Summer 2014

Montana Chapter Newsletter

Leadership Development Advisory Council 2014

By Ellie Clark, MAI

Ellie Clark, MAI, and Jennifer McGinnis, MAI meet MT congressional delegation

The Appraisal Institute conducts a three day, Leadership Development Advisory Council (LDAC) in Washington, DC in the spring of each year. The council consists of appraiser representatives from most of the chapters in the United States and beyond. Jennifer McGinnis, MAI and I were sponsored by the Montana Chapter of the Appraisal Institute to attend for 2014. A significant purpose of the event is to establish a presence with the congressional delegation represented by each attendee which Jennifer McGinnis, MAI addresses in her report on LDAC. A second significant purpose of the event is for the assembled appraisers to act as a "think tank" to assist the Appraisal Institute with handling the challenges facing our profession.

The "think tank" aspect of LDAC was accomplished via break-out discussion groups. The attendees were divided into four groups. Each group was provided a

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general topic and encouraged to participate in a lively, Socratic type of discussion. Discussions included; the future of the appraisal profession, the future of appraisal education, branding (as an organization and as an individual), the significance of designations, issues with AMC's, regulatory issues, the trainee/mentor model, technology, and many others. The free form method of discussion resulted in some truly innovative and compelling ideas. Input from these discussions will be used to develop strategic planning initiatives for the Appraisal Institute.

I returned to Montana excited and full of ideas to strengthen our chapter and enhance the image of the appraisal profession. The Montana Chapter of the Appraisal Institute is more than just an education provider. It is our duty as a chapter to work toward enhancing the image of our profession and in doing so, will benefit each of us professionally. It is crucial that the Montana Chapter of the Appraisal Institute has a voice at LDAC each year each year. The appraisal profession is changing rapidly and we will be left behind if we do not participate.

LDAC 2014 Participants

LDAC 2014-Why are Appraisal Institute Government relations important?
Real Estate and appraisals are a hot topic on Capitol Hill. There are an increasing number of outside groups that want a say in the appraisal process, and it is not always in our best interest. Professional appraisers are necessary to stabilize the economic system of the U.S. More regulation of the appraisal industry is not functional and it actually creates additional problems. The Appraisal Institute employs Bill Garber, Director of Government and External Relations to watch legislative issues and their effect on appraisers, as well as advocate for appraisers, shape policy and become a resource for legislators.

Jim Amorin, MAI, SRA reported current valuation profession statistics:

- There are 81,000 appraisers in the United States, of which 70% are residential.
- 27% of the appraisers in the U.S. are designated members of the Appraisal Institute

- 100,000 people are entering into the valuation profession each year that are *not* appraisers, and producing alternative valuation products that are cheaper and faster.

What can you do?
Grass Roots Advocacy is the key. Become the voice of the appraisal industry so legislators will speak to you first. We would like to encourage each member of our Chapter to reach out to their local representative and be their resource for real estate and appraisal industry information. The chapter website could develop a list of appraisers and who their local representative is, creating a network from the ground up. Follow the link to find your elected officials, key issues and tips on communicating with them: http://www.appraisalinstitute.org/advocacy/grass-roots-advocacy/

The Appraisal Institute Washington office is available to help chapters and designated members and candidates with legislative and regulatory advocacy. Whether you need help with coalition building, policy research, or lobbying, the staff of the Appraisal Institute Washington office can help.

- Bill Garber, Director of Government and External Relations
  202-298-5586
  bgarber@appraisalinstitute.org

- Scott Dibiasio, Manager of State and Industry Affairs
  202-298-5593
  sdibiasio@appraisalinstitute.org

- Brian Rodgers, Manager of Federal Affairs
  202-298-5597
  brodgers@appraisalinstitute.org

Members of Congress take trips to Montana, setting aside time to hear comments and concerns from constituents. Inviting elected officials to our Appraisal Institute meetings gives them an opportunity to meet voters and give designated members and candidates of the Appraisal Institute an opportunity to interact with policymakers who have a say in the laws and regulations that govern their profession. This interaction helps educate the elected officials about the appraisal process and the Appraisal Institute.

What else can you do?
Donate $10 (or more) to the Appraisal Institute Political Action Committee (PAC) which is a transparent way to participate in the political process.

https://www.myappraisalinstitute.org/myappraisalinstitute/appac/

LDAC 2014 Technology Tips

By Jennifer McGinnis, MAI

USA Today reported in March 2014 that 85% of the Real Estate Appraisal industry will be affected by technology. It is exciting and moving very quickly with new products coming onto the market at an astounding speed. The following products were found to make our lives as appraisers a little easier:

Residential Appraisers

- iPad inspections using a wireless SD card, where 99% of the form is done in the field extending field time by 15 minutes, but cutting office time by over an hour. Photos and sketches can be done with your tablet and link right into your report, as well as creating a digital file.

- The future is going to be web based online appraisal reports.
- Disto -blue tooth enabled for drawing sketch in iPad

Commercial Appraisers

- "Good Reader" an application where you use a stylus to review a report, save and send back in a pdf format. http://www.goodreader.com/

- "Noteability" allows users to make sketches, notes, record notes and more and can be transferred between iPad and iPhone and has support from Dropbox and Google Drive. http://appshopper.com/productivity/notability

- "Turboscan" app is a scanner on your phone. http://turboscanapp.com/

- "Evernote" app allows you to easily collect and file anything https://evernote.com/

- Financial calculator app-For whatever calculator you use HP12-C, etc. http://www.macworld.com/article/1141418/hp12c.html

- "Metes and Bounds" app will draw a "survey" using the written legal description http://download.cnet.com/Metes-and-Bounds/3000-2064_4-10413432.html

- Net Deed Plotter automatically calculates areas, closures and precision ratios etc. http://www.deedplot.com/

- "Snagit" screen capture software http://www.techsmith.com/download/snagit/

- "VMware" No longer need a desktop, can plug it in anywhere; has cloud based infrastructure http://www.vmware.com/

- "Office 365" web based word and excel-updates automatically http://office.microsoft.com/en-us/

- New iPhones are also hotspots

- "Wordrake" Removes unnecessary words, enlivens your sentences, and teaches you how to be a better writer. http://www.wordrake.com/

- "Openoffice.org" allows you to work between PC and Mac https://www.openoffice.org/download/

- Crash plan pro-Backup service
  https://www.crashplanpro.com/business/signup.html

Let's all embrace technology and work smarter, not harder!

LDAC was a great experience on many fronts and allows the Montana Chapter to have a voice on important issues that affect our daily lives as appraisers. Much was gained from this experience, and I would like to encourage our Chapter to send representatives every year so that we are on the cutting edge of the appraisal industry.

Thank you for sending us this year!

Montana Mentor and Trainee Course

By Darwin Ernst, SRA

Guess what? The rules for appraisers in Montana are changing… again!!!

If you are interested in staying in this profession, I highly recommend taking some time to look at how existing laws, proposed rules, and recent policy changes will affect your future ability to provide valuation services as a licensed real estate appraiser in Montana.

The Montana real estate board recently appointed a committee with suggesting changes to the current set of rules which clarify the Montana laws governing the appraisers licensed in our state. The committee's proposed rule changes will soon be noticed on the appraiser board's website. The link to the rule notices is http://bsd.dli.mt.gov/license/bsd_boards/rea_board/board_page.asp. The intent of the proposed rule changes is to update all of the current rules, including those that allow for compliance with the newly revised ASC's policies, which were based on recently passed Federal laws and rules aimed at reform of the financial lending industry. The Montana Board's rule committee have proposed rules that would bring Montana into compliance with ASC policy statement 5, which is reciprocity for out-of-state appraisers who desire licensure in Montana, and ASC policy statement 1, which mandates Montana's compliance with the AQB's new appraiser credentialing requirements, including a new requirement that all appraiser trainees and board-approved appraiser mentors must attend an AQB-compliant training course prior to January 1, 2015.

