

THE APPRAISER

Arkansas Appraiser Licensing and Certification Board

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Summer 2013

Day with Appraisers Seminar

On May 14, over 200 Arkansas real property appraisers attended the 20th annual Day with Appraisers continuing education event hosted by the Arkansas Appraiser Licensing and Certification Board (AALCB).

The purpose of this annual event is to provide a convenient opportunity for a large number of Arkansas appraisers to come together for continuing education. It allows appraisers to talk with each other and to exchange information about experiences and practices.

The first seminar speaker was John Brenan, Director of Appraisal Issues for the Appraisal Foundation in Washington, D.C. John spoke for about an hour on primarily federally related issues and upcoming rule changes which impact Arkansas appraisers. He also answered several questions pertaining to federal policies and expectations of appraisers.

The second presenter was Mark Lewis of Lewis & Seely Appraisals, Inc. in Lufkin, Texas. Mark speaks around the country on real prop-

erty appraisal matters. His presentation was titled "Hot Topics in the Appraisal Industry" and he covered a broad range of practical appraisal issues that affect Arkansas appraisers in their everyday practice.

Evaluations of the event by the participating appraisers were positive and reflected an appreciation for this continuing education opportunity.



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Supervising appraisers and state registered applicants affected

by Lee Gordon

"Both of these changes were prompted by the Dodd-Frank Act amendments to Title XI of FIRREA."

During the winter and spring of this year, the Arkansas Appraiser Licensing and Certi-

fication Board considered, adopted, and gained approval of two changes to its rules and regulations. Both of these changes were prompted by the Dodd-Frank Act amendments to Title XI of FIRREA. Among other things, those amendments required state appraiser regulatory agencies to adopt laws and regulations for supervisors and trainees that, at a minimum comply with that prescribed by the Appraisal Qualifications Board Criteria. These changes were also essential in order to keep the AALCB in compliance with the Appraisal Subcommittee, the federal agency that oversees state appraiser regulatory agencies.

The first change pertains to certified appraisers who supervise state registered appraisers as

trainees. The revised rule simplifies the explanation of the qualifications for those who supervise trainees. Under the new rule, a supervising State Certified Appraiser, "shall be in good standing and not subject to any disciplinary action within the last three (3) years that affects their ability to practice."

The second rule change addresses the requirements of those who apply to become state registered appraisers. Under the recently adopted rule, prior to applying to become a state registered appraiser, the applicant must meet specific prerequisites:

As the prerequisite for application, an applicant must have completed 75 creditable hours of qualifying education as specified by the Appraisal Qualifications Board (AQB). Applicants must pass the course examinations and pass the 15-Hour National USPAP Course (or its AQB-approved equivalent) and examination as part of the 75 creditable hours. All quali-

fying education must be completed within the five (5) year period prior to the date of submission of a trainee (State Registered) appraiser application.

In summary, the first rule change elevates the expectations of those who supervise state registered appraisers. The second rule change imposes specific preparatory education requirements for those who intend to become appraisers. This advance education prerequisite improves (1) the probability of success as a trainee and (2) the likelihood of those who are State Registered to move on to higher appraiser designations.

The specifics of these new rules are available at the AALCB website: www.arkansas.gov/alcb/

Both changes became effective on July 1, 2013. Please contact the AALCB staff if you have any questions.

Johnson is new board member

In early May, Governor Mike Beebe announced the appointment of Samantha Campbell Johnson to a three year term on the Arkansas Appraiser Licensing and Certification Board. Johnson is a realtor. She will serve as the consumer representative on the board.

Johnson, a native of West Memphis, is a real estate broker for Crye-Leike real estate services in Marion. She graduated from West Memphis High School, and holds an Associate of Arts degree from Mid-South Community College. She is married to Dennis Johnson and has two children.

"I consider it a great honor to serve on the Appraiser Board," said Johnson. "I look forward to working with the board members and staff." She added that, "Serving on boards gives me an opportunity to expand my horizons . . . while making a contribution to the state I call home."

Rick Mahan, Chairman of the Appraiser board said, "We are excited to have Samantha join us on the board and are grateful to the Governor for making this appointment. Samantha is an important addition to the board."



Update or Recertification

by Rick Mahan

Most of us who have been in the business for more years than we care to count, we have had numerous requests to “update an appraisal” or “recertify a value.” This request typically carries a great deal of confusion for both the client and the appraiser.

Generally, the client is looking to save on expenses, but the appraiser doesn’t know exactly what the task should entail in order to comply with USPAP (Uniform Standards of Professional Appraisal Practice).

So, to gain a better understanding of the acceptable specifics of such a request, I decided to do a little research. Appraisers have many available resources that detail regulations for their assignments, but because I’m pretty much a cut-to-the-chase type person, I decided to consult the “official rule book,” the infamous USPAP. Advisory Opinion 3 specifically deals with the Update of a Prior Appraisal and Recertification of Value.¹



Often, instead of asking for an Update, the client will ask for a Recertification of Value. According to USPAP, a Recertification of Value is performed to confirm whether or not the conditions of a prior appraisal have been met.

