

# THE APPRAISER

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Machinery and Equipment  
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AMEA

Association Machinery  
and Equipment  
Appraisers

## PROTECTING YOUR LOANS

One of the greatest concerns I hear from the banking community is the worry of not knowing if the capital assets they are about to finance have the collateral value in case of default.

It is normal procedure for most portfolios to be supported by appraisals as back up to good lending practices. In this ever increasing competitive market place for loans, the cost of appraisals can be expensive for the client.

Desktop Opinions are the most cost effective and are becoming very popular for lending institutions. What exactly is a "desktop opinion" and how does it work?

A "desktop opinion" is a compilation of information supplied to the appraiser by the lending institution and/or their client. It is not unusual for the appraiser to call and speak directly with the client to ascertain pertinent information regarding the asset to be financed or leased.

It should be remembered that a desktop opinion is not an appraisal; rather it's an opinion of value based on information supplied to the appraiser. The educated assessment of value has been reached without physically seeing the asset or its condition. A desktop opinion is the least expensive way to estimate the value without incurring the fixed cost of an on-site appraisal.



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## CONFIDENTIALITY AND THE APPRAISER

Not only do the new confidentiality regulations pertain to financial institutions but it looks as though they also apply to appraisers. This could cause difficulties for the appraiser trying to obtain information through a manufacturer.

In order for an appraiser to get pertinent information on a particular machine, the manufacturer needs the serial number, which means the manu-

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facturer may know who the appraiser's client is. Some manufacturers may notify a friend in the used equipment business of the inquiry, which alerts them that the machine's owner may be interested in selling or may be having financial difficulties.

Other appraisers have informed me that customers were quite upset when they learned that the manufacturer was sharing inside information. Therefore, it is important for appraisers to get authorization from the company for whom they are doing the appraisal, prior to releasing serial numbers of equipment to manufacturers.

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## HOW TO CHOOSE AN APPRAISER

After the Loan Officer asks me whether or not I know the machinery or equipment to be valued, I'm asked what my fee will be. These are two very important questions, but there are many more that should be asked when choosing the right appraiser for the job.

One should ask how long the appraiser has been in business and how many appraisals he has done. Ask the appraiser for references, about his experiences in appraising, and if he has performed as an expert witness. Experience of the appraiser is the key to a valid and strong report.



**Mark Clar**

Does your appraiser have any certifications, and if so, does he take continual education courses to maintain his certification? A certification through the ASA (American Society of Appraisers) or the AMEA (Association of Machinery & Equipment Appraisers) means your valuation conforms to a code of ethics and a standard of procedures.

Ask your appraiser for a sample appraisal to see if it conforms to your expectations. The appraiser will be able to offer several valuation definitions used in the industry. Tell the appraiser the type of valuation you are seeking, and be sure he understands your request. It is important that you are both on the same page.

When you finally decide on the appraiser to use, request a "Letter of Engagement". This is a letter or memo from the appraiser that outlines his fee, type of appraisal (onsite or desktop), definition of value to be used, and, if necessary, a deadline as to when the report will be finished.

With these points covered, you can be assured of choosing someone who is capable and knowledgeable in his field. Your finished report will be something that you can "bank on"!

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