To meet the AQB's new mandatory credentialing requirements, and in an attempt to provide the Montana mentors and trainees with a better understanding of the applicable Federal and State laws and rules, a course was developed for the mentors and trainees in Montana. This four hour course, developed by former board member, Darwin Ernst, SRA, with significant professional consulting from Billie Veerkamp, is called the Montana Mentor-Trainee Course and it was recently approved as MT-REA-6089. This course must be completed prior to January 1, 2015, so if you are an approved appraiser mentor or trainee in Montana, please contact Darwin Ernst at 406-363-7008 for proposed course locations and times.

Editor's Note: *The AQB allows existing credentialed Trainees and Supervisory Appraisers to be grandfathered and not required to take the new Supervisory/Trainee course unless the State mandates the requirement. As of press time, the Montana State Board has not acted on the requirement. Check with the State Board office. See the Q & A section on the AQB website: Click:* ***AQB 2015 Real Property Appraiser Qualification Criteria Implementation Q&As***

National Programs & Committees

By Darwin Ernst, SRA

The AI national organization has been extremely blessed with past leadership that has developed several programs and committees that you as a Montana Chapter member, candidate, or affiliate may not fully understand or appreciate, so I have been asked to briefly describe these programs and committees and again ask for your financial help to keep AI in their leadership roles within the industry.

The first program I'd like to describe is currently known as LDAC, which is the Leadership Development and Advisory Council. Our Montana chapter was recently able to send two more delegates to the prestigious LDAC program in 2014. Montana Chapter's Immediate Past President, Ellie Clark, MAI, and current Vice President, Jennifer McGinnis, were able to attend this year's gathering in Washington, which includes lobbying members of Congress regarding current legislative issues affecting the appraiser profession and discussing issues relative to the future of AI. As a past participant in this program, which led to a one year appointment to the International Relations Committee and my current three year appointment as the Region 1 representative on the government Relations Committee, I can attest to this program's effectiveness with educating participants on current events and preparing them for future leadership opportunities within AI.

Similarly, The AI's *Washington Report and State News* quarterly e-newsletter is intended to summarize AI's recent federal and state legislative, regulatory and related activities in representing the interests of Designated Members, Candidates for Designation, Practicing Affiliates and Affiliates. This information is extremely important to the understanding of current events relative to the appraiser profession.

Lastly, but possibly most importantly, I would like to make sure everyone is familiar with how AI is able to remain effective as a lobbying organization despite the very limited funding, which was severely decimated due to a recent change in the annual AI invoicing system that did not include the traditional limited political contribution amount in the invoice. This issue has left the AI-PAC with little funding and they are therefore currently asking for our financial support. Here is more about the mission and vision of the AI-PAC as found on the AI national website, but included here for your convenience.

AI Political Action Committee (AI-PAC)

Mission: "To support federal candidates who have demonstrated their belief and understanding of the principles to which the profession is dedicated." This committee's vision includes: "Taking the lead to advance valuation issues through contributions to the federal electoral process. Appraisal Institute PAC (AI PAC) provides a means for Designated Members and Candidates to participate in the political process on a national level. AI PAC supports Candidates who are committed to the principles that drive the appraisal profession. By providing this support, AI PAC helps develop strong congressional advocates for the appraisal profession and helps ensure that those advocates can continue working to promote the interests of appraisers for many years to come."

FAQs

How are AI PAC funds used?

Contributions from AI PAC support the primary and general election campaign efforts of candidates for the U.S. Congress who support and promote the principles of the appraisal profession. AI PAC does not contribute to political parties, to presidential candidates, or to leadership political action committees.

What kind of candidates receive contributions from AI PAC?
AI PAC is a non-partisan political action committee, so we support both Republican and Democratic candidates with a proven record of supporting and promoting the legislative priorities of the appraisal profession. Special consideration is given to candidates who have worked closely with appraisers in the past, for example by sponsoring key legislation, and to candidates who hold positions on congressional committees that directly impact the Appraisal Institute's legislative goals. AI PAC may only make contributions to candidates seeking federal elective office; it cannot support state or local candidates.

Who can contribute to AI PAC?
Contributions can be made by individual designated members and candidates of the Appraisal Institute and their families, as well as by Appraisal Institute employees. Federal law prohibits the AI PAC from accepting donations from other sources.

I have a question about AI PAC, whom can I contact?
Brian Rodgers, Appraisal Institute Manager of Federal Affairs, can be reached by phone at (202) 298-5597 or by email at brodgers@appraisalinstitute.org.

Click here to contribute online

(For Appraisal Institute Members Only)

Share Your Issues
Do you have relationships with critical policymakers, or are you aware of a burgeoning issue of opportunity or concern? Please contact any member of the AI Washington office staff with more information.

- Bill Garber, director of government and external relations, (202) 298-5586,bgarber@appraisalinstitute.org
- Scott Dibiasio, manager of state and industry affairs, (202) 298-5593, sdibiasio@appraisalinstitute.org
- Brian Rodgers, manager of federal affairs, (202) 298-5597, brodgers@appraisalinstitute.org

Each of these individuals has been very helpful to me in the past and I have worked closely with them over the past several years and AI is very fortunate to have these professionals working on their behalf. You can also share any issues with me, Darwin Ernst, Region 1 Government Relations Committee representative and I will make sure that your ideas are shared and/or discussed.

So our chapter members know, I will also be attending the AI multi-regional meeting August 3rd, and AI Connect, which is AI's national conference in Austin Texas, August 4th through August 6th. I'd be glad to bring any MT chapter or member issues to either meeting, so please feel free to contact me to share your thoughts and/or ideas.

Mentor's Corner

By Douglas G. Smith, SRA

Editor's Note: Montana stands almost alone among the States and territories in the comprehensive nature of the regulations and procedures for appraisal licensure. Montana was one to first states to install a system of approving mentors. Montana has consistently led the field in the level of work product scrutiny. However, the system is not without its challenges. This column will focus on the process and perhaps expand of some issues of concern to appraisers interested in participating in training the appraisers of the future.

Is now the time to start taking on trainees again? The short answer is of course, no. That is if the potential trainee is planning to go into residential appraising and trainee/mentoring patterns remain unchanged. Since 2007, the essential beginning of the residential downturn, not only is volume down, but since January 2011 when the Dodd-Frank kicked in, appraisal fees have remained unchanged or in some cases are less as more appraisers agree to accept lower fees offered by appraisal management companies. Appraisers, in the struggle to maintain an acceptable level of income, are taking on a greater number of appraisals requiring more input at lower fees. More appraisals at lower fees generally mean a greater number of work hours with the effort much as the Red Queen describes to Alice in Wonderland. In Lewis Carroll's classic Through the Looking Glass, "If you want to get somewhere else, you must run at least twice as fast as that!" Why then, even consider taking in a trainee during these uncertain times? There are two major reasons why this might very well be a propitious time to take on a trainee. The first is that the current market has proven that real estate is indeed cyclical in nature and most agree that the market is at the bottom and is likely to move up, albeit slowly. The second is that market conditions demand new thinking about how appraisers organize their business and how the new generation of appraisers will fit into this new business environment.

The Business of Appraising

Appraisers, particularly, residential appraisers traditionally have been single person businesses and only took on trainees when times were busy. Trainees were taken on with the assumption they would go off on their own or if retained could be cut loose in hard times. The bulk of independent appraisers, however, wanted little to do with taking on trainees, commenting that they had no desire to train the competition. Long hours and the difficulty of taking any time off whether for illness or leisure is grim evidence that the one-person office is today an ineffective business model. Appraisers maximize business results by adopting the concept of a "firm" whether they are the sole business entity or whether they employ other appraisers or assistants. Thinking of the appraisal business side as the "firm" places a new emphasis on the professional aspects of the ongoing nature of business relationships. Thus, an appraiser must consider not only how they respond to customers but how their business entity or "firm" responds to these customers whether they are clients or the client's agents. The concept of the "firm" does not imply that a person must be an employee. An appraiser, for instance, may strike a strategic alliance with another appraiser where fees are kept separate but costs are shared. There is also the possibility of taking on appraisers as independent contractors, a type of relationship that is not available for a trainee/mentor relationship due to IRS rules. Overhead costs are increasing. One office may have several appraisers with one appraisal software master license with each computer licensed to an individual appraiser. Costs when shared are less. This applies to most overhead items.

