

THE APPRAISER

Arkansas Appraiser Licensing and Certification Board



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Fall 2013

November: A time of thanks

by Rick Mahan

As 2013 races towards a close, it is time to take a few moments to extend appreciation and gratitude.

First, thank you to **B.A. McIntosh** and **Tom Rife** who have served Arkansas appraisers as Board members for the past six years. B.A. and Tom have served in a professional manner, always diligent in their responsibilities and willing to help. I have enjoyed getting to know these two gentlemen and I look forward to a continued friendship.

Next, I want to express my deepest gratitude to all the **Board members** for your support and encouragement over the past two years as I endeavored to serve as your chairman. Admittedly, trying at times, all in all it has been a motivating and tremendous learning experience of which I am very appreciative. I feel especially fortunate to have been surrounded by nine professionals who have a desire to raise the appraisal profession to a higher level.

The staff must not be overlooked. Thank you **Lee, Diana, Kelli, and Laurie**. Having a responsible, professional staff certainly helps relieve the Board members of pressure and concerns. The meetings are facilitated well and run much smoother with your support.

And to **all Arkansas appraisers**, keep up the good work. The next few weeks will undoubtedly be hectic, but slow down a bit and let those around you know how much they mean to you. Even though 2013 may not have held exactly what we had wished for, if we only look around, we will realize quickly how much we have actually been blessed. As you look toward 2014, I challenge you to make education a priority. We all have a lot to learn about carrying out our responsibilities in the appraisal profession. I believe *education is the key to becoming a better appraiser*.

In closing, I want to remind you that as of January 1, 2014, the new USPAP will go into effect. Don't wait! Get your copy today as I'm sure this edition will hit the top sellers list quickly. I know we've all have been holding our breath looking forward to the day when we have a new USPAP book. Seriously, I hope to see each of you in one of the USPAP courses held over the next few months as we strive to stay current in the appraisal field.

Changes are coming to qualifications for real property appraisers

We have been hearing about it since 2011, but the qualification changes for real property appraisers are now just over a year away. On January 1, 2015, the new criteria become effective and this will, in some way, affect all real property appraisers in Arkansas. These changes come from the Appraisal Qualifications Board (AQB), an independent board of the Appraisal Foundation. The AQB establishes the qualification criteria for state licensing, certification and recertification of appraisers. FIRREA (the Financial Institutions Reform Recovery and Enforcement Act of 1989) mandates that all state certified and licensed appraisers must meet the minimum education, experi-

ence and examination requirements promulgated by the AQB.

This article provides a quick summary of the most pertinent changes that are effective on **January 1, 2015**. NOTE: this article is *not* comprehensive. Please visit the websites listed at the end or other sources for additional details.

National Uniform Licensing and Certification Examinations: Education and experience must be completed prior to taking the AQB-approved *National Uniform Licensing and Certification Examination*.

See **Changes**, page 2

STATE REGISTERED APPRAISER RENEWALS

December 31 deadline approaches

A notice of renewals was sent to all State Registered Appraisers in early November. Please read that notice or contact the Board office for instructions. We recommend that you renew on-line. However, it is possible to renew with a paper form via a letter sent to the Board office. For more information, see page 4.

Changes, cont.

Background Checks: All candidates for a real property appraisal credential must undergo background screening. This includes credential upgrades.

College Degree Acceptance and Core Curriculum Requirements: Credit towards qualifying education requirements may be obtained via the completion of a degree program in Real Estate from an accredited degree-granting college or university provided the college or university has had its curriculum reviewed and approved by the AQB.

College Level Education Requirements (Note: requirements for individuals seeking a real property appraiser credential or upgrade *after* January 1, 2015.)

State Licensed Appraisers: 30 semester credit hours of college level education from an accredited college, junior college, community college, or university OR an Associate's degree or higher (in any field).

Certified Residential Appraisers: Bachelor's degree or higher (in any field) from an accredited college or university.

Certified General Appraisers: Bachelor's degree or higher (in any field) from an accredited college or university.

Restriction on Continuing Education Course Offerings:

Aside from complying with the requirements to complete the *7-Hour National USPAP Update Course* (or its AQB approved equivalent), appraisers may not receive credit for completion of the same continuing education course offering within an appraiser's continuing education cycle.

Distance Education Requirements: A *written, proctored* examination is required for all qualifying education distance course offerings. The term *written* refers to an examination that might be written on paper or administered electronically on a computer workstation or other device.

Supervisory appraiser and trainee appraiser requirement changes:

Supervising Appraisers must have been certified for a minimum of three years prior to eligibility to become a Supervisory Appraiser.

Supervisory Appraisers may not supervise more than three trainee appraisers (State Registered) at one time (there are some exceptions).

