lending

cc:

Commissioner Anne Head,

Honorable Troy Jackson, Senate President

Honorable Harold Stewart III, Senate Minority Leader

Honorable Rachel Talbot Ross, Speaker of the House

Honorable Billy Bob Faulkingham, House Minority Leader