The Changing Market

The subtle change brought about by Dodd-Frank and the growth of appraisal management companies has changed the client/appraiser relationship. Appraisers must consider how their business entity responds to these customer needs. The market is settling into distinct tiers, the largest segment treating the residential appraisal as a commodity to be stamped out cheaply and quickly. Appraisers meet client expectations by adopting the business strategy of being the low-cost provider. The consequence of this strategy is that it imposes the element of volume to maintain income. Appraiser have no time to develop clients who don't regard the appraisal as a commodity but think of it as necessary and important to achieving goals not the least of which is the maintenance of a fiduciary responsibility. A famous bank robber was asked why he robbed banks. He famously answered, "Because that's where the money is." Such is the case with the residential market today. The market, except for the appraisal management market is thin, hard to come by and difficult to maintain without a lot of continuous effort. For the present, work derived from appraisal management companies is where the money is. Having more than one appraiser allows the "firm" to accept a wider range of work and allows time to develop more consequential clients. Appraisers, however, must consider the obvious evolution of the appraisal business.

Will the AMC Last?

There is ample evidence the present AMC model is not sustainable. State after state, including Montana, is putting into effect or already enacted AMC registration requirements that come with an AMC registration fee. These fees provide money for enforcement and oversight. Each state is looking for new revenue sources and appraisal management companies appear to be easy pickings. Whether these fees can be passed on to the lenders or passed on to the appraisers in even lower fees is an open question. Appraisal management companies took on clients initially with no increase in appraisal fees relying on appraisers to accept discounted fees. Now faced with increased overhead due to registration fees, appraisal management companies are caught in a squeeze. To continue, they must either raise fees or charge appraisers to offset their costs. Furthermore, lenders are increasingly voicing their disappointment with appraisals produced by appraisal management companies. The Dodd-Frank Bill otherwise known as Wall Street Reform and Consumer Protection Act provides for mandatory reporting. States are bracing themselves for a rapid increase in complaints with some modifying their complaint procedures that formerly called for notarized complaint submissions. Disintermediary forces are unleashed and will play out in the near future. Clients will eventually seek to eliminate the middleman (disintermediation) choosing instead to deal with alternative means to secure appraisals. A local bank system in Montana selects their own panel of appraisers and uses a portal to distribute and receive appraisals. This portal system satisfies the requirement to insulate the appraiser from influence. Whether the AMC business model survives or other models appear to take their place, increased fees are not likely. As this is written, the whole issue of reasonable and customary fees has ended with no impact on current fees.

The Great Divide

The inclusion of a certified general appraiser within an appraisal firm is a logical step in meeting the breadth of client expectations. Again, if the primary emphasis of the organizing appraiser is residential work, the association of a certified general appraiser may simply be achieved by an alliance. Due to changes in education requirements, the next generation of appraisers will be better educated and better prepared to take on more involved assignments. Therefore, the characteristics of the next generation of appraisers are changing significantly. The successful appraiser of tomorrow does not have the same expectations of those entering the market just a few years ago. These new candidates will expect greater income and will have the intellectual resources to produce better work. These new appraisers will be technologically savvy.

Based on the current state of the market, they will recognize the importance of the need to plan for the future with a base source of income unaffected by real estate cycles. Investing in income property will appeal to the new generation of appraisers. The appraiser of tomorrow is likely to view residential appraising as a stepping stone to commercial appraising and a general certification. Unfortunately, the educational system set in place on January 1, 2008, by the AQB works against this career path. Formerly, an appraiser took on one set of courses that applied to both residential appraising and certified general appraising. Now, there are two sets of courses. For instance, there is a 15 hour residential income approach course and a 30 hour general income approach course. In Montana, a candidate may not include the 30 hour general income approach course for residential certification. In Montana, an appraiser who works towards general certification, who wants to hold residential certification in the interim must take the residential required courses and later take the courses for the certified general level. The same applies to the Appraisal Institute SRA program. The taking of the residential level courses are required and the longer courses required for general certification on the same subject matter are not accepted. Thus, it is more difficult and costly to move from residential appraising to certified general appraising. In a recent disciplinary action in Montana, the issue hinged on the competency of a certified general appraiser to complete a residential form report. As reporting issues for residential appraising such as the 1004MC and the UAD requirements increase, competency may very well become an issue requiring more of the certified general appraiser who has limited experience in using residential form reports.

In the next edition, Mentor's Corner will cover the training process and the role of the mentor.

Mentoring Tips

Appraisal Log- Candidates for licensure in Montana are required to adopt the format of the experience log found of the State website. There can be no substitute and thus candidates are required to fill out the form by hand. It is only available in PDF format. Mentors should encourage trainees to consistently keep the log up-to-date on a log-as-you-go basis. Not to allow a spread sheet derived log, is one of the more archaic characteristic of the present system. Link to PDF copy of log: http://bsd.dli.mt.gov/license/bsd_boards/rea_board/pdf/experience_log.pdf

Work Product- As part of the rigid scrutiny of appraisal work product, candidates for licensure are required to produce upwards to 17 reports and associated work files. One candidate for certified residential licensure was asked for 13 reports and work files and in the most recent case of a candidate for basic licensure; he was asked for 17 reports and associated work files. These must be supplied within a ten day period. However, the Department now allows work file data to be provided in PDF form by e-mail or on a submitted thumb drive. Therefore the mentor must prepare the trainee for the day when massive amounts of work file data must be supplied. I recommend the purchase of a high speed multi-page scanner and the most recent copy of Adobe Acrobat software to store all the work file data for the day when the request for work file data arrives. In the case of preparing the work files for 13 reports, it took one admin person a week to assemble all the copies. Allowing the transmittal of digital records will improve this procedure but only if the office is equipped with the means to collect and store work product digitally and efficiently.

Editor's Note: As we go to press, the State Board added an agenda item to the June 24 Board meeting in which the number of required report will be discussed. Please check the minutes for the decisions made at the June 24 Board meeting.

Experience hours and time periods

Currently experience for basic licensure is 18 months. However, the start date does not begin on the date the trainee received their trainee registration. The 18 month begins from the date of the first report in the trainee log. The trainee must submit a report on or about the date 18 months from the date of the first report. The state relies on this procedure published by the ASC: https://www.asc.gov/Statement10.aspx

3. Determinations of Experience, Experience Hours and Time Periods — When measuring the beginning and ending of the experience period under AQB criteria (currently 24 and 30 months for certified residential and certified general, respectively), States need to review each appraiser's experience log (or other documentation) and note the dates of the first and last acceptable appraisal activities performed by the applicant. Then, the State needs to calculate the time period spanned between those appraisal activities. This span of time must comply with the AOB experience criteria.

4. Applicability to Licensed Appraisers — To reduce confusion and administrative inefficiencies, the ASC strongly encourages States to treat experience claims of applicants for licensure in the same manner as those submitted by applicants for certification.

The application of this rule suggests that all orientation work, software instruction and basic training for measuring and inspecting properties take place expeditiously to allow the full participation in report completion as soon as possible so as to not lengthen the actual experience time unnecessarily.

I would like to hear from you. Address any comments or experiences with the current mentor/trainee process to Doug Smith, SRA: hotelman@montana.com. The opinions expressed in the foregoing article are entirely my own and do not represent the views of the Montana Chapter or the Appraisal Institute.

How Well Do You Know Your Market?

By Jim Kelly – Kalispell, MT

The alternative title for this article is "I Bet I Know the Make-up of Your Market Better That You Do." Now that is a pretty bold statement, so I've got some explaining to do.

All of you are familiar with the Montana Cadastral Data system and probably use it every day, but how many have clicked on the "DATA" icon on the left side of the page and went to the ORION Sql Databases? At first it looks intimidating, but the instructions on how to install Sequel Express (a free program) and start using it are all on the State's site. Working directly with the Sequel Database, you can make queries and export your results to an Excel spreadsheet to work with. The process becomes even easier if you import the entire database in to an Access Database, but that can only be done after Sequel Express has been installed and the Sequel Database from the State has been attached to your Sequel Sever.