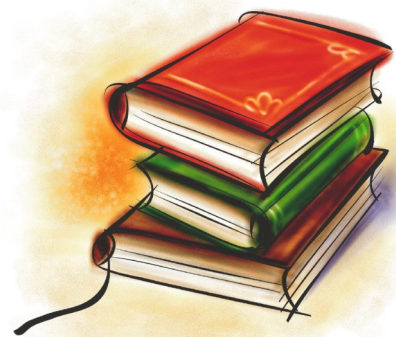
Both Trainee Appraiser and Supervisory Appraiser must complete a course that prepares them for their roles and which complies with the AQB's specifications for the course.

In addition to the 2015 items summarized above, additional changes for Supervisory Appraisers and Trainee (State Registered) appraisers became effective in Arkansas on July 1, 2013.

Supervising Appraisers: Supervising State Certified Appraisers shall be in good standing and not subject to any disciplinary action within the last three (3) years that affects their ability to practice.

State Registered Appraiser Prerequisite: 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 qualifying education must be completed within the five (5) year period prior to the date of submission of a Trainee (State Registered) Appraiser application.



The Appraiser will be covering these 2015 changes in more detail over the next twelve months. We will do our best to explain these issues, changes, and requirements. However, it is the responsibility of appraisers to take the necessary steps to be informed and to understand the changes to *The Real Property Appraiser Qualification Criteria*.

For more information, go to:

www.appraisalfoundation.org

www.arkansas.gov/alcb/news-events/hot-topics

<https://static.ark.org/eeuploads/appraiser/AQBSummaryChanges2015.pdf>

Changes in Timberland Ownership: Appraisal Opportunities?

by Pete Prutzman

The past fifteen (15) years have seen significant changes in timberland ownership in Arkansas and nationwide. For this article, industrial/institutional timberland is defined as blocks of at least 5,000 acres of land with highest and best use for growing commercial crops of trees. We'll briefly consider large industrial/institutional blocks of timberland in this article and discuss ownership of non-industrial private timberland in a future article.

"Recently there has been increased activity worldwide in large timberland transactions. There is reportedly significant capital available for additional purchases, and there are currently more buyers than sellers of institutional timberlands."

Up until the late 1990s, millions of acres of timberland in the U.S. were owned by vertically integrated forest products companies. In other words, the companies owned the land, the timber, plus sawmills and/or paper mills and often value-added manufacturing. Companies such as International Paper (IP), Georgia-Pacific (GP), Potlatch, Weyerhaeuser, owned vast timberlands. These companies acquired lands in the 1950's and 1960's when prices were significantly lower, so book value was much less than actual value forty or fifty years later. Stockholders and investors pressured the companies to "monetize the value" of these timberlands by selling in the current market. The decision was successful in boosting corporate income, but dramatically changed the land ownership pattern.

By 2013, neither IP nor GP owned Arkansas timberland. Plum Creek, the nation's largest timberland owner, now owns most of the former GP lands. Owners of the former IP lands include Red Mountain Timber, Erie Timber, Red River Texarkana LP, and many other institutional investors. Plum Creek, Potlatch, and Weyerhaeuser have formed REITs



(Real Estate Investment Trusts) to own timberland separately from mills. In some cases, there are agreements with the landowner entity to supply timber to the once-affiliated mills. Pine plantations are the primary feature of these timberlands.

Particularly in south Arkansas (south of Interstate 40), large blocks of industrial timberland have been sold to institutional investors which include pension funds, university endowments, and insurance companies. It's no surprise that Arkansas Teacher's Retirement Fund owns timberland in South Arkansas.

Funds also investing in Arkansas timberland include New York Teacher's Retirement, Arizona State Police Retirement, and several others. Timberland usually comprises less than three percent of a pension fund's total investment, but this can still involve tens of millions of dollars. Most of these transactions

were cash purchases, with buyers and sellers conducting their own appraisals, often internally. Timberland Investment Management Organizations (TIMOs) have evolved to acquire land on behalf of investment funds with subsequent custodial management of the land. Many of these institutional investors have a specific investment time frame, ranging from ten (10) to thirty (30) years. Depending on the fund's structure, appraisals may be required on a regular basis to satisfy regulatory standards and to reassure investors. Some require an annual re-appraisal of assets held by retirement funds.

There is a small network of forestry appraisers who share data nationwide on sales of institutional-sized timberland. Since most of these lands include intensively-managed pine plantations, timber growth and yield can be effectively modeled. The income approach is an important indicator of value for institutional timberlands using sophisticated growth and yield programs to estimate discounted cash flows. Recently there has been increased activity worldwide in large timberland transactions. There is reportedly significant capital available for additional purchases, and there are currently more buyers than sellers of institutional timberlands. Many transactions do not involve a lender, so appraisals may be for acquisition purposes or "after the sale" for audit purposes. Appraisal of institutional-sized timberland properties has become a specialization. Successful completion of these assignments requires knowledge of comparable transactions along with an ability to inspect and collect data on a large acreage in a limited time frame. In addition, an understanding of current markets for land and timber, growth and yield projections, and acquaintance with buyers and sellers is required.