A Recertification of Value does not change the effective date of the value opinion. If a client uses the term “Recertification of Value” in an assignment request which includes an updated value opinion, this constitutes a new appraisal assignment. A Recertification of Value is used to confirm whether or not the conditions of a previous appraisal have been met. The most common example of a Recertification of Value would be a final inspection on a property when construction is complete after an appraisal assignment was done based on plans and specifications.

Regardless of what words are used, if your client asks for a current value of a property that was the subject or a prior assignment, this is simply a new

assignment and the new assignment must be developed as per Standards 1, 3, 4, 6, 7 or 9. Some of the steps in the prior assignment can be used by the appraiser in the new assignment through the use of extraordinary assumptions, but care must be taken that these steps are still credible and in compliance with the Standards.

Reporting the Update must also be in compliance with Standards 2, 3, 5, 6, 8 or 10. The new Update is not required to have the same level of detail as the original report. An example could be that the original report was a summary appraisal report and the Update could be a restricted use report, as long as it is not misleading to the intended user.

In conclusion, when asked to do an Update or Recertification, prior to fulfilling the assignment, we must clear up any confusion by being sure that the client knows what is being requested and that, we as appraisers, know what the assignment will require to be in compliance. In either case, it is my understanding that an Update is actually a new assignment. The task can be performed in any one of the reporting methods: Self-contained, Summary or Restricted Use, but it is in fact a new assignment. A Recertification, on the other hand, is reporting to the client that the conditions of an appraisal assignment have been met and no new value is estimated.

Keep in mind that all this could change on January 1, 2014 when the new “official rule book” goes into effect, so stay tuned for more action.

For further information: <http://www.appraisalinstitute.org/ppc/readdressing.aspx>

¹See Advisory Opinion 3 (AO-3) USPAP Advisory Opinions 2012-2013 Edition, p. A-7 to A-9

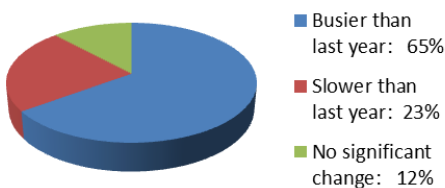


Appraiser survey results

By Lee Gordon

In mid-May, the Arkansas Appraiser Licensing and Certification Board held its annual Day with Appraisers continuing education event. At that meeting, a one page survey on appraiser status and opinions was distributed to the 215 participants. At the end of the day, 189 had completed and returned the document. To the best of our knowledge, this kind of survey had not been conducted at previous Day with Appraiser events.

**Pace of Appraisal Business
Jan - April 2013**



The goal of this survey was to better understand the status, career plans, and attitudes of Arkansas appraisers. Since the meeting room held over one fourth of all active appraisers in the state, this was a good opportunity to gather information on appraiser trends in Arkansas.

The meeting room included 79 certified general appraisers, 74 certified residential appraisers, 14 state licensed, and 22 state registered appraisers.

We learned that 55 percent of the participating appraisers had completed 149 or fewer appraisals in 2012. Thirty-one percent had completed 150 to 249 appraisals in 2012, and fourteen percent had completed 250 or more in 2012.

When asked about the pace of appraisal work in the first four months of 2013,

sixty-five percent reported that they had been busier than in 2012, and twenty-three percent said slower. Twelve percent reported no significant change.

About a fourth of the appraisers present said they had served as a supervisor for a State Registered appraiser.

We asked the appraisers about their retirement plans in a general sense. According to the responses, seven percent expect to retire in the next two years. Another 25 percent plan to end their appraisal work within the next five years, and 60 percent of those who responded expect to be retired in 10 years or less.

About half the appraisers attending the event held a bachelor's degree and ten percent had earned a graduate degree.

We also asked those present in how many counties they had conducted appraisals. About 90 percent had completed appraisals in more than one county, but only 64 or about a third, had conducted appraisals in more than 15 counties.

In a technology question, the appraisers were asked if they used a laptop or some other mobile device as part of their on-site visit to a property. Thirty-seven percent reported doing that now. Another thirteen percent noted that they intend to begin using a mobile device within the next 12 months as part of their on-site appraisal work. That means that by the middle of 2014, half

Information in the AALCB database provides additional insight regarding the maturing of the appraiser community in Arkansas. These trends are generally true nationally.

Summary of Arkansas appraisers who are 55 or older:

Certified General – 68%
Certified Residential – 42%
State Licensed – 46%

of all Arkansas appraisers are likely to be using a laptop or other mobile device while conducting the on-site portion of an appraisal.

Finally, we asked the appraisers present if they would recommend to a friend or relative a career as a real property appraiser. Fifty-five percent said yes. Another eight percent offered a qualified yes. Many of those who responded added comments in their answer to this question.

While a number of useful conclusions can be drawn from this information, the overriding factor may be the intention of a high percentage of current appraisers to retire from the profession within the next 10

years. This pending decline in numbers is not necessarily surprising, but it is certainly an

attention getter. This trend calls for both discussion and action in order to make the field accessible and appealing to new generations of men and women. More on this subject in future issues of *The Appraiser*.

“The goal of this survey was to better understand the status, career plans, and attitude of Arkansas appraisers.”