The databases have a treasure of information that will allow you to give a detailed make-up of any county, city, town or neighborhood in the State of Montana. In addition, you can pick any property type and it will give you the deeds that where recorded on that property type. Since Montana is a non-disclosure state, the sales prices are not there, but the deeds and other recordings are there and you can query a property type for all recording within any time period. With this database, there is no reason for not knowing that a transaction has occurred on the type of property that you are appraising.

To illustrate the type of data that can be obtained from these databases, I am going to use the City of Missoula and Missoula County as an example. According to the Montana Department of Revenues Database, the number of each type of commercial property in Missoula County is as follows:

Structure Types	Count	Structure Types	Count
101 - Residential, 1-family	182	364 - Motion Picture Theater	2
102 - Residential, 2-family	825	365 - Cinema/Theater	4
103 - Residential, 3-family	155	367 - Social/Fraternal Hall	25
104 - Residential, 4-family	494	368 - Hangar	33
105 - Mixed Res/Com (built as Res)	14	369 - Day Care Center	14
106 - Condominium (common element)	7	371 - Multi-purpose, Downtown Row Type	11
107 - Condominium (fee simple)	9	373 - Multi-purpose, Retail, single occupancy	274
211 - Apartments, Garden (3 story & less)	295	374 - Multi-purpose, Retail, multi-occupancy	147
212 - Apartments, High Rise	6	381 - Bowling Alley	3
213 - Townhouse/Rowhouse	1	383 - Health Spa	17
314 - Hotel/Motel, High Rise (5 stories & up)	1	384 - Swimming Pool, indoor	1
315 - Hotel/Motel, Low Rise (1 to 4 stories)	70	385 - Tennis Club, indoor	3
316 - Nursing Home	18	386 - Racquet Club, indoor	1
318 - Boarding/Rooming House	25	387 - Country Club	2
319 - Mixed Res/Com (build as com)	41	388 - Club House	25
321 - Restaurant	117	389 - Country Club w/Golf Course	1
325 - Fast Food	43	391 - Cold Storage Facility	8
327 - Bar/Lounge	56	392 - Lumber Storage	1
331 - Auto Dealer, full service	16	393 - Distribution Warehouse	16

Table cont....

Structure Types	Count	Structure Types	Count
332 - Auto Equipment Service Garage	135	395 - Truck Terminal	7
333 - Service Station, full service	5	396 - Mini Warehouse	163
334 - Service Station, self service	4	397 - Flex Warehouse	189
335 - Truck Stop	5	398 - Warehouse	379
336 - Car Wash, Manual	7	399 - Warehouse - Prefab	6
337 - Car Wash, Automatic	14	401 - Industrial, Manufacturing & Processing	100
338 - Parking Garage/Deck	7	405 - Industrial, Research & Development	2
341 - Regional Shopping Mall	1	611 - School	6
342 - Community Shopping Center	7	613 - Dormitory	2
343 - Neighborhood Shopping Center	23	614 - Church	41
344 - Strip Shopping Center	4	640 - Hospital	5
345 - Discount Department Store	15	650 - Post Office	7
346 - Department Store	5	660 - Police or Fire Station	3
347 - Supermarket	8	680 - Cultural Facility	1
348 - Convenience Food Market	45	690 - Rail/Bus/Air Terminal	1
349 - Medical Office Building	84	701 - Mobile Home Park, < 10 spaces	108
350 - Bank, Drive-up	9	702 - Mobile Home Park, 10-50 spaces	69
351 - Bank	29	703 - Mobile Home Park, > 50 spaces	14
352 - Savings Institution	6	704 - Garage, Office/Service	76
353 - Office Building, Low Rise (1 to 4 stories)	541	705 - Truck/Heavy Equipment Service	48
354 - Office Building, High Rise (5 stories & up)	7	706 - Hangar, Office	5
355 - Office Condominium	69	707 - Livestock Center / Feedlot	1
356 - Retail Condominium	32	710 - Telephone Equipment Building	4
361 - Funeral Home	3	720 - Radio/TV Transmitter Building	15
362 - Veterinary Clinic	14	725 - Radio/TV/Motion Picture Studio	5
363 - Legitimate Theater	1		

Now to narrow that down to just the City of Missoula, the numbers are shown below:

Structure Type	Count	Structure Type	Count
101 - Residential, 1-family	122	355 - Office Condominium	44
102 - Residential, 2-family	679	356 - Retail Condominium	24
103 - Residential, 3-family	129	361 - Funeral Home	1
104 - Residential, 4-family	409	362 - Veterinary Clinic	9
105 - Mixed Res/Com (built as Res)	9	364 - Motion Picture Theater	2
107 - Condominium (fee simple)	7	365 - Cinema/Theater	3
211 - Apartments, Garden (3 story & less)	236	367 - Social/Fraternal Hall	5
212 - Apartments, High Rise	2	369 - Day Care Center	8
213 - Townhouse/Rowhouse	1	371 - Multi-purpose, Downtown Row Type	11

Table cont....

Structure Type	Count	Structure Type	Count
314 - Hotel/Motel, High Rise (5 stories & up)	1	373 - Multi-purpose, Retail, single occupancy	188
315 - Hotel/Motel, Low Rise (1 to 4 stories)	46	374 - Multi-purpose, Retail, multi-occupancy	112
316 - Nursing Home	8	381 - Bowling Alley	1
318 - Boarding/Rooming House	12	383 - Health Spa	5
319 - Mixed Res/Com (build as com)	29	385 - Tennis Club, indoor	1
321 - Restaurant	80	388 - Club House	2
325 - Fast Food	32	391 - Cold Storage Facility	1
327 - Bar/Lounge	28	393 - Distribution Warehouse	7
331 - Auto Dealer, full service	11	395 - Truck Terminal	1
332 - Auto Equipment Service Garage	85	396 - Mini Warehouse	62
333 - Service Station, full service	4	397 - Flex Warehouse	98
334 - Service Station, self service	2	398 - Warehouse	137
336 - Car Wash, Manual	4	399 - Warehouse - Prefab	2
337 - Car Wash, Automatic	13	401 - Industrial, Manufacturing & Processing	23
341 - Regional Shopping Mall	1	405 - Industrial, Research & Development	1
342 - Community Shopping Center	5	611 - School	1
343 - Neighborhood Shopping Center	5	614 - Church	2
344 - Strip Shopping Center	2	650 - Post Office	1
345 - Discount Department Store	12	680 - Cultural Facility	1
346 - Department Store	4	690 - Rail/Bus/Air Terminal	1
347 - Supermarket	7	701 - Mobile Home Park, < 10 spaces	28
348 - Convenience Food Market	26	702 - Mobile Home Park, 10-50 spaces	12
349 - Medical Office Building	46	703 - Mobile Home Park, > 50 spaces	1
350 - Bank, Drive-up	7	704 - Garage, Office/Service	23
351 - Bank	18	705 - Truck/Heavy Equipment Service	9
352 - Savings Institution	5	720 - Radio/TV Transmitter Building	3
353 - Office Building, Low Rise (1 to 4 stories)	377	725 - Radio/TV/Motion Picture Studio	5
354 - Office Building, High Rise (5 stories & up)	3		

These are relatively simple examples of the type of statistical data that can be obtained from the DOR's Sequel database. This same type of query can be done for any County, City, Town or neighborhood in Montana. As we all know, the department of revenue's data is not always accurate, but it can be very helpful in understanding the supply of existing properties in your market.

Let's say that you were doing an appraisal of a mini-storage project in Missoula, this data tells us that there are 163 in the county and 62 in the city. By querying just min-storage projects, it will only take a few minutes to have a list of all the projects in your area as well as all the data on each of the properties and the recording data of the last deeds that were recorded. This is the list of all the mini-storage project's that has had a document recorded since the beginning of 2013.