Time flies...Board member's term ending

by B.A. McIntosh

Over the six years I have been on the Appraiser Board, our system for hearing complaints and conducting the day-to-day business of the board has evolved into a rational, fair and efficient process. Many thanks to our present and past directors, staff and others who have contributed to the effort. I know of no other state with a better system.

We are overdue to revise the state statutes dealing with appraiser licensing. In 2015 we will have to start background checks for appraisers. We know it is coming, but the details are not settled.

Let me say a few words about AARO. This is the Association of Appraisal Regulatory Officials. The national and regional meetings are a good place to visit with our peers and federal regulators. We share all of the same problems and challenges. Arkansas needs good representation at these sessions. I assure you that we need our voices to be heard. The federal regulators, lenders, money market people, AMCs and others are very vocal. Most of these organizations are not necessarily sympathetic to the plight or circumstances of the appraiser. They have their own self-interest. The Appraisal Foundation and the Appraisal Standards Board use these meetings to air proposed changes to their rules and regulations. They need our input, as practicing appraisers/board members

Serving on the board to provide guidance and discipline to our appraisal community is seldom easy, but it is necessary. If it comes your turn to serve, please remember someone responsible has to do the job or someone else will. A dedicated, responsible Appraiser Board benefits us all.

State Registered, Licensed and Certified Renewals

State Registered (SR) appraiser renewals are in process, with a deadline of December 31. Licensed and certified appraiser renewals will be due in the month of June. We want to make everyone aware of the new forms with new processes for renewals. For licensed and certified appraisers, we will notify you when the online portal will be available. This is the preferred method of renewal. If you want to renew with a paper form, you will find instructions on how to request that notification. Paper renewal forms will NOT be mailed unless requested. We will also no longer accept checks for online renewals.

As you know, 28 continuing education hours, including the 7 hour USPAP update, will be required to renew. If you wish to renew online, those hours must be turned into the Appraiser Board office before you can renew. You can check to see how many hours we have on file for you by visiting the AALCB website (<http://www.arkansas.gov/alcb/>) and going to the appraiser roster.

Licensed and certified appraiser renewals will be due in the month of June. We want to make everyone aware of the new forms with new processes for renewals.

We believe these changes will improve the renewal process. If you have any questions, please call us.

Education and the Real Estate Appraiser

by Diana Piechocki

“Don’t sell yourself short. Be proud of your chosen profession.”

Education. Yep, it’s time to talk about that nine letter word. Per Arkansas Appraiser Rules and Regulations, “Each licensee or certificate holder shall have completed during the two year period, prior to renewal of their license or certification, in an even number year a minimum of twenty-eight hours of real estate appraisal instruction approved for continuing education credit by the Board. State Registered Appraisers shall as a condition for renewal, have completed fourteen hours per year of Board approved continuing education.”

Use this opportunity to sharpen the tools in your toolbox. Take meaningful education. Take education that will enhance your knowledge and understanding of the appraisal process. Retake *Basic Appraisal Principles* or *Basic Appraisal Procedures*. Step outside the box. Broaden your experience by learning and growing on a continuing basis. Join a professional appraisal organization. Get a designation. Put yourself “head and shoulders” above your peers.

Try to set aside time each quarter for professional development that exceeds your mandated continuing and qualifying education hours. This includes gaining insights into professional appraisal practice as well as business strategies and latest technology issues. This will open the door to networking. Many of our appraisers work alone and from home. These education experiences will allow you to form a group of peers you can depend on when you need to say something out loud to someone else, or ask them to review a report for you on a complex property.



Most appraisers that appear before the Board regarding a complaint are those who do not continue to educate themselves after they get their professional credentials. One of the best and easiest ways to avoid problems is to continue professional advancement through education.

We are fortunate in Arkansas to have a variety of good educational opportunities available, both in classroom and online. Take advantage of them. The list of board approved education is on our website. Call if you need assistance. We’ll be glad to answer any questions.

Don’t sell yourself short. Be proud of your chosen profession. Take the education necessary to be a well informed and skilled appraiser.

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AALCB Active Registered, Licensed and Certified Appraisers

License Type:	*Number: *As of Nov 2013
Certified General	482
Certified Residential	377
State Licensed	58
State Registered	193
Total:	1,110

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

Karen White, CR1574, surrendered her Certified Residential license on September 19, 2013.

Continuing education reminder

28 hours of education is due by June 30th every 2 years on the even years (i.e. 2014, 2016, 2018) for all licensed and certified appraisers and 14 hours is due for all state registered appraisers by December 31st of every year. You can find a complete list of providers and their approved courses on our website at www.arkansas.gov/alcb by going to the education link.