Thinking about highest and best use

by Tom Rife

This is the last time I will have the opportunity to stand on my soapbox and express my opinions as both an appraiser *and* as a regulator. My six year term on the Arkansas Appraiser Licensing & Certification Board (AALCB) will conclude in January 2014.

It has been an honor and a pleasure to serve on the AALCB. I have learned a great deal about the appraisal profession and about myself. The Board is charged to protect the public from flawed real estate appraisals, but how do we accomplish this? We can't - not completely. You can lead a horse to water, but you can't make him think.

During my term with the Board, we have strengthened the complaint process to educate appraisers who are not complying with the guidelines of the Uniform Standards of Professional Appraisal Practice (USPAP). If you have been before the Board in a non-judicial hearing, you know that in most cases we make every effort to work with the appraiser. Our goal is to educate and provide guidance to the appraiser.

The Board wants appraisers to be all they can be. It is in the best interest of the public for appraisers to be educated, skilled, and be able to think through USPAP. Appraisers should be able to follow USPAP and arrive at conclusions supported by market data and fully explained in the appraisal report. As noted, the Board can point you in the right direction (lead you to water), but we can't write your reports (we can't make you think).

One of the most misunderstood basic appraisal principles is Highest and Best Use. This basic economic principle is the fulcrum or balancing point of the appraisal process. It should be considered as one of the first steps in every appraisal report. The Dictionary of Real Estate Appraisal defines highest and best use as: "The reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity."

Yes, that is a mouthful to try to understand. However, the typical residential summary appraisal report gives little emphasis to this analysis. The report allows the appraiser to check a box and be

done! In a non-residential summary report, the appraiser is required to provide analysis to the reader of how the highest and best use is developed. No boxes to check here! Surprise!

One of the upcoming changes to USPAP for 2014-2015 is the revision in report types. The *Self-Contained Report* and *Summary Appraisal Report* options are eliminated in Standards 2 and 8. They are replaced with an *Appraisal Report* option with requirements very similar to the current 2-2 (b) and 8-2 (b) *Summary Appraisal Report*. The *Restricted Use Appraisal Report* is renamed to *Restricted Appraisal Report* in Standards 2, 8 and 10 and clarify that the restriction is that this report option can only be used when the client is the only intended user of the report. Regardless of the report type, remember if the highest and best use developed is non-residential, the comparable sales used in the report should be similar non-residential sales. If the highest and best use is residential, then only residential comparable sales should be used in the report. Compare apples to apples! It's as simple as that.

I recently read an old Chinese saying that went something like this: "When planning for a year, plant rice; when planning

for twenty years, plant trees." To me, this wisdom could easily apply to the appraisal profession and appraisers. If you want to be in business for a short time, invest in short term returns. If you want to make the appraisal business pay for the long term, then invest in practices that will pay off over many years. Educate yourself. Keep up with current practices. Adapt when necessary. Accept constructive criticism. Move forward. Keep integrity on your plate. And, don't look back. Someone might be gaining on you! (Kudos to Satchel Paige for the last platitude.)

I enjoyed every minute of my tenure on the AALCB. I'll be leaving in a few months, and I hope the Board is better and stronger than it was when I joined. Thanks!

"The Board is charged to protect the public from flawed real estate appraisals, but how do we accomplish this? We can't - not completely. You can lead a horse to water, but you can't make him think."

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We are on the web:

www.arkansas.gov/alcb

License Type:	*Number: *As of July 2013
Certified General	496
Certified Residential	372
State Licensed	57
State Registered	194
Total:	1,119

Board Members:

Rick Mahan, Chairman
Drew Vance, Vice-Chair
Bob Costner
Thad Eckolls
Samantha Johnson
Burney Lightle
B.A. McIntosh
Pete Prutzman
Tom Rife
Rhona Weaver

Cloning, Canned Comments and the Investigator

by Diana Piechocki, Chief Investigator

As the investigator for the AALCB for the past year, I've read a lot of appraisal reports - the good, the bad, and the ugly. I am convinced on any given day, any appraiser can have a complaint filed against him or her. But, more often than not, it is the report the appraiser did not take enough time to adequately proofread that finds its way to my inbox. Common weaknesses include cloning and canned comments.

When you clone a previous report make sure the necessary changes are made in the current report. It's easy to miss changes in the description of the property. Leaving incorrect and unnecessary comments and description in the report weakens the credibility of the report.

Make sure all of your canned comments are applicable to the current assignment. A few canned comments may be necessary. That's ok. But don't bury important information in boilerplate. Indicate that information clearly in the report. By the same token, don't include unnecessary information.

Consistency strengthens the credibility of your report. The reconciliation section of the report should reconcile the approaches to value actually used in the report. The description of the subject property should not change from page to page. Explanation of your adjustments should relate to the adjustments actually made in the report.

Perfection is impossible to attain. The Uniform Standards of Professional Appraisal Practice (USPAP) recognizes that. But, take a moment to put yourself in the shoes of the investigator. Read the report one last time looking for inconsistencies and comments that don't belong. And, add those phrases and sentences that will help the reader understand your reasoning and conclusions.