Number	Street	City	Deed Date	Doc. Type	Book	Page
2591	INDUSTRY	MISSOULA	1/23/2014	Quit Claim Deed	926	269
400	ROOSEVELT	MISSOULA	12/19/2013	Warranty Deed	923	926
1500	EATON	MISSOULA	12/2/2013	Warranty Deed	922	1252
1912	KEMP	MISSOULA	11/14/2013	Quit Claim Deed	922	65
			11/6/2013	Warranty Deed	921	1237
2122	SOUTH	MISSOULA	10/1/2013	Warranty Deed	920	298
			9/18/2013	Warranty Deed	919	1019
			8/30/2013	Other	921	1238
6149	MULLAN	MISSOULA	8/22/2013	Warranty Deed	918	1120
400	ROOSEVELT	MISSOULA	6/28/2013	Other	915	317
400	ROOSEVELT	MISSOULA	6/20/2013	Warranty Deed	914	1158
400	ROOSEVELT	MISSOULA	5/31/2013	Warranty Deed	913	1075
400	ROOSEVELT	MISSOULA	5/30/2013	Quit Claim Deed	913	1077
6385	HWY 10	FRENCHTOWN	4/4/2013	Warranty Deed	911	371
436	MONTANA	MISSOULA	2/27/2013	Quit Claim Deed	910	1053
1305	CLARK FORK	MISSOULA	2/11/2013	Quit Claim Deed	98	542

Just because a deed was recorded on a property, does not necessarily mean that there was a sale, but you are able to get leads on all the potential sales. The other benefit that this data has, is that if there have not been recordings on a type of property, you known that you don't have to waste your time looking for something that does not exist.

At this point I've only discussed commercial properties, but the same type of queries can be made of the 35,446 residential properties in Missoula County and 363,119 residential properties in the State of Montana.

For the residential appraiser that has an unusual property and would like to know if there have been any transactions of those properties, the DOR residential database is useful for that also. Let's say that I want to know if there have been any transactions of "Earth Shelter" homes in Flathead County, well the DOR has a code for that. By setting up a query for a "07" style and filter for only documents dated after 1/1/13, I come up with the following data:

Property Address	Style_Desc	Deed Date	DocNumber	DocType_Desc
2115 COON HOLLOW RD, KILA, MT 59920	07 - Earth Sheltered	2013-04-25	201300009949	Quit Claim Deed
2115 COON HOLLOW RD, KILA, MT 59920	07 - Earth Sheltered	2013-06-25	201300015430	Warranty Deed
127 E BLUEGRASS DR, KALISPELL, MT 59901	07 - Earth Sheltered	2013-01-11	201300000914	Grant
127 E BLUEGRASS DR, KALISPELL, MT 59901	07 - Earth Sheltered	2013-10-31	201300028060	Warranty Deed

The possibilities for detailed queries are endless and up to your imagination. Go to the "Old CAMA Documentation folder in the Montana Cadastral Data link. Download the "OldCamaDic(Reference Only).zip file. In that zip file, the MT_APR 33A5.doc file will give you all the codes with example photos of the style types.

The DOR Sequel database is updated every night, so the data is as current as they have it. From my experience with this database, I've found that generally its 30 to 60 days before the DOR gets the document recording data into their system. Because the data is updated every day, I've got into the habit of updating my sequel file every time that I start a new project.

In order to access this information, go to the Montana Cadastral site and click on the Data link. First go to the Documentation link and download the three documents in the Sequel Express Documentation folder. When you read the DOR's instructions on how to install and use the system, I've found that it is somewhat out dated. They tell you to download Sequel Express 2008, but Sequel Express 2012 is now available.

After you have installed Sequel Express 2012, go to the ORION SQLDatabases folder and download the County that you want to work with. In that folder there is also a "BEGIN HERE" folder, which is basically the same instructions as those in the Documentation Folder.

After you have attached the County database, you will want to download the SQL_QueryScripts that are in the Documentation Folder. The instructions that you have already downloaded will address the use of the scripts.

It will take some time to learn all the details of how to use this data, but it will be very useful to you once you have taken that time. And, for you Mac users, I have no idea if Sequel is available for a Mac. You will have to research that for yourself.

In this article I've covered only a few of benefits to using the DOR's Sequel database and I continue to find more. It is all free and the Sequel Express program is free.

VA is looking for fee appraisers! C/R fees and no AMCs!! ©

By Ann O'Rourke-Publisher, Appraisal Today

For subscription information: http://www.appraisaltoday.com/

In today's world of AMCs with low fees and non-relevant increasing requirements, VA is becoming more and more popular with appraisers. To me, it is similar to before licensing, when there were few mortgage brokers and lenders had staff appraisers, including chief appraisers. Appraisers were treated as professionals.

The VA treats their appraisers as professionals. VA is the only lender has sets fees (no bidding), rotates appraisers, will not kick you off for low values, has staff appraisers who can be contacted for advice and doesn't pester you with status updates and annoying questions.

The VA is very different from FHA and almost all other lenders. VA's mission is to help veterans get mortgage loans. Everything else is secondary to this mission. The VA wants to be sure that veterans don't pay too much and don't purchase homes needing work (health and safety). I have never done VA appraisals but, to me, this is the best part of working for VA.

I don't know of any lenders, except maybe some credit unions, which put borrowers first. VA is looking for knowledgeable, experienced appraisers. Quality of work, timeliness, and professional demeanor are important. Erase from your mind any value pressures, not reporting any problems, fitting your appraisal into the AMC "boxes", etc. You are a professional, not a form-filler.

On the minus side, VA is not for everyone. I discuss the minuses below to help you decide before spending all the time applying for the panel. But, it is an excellent alternative to working for AMCs.

You MUST accept all the appraisals sent to you

You decide how many appraisals per week you will accept. This number can be changed. You may, or may not, be able to get an increased fee for difficult, high value, geographically distant properties. Getting increased fees depends on your Regional Loan Center. Many appraisers said it was difficult to get increases in fees for difficult appraisals or properties that are distant from your office. You have to accept the assignment; even if the lender owes you money, or you have had problems collecting from them on non-VA loans before you joined the VA panel. The lender pays you, not VA. If you don't want to do this, don't apply for VA.

Meeting turn-around times is extremely critical

VA sets your turn times. If you are late too many times, you will be terminated. There are exceptions sometimes, such as when the VA appraisers in your area are overwhelmed with work. Why is this important to VA? VA competes with conventional lenders that "promise" a 3 day turn on appraisals. They want to make VA loans more attractive to lenders, sellers, and real estate agents.

VA fees

Fees are set by the Regional Loan Centers, and don't change very often. They are set for an entire state. Sometimes they are low and sometimes they are high for a specific geographic area. Sometimes you can renegotiate a fee for a very difficult appraisal but if you can't get a higher fee you cannot turn down the appraisal. Fees are typically set by state, but there may have higher fees in rural counties.

VA acronyms

I guess since the VA is for veterans, they have a lot of acronyms. Here are a few:

- LAPP - Lender Appraisal Processing Program
- RLC - Regional Loan Center
- SAR - Staff Appraisal Reviewer

VA loan amounts

There are no VA maximum loan amounts. The VA does not make loans. Similar to FHA, VA guarantees a certain percent of the loan. The loan amount cannot exceed the lesser of the appraised value or purchase price, plus VA funding fee and energy efficient improvements, if any. However, lenders usually won't make a no-down payment loan larger than $417,000 or $625,500 in high cost areas. In my county, in the San Francisco Bay area, the limit is $1,050,000. If you want to know more, Google "VA loans". It is complicated and I decided not to write about it in this article in order to keep it relatively short.

Who orders VA appraisals and how are they sent to VA?

Communication is done though the VA Portal. When there is an appraisal order, you get an email to check the portal. The appraisal is uploaded thru the VA portal. Appraisers I spoke with indicated few problems using the VA portal. About 90% of purchases have the contract attached. If the contract was not part of the VA order, attach the contract when you send in your report. Most (but not all) of the refi's include the amount to be refi'ed. The PDF appraisal is uploaded through the VA portal. XML will be required later this year. Occasionally the lender will contact you with an error (typo, non- critical question). You have to re-upload the report through the VA site and have to say why the report is being resubmitted. Note: Thanks to Mic Hamilton for this info. He is in New Mexico and uses the Denver RLC. Other RLCs may have different policies, such as including refi amount.

You are paid by the lender, not VA

The number one complaint I have heard from appraisers is collection problems. However, this is not a good reason to refuse to work for VA. VA wants their appraisers to be paid. But, many appraisers reported collection problems with VA lenders. However, a lender can be put on pre-pay if there is a pattern of problems. They can be removed from VA approval. There are procedures you need to follow, such as sending collection letters three times. Check with your RLC. If you don't want to hassle with collections, use an accounts receivable factoring service. I recommend Treasure Valley Factors, which has handled a lot of appraiser accounts. An appraiser who recently signed up for them is paying a $20 fee to them for a $400 appraisal fee. You are paid up front and the factor collects from the lender. I am sure they would welcome VA appraisal invoices as the lender can get into big trouble with VA if they don't pay. I have been writing about collecting past due billing for over 20 years. Go to the newsletter archive at www.appraisaltoday.com/harvey.htm to get the old articles. The September 2012 issue focused on AMC collections and included info on factors. Many factors are very flakey. That's why I recommend Treasure Valley Factors.

VA Regional Loan Centers (RLC) - learn the requirements and policies of your RLC
In 2002, VA consolidated 46 offices around the country into 9, later 8, RLCs. These RLCs have some differences in policies, such as training, etc. They also set appraisal fees. Learn the requirements of your RLC. They vary. When interviewing appraisers I couldn't figure out why I was getting different answers to my questions. I finally figured out the RLCs have different requirements. To find your RLC, google VA Regional Loan Centers.

How does VA differ from FHA?
They are very similar in inspection and reporting requirements - health, safety, security, etc. The big difference is that VA requires its appraisers to report any problems in the VA handbook. If you don't do this, you could be in big trouble with VA. FHA used to be like this, before they opened the panel to all licensed appraisers about the time mortgage brokers took over. VA does not require the Cost Approach unless the appraiser thinks it is necessary.

A few other items mentioned by appraisers:

- Must report chipped paint before 1978.
- Don't care about falling down barn if no effect on value.
- Don't have to check water, etc. if utilities are not on.

Be sure to check the VA manual, plus any requirements from your RLC.

How many VA appraisers are there?
As of May 14, there were 6,138 fee appraisers and 270 staff appraisers.

Who reviews VA appraisals?
100% of pre-funding appraisals are reviewed. About 95% are reviewed primarily by SARs (Staff Appraisal Reviewer), who are lender employees. There are about 4,500 active SARs, with about 18,000 approved SARs. VA staff appraisers in RLSs do primarily post-funding QC review to be sure fee appraisers are not having problems. They review a percentage of appraisals. There are more reviews for new VA appraisers. They do desk and field reviews on all panel appraisers. The reviewers primarily focus on adherence to VA requirements from the VA manual. They don't ask for more comps, etc. They focus on what is important in an appraisal. Appraisers say the reviewers go “by the book” - the VA appraisal manual. Sometimes they can be picky, especially for requirements that don’t affect value. If you don't agree with an SAR, you can contact the VA staff appraisers. Appraisers I have spoken with were very positive about working with the SARs. They stick with the VA requirements. Very, very different than typical lender underwriters. I kept hearing about "underwriters" but I think the appraisers were referring to SARs. To get fewer reviewer requests, be sure you include explanations for what you did, such as why a sale was not used.

What are the qualifications for SARs (Staff Appraisal Reviewer)?
In order to participate in LAPP (Lender Appraisal Processing Program), lenders must employ SARs. Per the VA, "You must be employed as a full-time salaried employee and must have at least (3) three years of appraisal or appraisal review experience that qualifies you to competently perform administrative appraisal reviews in conjunction with

underwriting loans for VA loan guaranty purposes. If you have been a HUD/FHA DE Underwriter for (3) three years, this will meet our requirement." Here is a quote from a VA SAR FAQ, illustrating the appraiser-SAR relationship.

> Q. 13 “I am reviewing an appraisal and there are issues or problems that I do not know how to handle. What should I do?”
>
> A. 13 “If the fee appraiser can help you resolve or address these matters, then you should contact the appraiser. Otherwise, for assistance or guidance with the appraisal, contact the Construction and Valuation unit at the RLC, and always provide them with the VA case number" VA staff appraisers review the work of fee appraisers and SARs.”

What about computerized reviews?
VA is setting up an Appraisal Management System, which will be using a Corelogic-developed review software starting this summer. It is scheduled to start 6/1/14 for internal reviews and has about 1,000 rules. Excerpts from a notice recently sent to VA appraisers:

> "LoanSafe Appraisal Manager (LSAM) reports, which will be released later this year, will be generated on VA appraisals available for use by VA Regional Loan Center (RLC) staff and Lender/Servicer Staff Appraisal Reviewers (SARs) in conjunction with their VA appraisal reviews.
>
> "The use of LSAM reports in future VA appraisal reviews by VA RLC staff and Lender SARs will help to ensure that VA appraisals are fully complete and acceptable following appraisal industry standards and meeting applicable VA, Uniform Standards of Professional Appraisal Practice and Uniform Appraisal Dataset requirements.
>
> "It is also anticipated that the future use of LSAM reports may result in increased communication or correspondence between SARs and VA fee appraisers. VA fee appraisers are expected to cooperate with SARs and respond to their inquiries as soon as possible, but no later than 2-business days after receipt."

This is expected to make reviews faster and more consistent. Starting June 1, 2014, appraisals must be sent in MISMO XML format, the same format used by Fannie and Freddie.

Why is VA a "closed" panel and FHA is open to all licensed/certified appraisers?
I was at a meeting at a conference in San Francisco soon after FHA opened its panel to be more competitive in the mortgage market. One of the sessions was about VA loans. At the meeting, the VA San Francisco chief appraiser said they were not going to open the VA panel. I don't remember exactly what he said, but I suspect that they realized there were many problems with the greatly expanded FHA panel.

Why does VA accept licensed appraisers and FHA does not?
FHA did not want to restrict their panel to certified only. The federal government required it. VA has not been required to only accept certified appraisers.

Experience requirement
You need a minimum of 5 years of appraisal experience.

Why does VA require a credit report?
If you owe money to the federal government, you are not eligible for the VA panel. Just like landlords, and some businesses, VA wants to be sure there are no financial pressures that could make appraisers to make the deal, such as

"making" the sales price or not disclosing defects. The reason for a low credit score is important, of course. For example, a low score because of medical bills is better than running up your credit cards for vacations. Page 6 - June 2014 Appraisal Today Is there any preference for veterans or minorities? Although minority status information is requested on the VA application, it is not a primary criteria. There is no question on the application about veteran status. They grade the applications based on experience, courses, teaching, etc. According to Gerry Kifer, if there are two equal finalists for a VA opening, the preference will be for a veteran. So, be sure to mention it somewhere, such as in one of your reference letters.

When did VA start recruiting for their panel?

When I started appraising in 1986, it was very, very difficult to get on the panel. Everyone said you had to be a veteran, son of a veteran, politically connected, etc. All the appraisers I knew never considered doing VA appraisals because it was too hard to get on the VA panel. The VA had their first recruitment drive in 2004-2005 and increased the panel about 45% over a 2 year period. I was called on the phone by VA in 2004, but was not interested as our home prices were well over the VA limits at that time and VA loans were not popular in my area. I was on the FHA panel from 1986-1988, but quit when our prices went way up and I didn't want to travel to counties with lower prices. By 2007, about 2/3 of the panel was gone through attrition for various reasons. After the 2008 mortgage mess, VA loans started becoming more popular and the remaining VA appraisers were getting swamped with work. In 2011, VA started another recruitment drive, which is still continuing. The forecast is for fewer appraisers for many reasons: aging baby boomer population, difficulty in getting training, low fees from AMCs, etc. VA will still recruit in the future. Their primary recruitment method seems to be calling appraisers, using the ASC list, focusing on geographic areas where they need appraisers, typically by state.

How does VA evaluate the applications?

They grade the applications based on experience, courses, teaching, etc.

What type of appraisers does VA want?

When you work for VA, forget what you may do with FHA and conventional loans. You work for the veteran, not the AMC or lender. You will never be removed from rotation because you came in low on a sale. Integrity was mentioned by several VA appraisers. VA wants appraisers who tell them what the value is, whatever the sales price. Appraisers must report any problems that VA wants to know about, such as peeling paint installed before 1978.

What about being removed from the panel?

Appraisers can be removed for being late often, incompetency, refusal to follow VHA guidelines, etc. You will be given ample warnings of what problems you need to correct. When interviewing VA fee appraisers I didn't hear about anyone being removed. Completing appraisals on time is very, very important to the VA. Your appraisals will be reviewed by FHA experienced staff appraisers. When you are new to the panel, you will be watched carefully. Also, you must comply with VA requirements (in the Page 7 - June 2014 Appraisal Today handbook).

How long does it take to get on the VA panel?

If they have an opening in your area, it can be very quick. But, most appraisers say they have to reapply and it can take quite a bit of time. (See Dustin Harris' article in this newsletter). You must be persistent. Mark your calendar for when it is time to resubmit. Check with your RLC to see their requirements.

How often can you reapply if you are not accepted the first time?

Regional Loan Centers (RLC) vary. Check with your RLC. Per Gerry Kifer, VA Supervisory (Chief) Appraiser:

> "We do not have a nationwide standard for how often an appraiser may apply. Each of our Regional Loan Centers (RLCs) sets how long they will retain applications or how often they review new

> applications. The RLC is supposed to send an acknowledgement letter to an applicant and advise how long the application will be retained before a new application would be appropriate."

Ask your RLC if you can use your old reference letters and if they want new dates on the letters.

Other requirements
Sample URAR report. Regions may add additional requirements such as a resume and other requirements.

Three reference letters are required
Two are from appraisers who know you, your work, your reputation, and your qualifications. The third is from a client who knows you, your work and your timeliness. It is best to draft up a sample letter and send it to the referral source. It makes it a lot easier for them. Have slightly different ones for each referral. If you are a veteran, be sure one of your reference person mentions it in their letter. Include your teaching, serving on state appraisal board, officer in appraisal associations, etc.

What to include in an introductory letter
If your RLC allows an introductory letter from you, be sure to state your qualifications, designations, and who recommended you. Carefully check this letter to be sure there are no typos, grammatical errors. Always, always someone else check the letter. This letter shows the VA that you can write well, which is important for appraisals.

Reference letters
Be sure to speak with them first. Select references that are familiar with your work. Also include that you are familiar with the counties you are applying for. If you are not familiar with the county, check USPAP to see how you will gain competency. The VA is desperate for appraisers in many rural counties.

Sample phrases for reference letter from an appraiser
Here are some appraiser referral sample phrases:

> "I have known Ms XX professionally for nearly 20 years, since she started in the appraisal business. She is a highly competent appraiser with an excellent knowledge of the residential property market in XX market areas. As a Certified Residential appraiser myself, Ms XX is my 'go-to' person when I've got a difficult assignment. I value her expertise, experience, and knowledge. She is benefitted by her background and interest in economics and social demographics."

Another sample phrase:

> "He is active in several appraisal organizations, including the Appraisal Institute, and is well informed on local market trends and situations. As a review appraiser, I have had an opportunity to review a number of Mr. XX's appraisals. I have always been impressed with his accuracy and attention to details and his strong sense of appraisal principles and procedures. His conclusions are always logical, well documented, and supported."

Sample phrases for reference letter from a client
Your client letters should talk about timeliness, expertise, how long they have known you, what the person giving the referral does, etc. Here are a client sample phrases:

> "I am the Mortgage Manager for XXX Credit Union. I have had the pleasure of working with XX of XX Appraisals for over 10 years. My experience with XX work is that it is exemplary. He maintains only the highest set of standards with regard to appraisal guidelines and USPAP integrity. His work is

timely and thorough. With the onslaught of recent mortgage and lending legislation, his appraisals have met and or exceeded all quality control standards and reviews. Further, he is a certified appraiser which is above and beyond the standard licensing requirements. XX would be a tremendous asset to the VA panel of appraisers and I would highly recommend his work. If you have any questions, please do not hesitate to contact me."

What if you don't know any appraisers who can write letters?
You need to meet more appraisers face to face. The VA prefers appraisers who keep in contact with other appraisers on a regular basis. They want professional appraisers who have other appraisers they can call for those tough assignments that we all get. Networking with other appraisers can really help you, even if you don't want to do VA appraisals! Someone to talk with about appraisal problems, get and give referrals, etc.

What about training?
It varies by Regional Loan Center. Some have classroom or telephone training and some don't. VA has recorded webinars. The new VA appraisers I spoke with (joined in past year) said they mostly studied the handbook. VA has very good support from staff appraisers if you have questions. Contact your local RLC.

How do you control your volume of VA loans?
You decide how many to accept per week. Do not sign up for a large number of appraisals per week as you may get overwhelmed when it is busy. Some RLCs may limit the number to 5 per week. You can easily change the number per week You can go off the panel for vacation, school, medical, etc. However, some RLCs don't like it without adequate notice because the other appraisers in the county may be overwhelmed. The RLC may require at least a month's notice, for example.

What geographic areas does VA use for appraisal assignments?
Typically it is by county. They use zip codes in a few counties. When you apply, you list the counties where you want to work.

Consider working in rural counties
VA only has about 6,200 appraisers for the entire country. Lenders and AMCs can use whatever appraisers they can find. VA can only use appraisers on their panel. When a veteran applies for a loan, they can be located anywhere. To get appraisers in rural counties, sometimes VA "negotiates" with appraisers in more urban counties to accept work in a rural county as well. This can definitely help you get approved for VA. Of course, you will have to get geographic competency, which can be done, per USPAP, several ways. If you already are familiar with a nearby rural county, this will really help. Dustin Harris, who wrote one of the articles in this newsletter, said that working in a distant area helped him get on the panel. He had been working in this area for many years and was familiar with the market.

How are appraisals tracked?
Through the VA Portal. Appraisers communicate through the Portal.

What is the Tidewater Initiative (additional comps, etc. are provided)?
Tidewater started in 2003. Most appraisers don't like it of course, but it is mandatory. I assume this was set up to give veterans a recourse if their appraisal is low. Here are excerpts from VA documents.

"In brief summary, the Tidewater procedure allows an opportunity for a designated 'Point of Contact' to provide market evidence for the appraiser's consideration prior to establishing the final URAR value. The appraiser initiates the procedure by alerting the Contact person that the appraised value appears likely to come in under the sales price. The appraiser should not discuss the appraisal contents except to explain that the comparable sales located by the appraiser do not adequately support the sales price.

"The Contact person then has two business days to provide additional sales information in support of the sales price. Verification of closed sales is required. (Pending sales may be offered but should only be used to support time adjustments.) All attempts to communicate with the designated Point of Contact must be documented to show the date of the attempt, the party's name and phone number, and whether or not additional information was provided."

Often the buyer or seller agent is the Contact Person. Many appraisers said few people sent in additional information. One appraiser emails the Contact Person a grid to fill out and send back. The appraiser is required to include the communication in the final appraisal report. Sometimes you have verbal and email communication with the lender, loan officer, selling agent, or listing agent. There is also a Reconsideration of Value where the SAR can increase the value by 5% (except where state law permits only licensed appraisers to amend an appraisal report). Requests for an increase of more than 5% but less than 10%, the LAPP SAR will forward the request to the fee appraiser for review. The appraiser should record the date the request was received, review the request and upload his/her recommendation into eAppraisal (portal) within 5 business days.

When do appraisals come in low on VA loans?
You may have to change your mind set about coming in low, as it is a very common complaint. The VA wants you to give an honest opinion of value, which can be quite different from other clients you have. Because many sellers prefer cash or conventional loans, getting them to accept offers with VA loans can require a high offer amount. Buyers and sellers can renegotiate the sales price. Or, the veteran can just lose out on the purchase. Of course, they can always convert to FHA, where somehow the value is typically the same as the sales price. Again, your job as a VA appraiser is to protect the buyer from paying too much. You will never get kicked off the panel for coming in too low.

What about volume of VA work?
VA is 100% down with no PMI. FHA has mortgage insurance requirements. VA is popular. Just like all other lender work, it is subject to ups and downs. When rates were low recently, VA appraisers were swamped with refis. Before 2008, conventional loans were much easier to get than VA, so there were few VA loans. A local appraiser I spoke with, who lives close to my city, said he has been on the VA panel since 2001. He was busy in the early 2000s, until prices went over the VA "limit" in 2003-2004. He didn't get anything from VA until 2008, when prices dropped and VA loan limits were increased. He got a complaint from VA. The person who called said he was late on an appraisal. He had not checked the VA portal for many years. Our median price is around $625,000. The VA increased the "limit" to $1,050,000 in 4 of his nearby counties. Most of his purchase work is in a nearby county with much lower prices. He had 10 orders in January, 2014 and 6 orders in February, 2014. Currently, VA loans are very popular with lenders due to the relatively easy qualifications and 100% down payments. Bankers are looking for government-backed "gold plated" loans. Another appraiser said if you go into a bank and say you are a veteran they welcome you with open arms. Purchases are a bit tricky, as many sellers prefer conventional loans. Refis are good as there are no problems with coming under the sales price. If you are close to military bases, typically VA loans are popular. To find out what is happening in your area, go to http://www.veteransunited.com/resources/stats/ I didn't check to see if this is totally accurate, but it was referenced in a recent New York Times article, so I assume it probably is correct. VA loans were up almost everywhere in the country. This web site is also good for general info on VA loans. Loans vary widely from one part of a state to another. One very good way to find out how many loans are done in your counties is to use public records to sort or search for VA loans.

What about liquidation appraisals?
This process is "set in stone" and has very specific requirements, such as trying to get access 3 times. No trip fees are paid and typically no fee increases. Short turnaround times also. Sometimes lenders are slow to pay. Check with your RLC.

Many thanks to those who helped me with this article
Gerry Kifer is the Supervisory (Chief) appraiser at VA and has been there since 1984, except for a brief 14 month period at FHA in 2010-2011. He was very helpful, and will be at the two conferences below. Thanks also to appraisers Mic Hamilton, Doug Smith, Barbara Radcliffe, Mike Garrett, and all the others online and by phone who provided information.

What if you don't want to work for VA?
I spoke with appraisers who went through all the hassles of getting on the VA panel and didn't like it or quit soon after getting on the panel. That's one of the reasons I wrote this article. Not every appraiser will like working for VA. I quit the FHA panel many years ago because I did not like the hassles. If you have good clients that you like, don't bother with the VA.

Where to get more information
If you want to speak with someone from VA in person, go to the Appraisal Summit November 13-14 in Las Vegas. www.appraisalsummit.com. VA will have a booth at this event. For any questions, call your regional loan center. Google VA documents, such as location of regional loan centers to find out which one you are in. Google VA regional loan center. To get an overview, google a recent New York Times article, "A Big Year for V.A. Loans". There is a FHA/HUD/VA section on www.appraisersforum.com that has comments from appraisers who do VA fee appraisals. The comments tend to be negative, like many other forums on this web site, but there are some positive postings. Plus, it also gives you a perspective on how VA varies around the country, depending on RLC. There is also useful information for new VA fee appraisers.

Appraisal Institute Introduces New Course: Review Theory-Residential Course Review

By Douglas G. Smith, SRA

“Appraisal Review: The act or process of developing and communicating an opinion about the quality of another appraiser’s work that was performed as part of an appraisal or appraisal review assignment.”
-USPAP Definitions Section

At the end of February, some twenty diverse residential appraisers met in Seattle to take the Appraisal Institute’s newly introduced Residential Review Theory course. Of the twenty taking the course, 12 or 60% were Appraisal Institute designated members. The class was evenly split between those taking the course as independent fee appraisers and those taking the course that worked for lenders or clients and were singularly orientated towards review work. Interest in the course was notably intense over the two day course presentation. Led by perhaps the most seasoned and articulate Appraisal Institute Instructor, Joseph (Joe) C. Magdziarz, MAI, SRA, the course moved along quickly and covered a great deal of content. Magdziarz is particularly qualified as he is one of the course developers, served as chair of the AI Educational Committee, is a current board member and is a former President of the Appraisal Institute. Discussion was spirited and the class benefitted from the insights and observations of the class participants. The Seattle class marks one of early presentations of this new course. The following represents a summary of the class experience.

Why Take This Course?

Although directed specifically towards review appraising, appraisers considering fulfilling their CE credits will find the content worthy of consideration for sharpening and honing general appraisal development and reporting skills. Practitioners in any profession benefit greatly when knowing by which standards they are judged. In interviews with several fellow appraisers, I learned that those working specifically in review appraising hoped to gain insight into their work of reviewing the appraisal work of others. Those in supervisory roles looked for information that would help them manage the work of others. Independent fee appraisers were looking to increase work derived from clients and one appraiser looked to enhancing his resume in his quest to be hired as a chief appraiser for a large lender. Another appraiser seeking to wind down his practice considered review work a good fit for the remaining years of a working career. Most appraisers in the class were candid that although they valued the class, they looked beyond the class and intended to pursue the remaining steps that lead to the appraisal review designation. These steps are remarkably abridged for the already designated Appraisal Institute member. The review designation is conferred upon completing either the general or the residential theory course, and the submission of an application along with five examples of Standard 3 reviews. Some in the class working toward their SRA designation noted that the availability of the review designation added a new incentive to complete the steps for the SRA designation. Touching on economics, appraisers taking the class were confident of their review capabilities and were already able to negotiate higher fees; they merely sought to have a benchmark of recognition from the Appraisal Institute. Interviews confirmed that to achieve greater financial success, appraisers have to expect to do better in the marketplace. Appraisers who expect to receive higher fees, receive higher fees. Receiving the designation emphasizes that expectation to clients. The Appraisal Institute will soon introduce a second course focusing on case methods that will allow non-designated members to fulfill the full requirements for achieving the review designation. Non designated members can find the full array of requirements on the Appraisal Institute website.

The Course Format

The Residential Review Theory Course is taught over two full days covering a 236 page class manual and a 13 page appendix with attached exhibits. On the third day, the class offers a one hour review summary with an exam following. The exam is 60 multiple choice questions with two hours allotted for completion. Attendees are encouraged to bring along a copy of the 2014-2015 USPAP and a copy of portions of the Dodd-Frank legislations with this item available of the Appraisal Institute website. The format is focused on a PowerPoint presentation with discussion led by the Instructor. Discussion is encouraged throughout the presentation. The manual includes self-study review quizzes and a series of discussion questions labeled "Review Reality Checks." At the end of each day, there is a handout of suggested answers for the discussion questions and answers to the self-study review quizzes. With so much to cover, participants may benefit from using a highlighter or some means of emphasizing salient points. As a practical matter, the class does not provide a soft number 2 pencil for the exam. The exam is a computerized answer sheet. Those with pens only will likely annotate their test booklet and transfer their answers to the test sheet in pen. However, having the recourse to change an answer with an eraser may have some appeal.

The Course Emphasis

The essence and direction of the course is aptly summarized in the introduction:

> "At the core of this course is the review process. Participants embark on an in-depth journey of the seven steps in the review process. To be a reviewer, an appraiser must learn how to develop opinions of completeness, accuracy, adequacy, relevance, and reasonableness relative to the work under review. These opinions must be refined through tests of reasonableness to develop reconciled opinions of appropriateness and credibility. By taking this course, participants will gain invaluable confidence on the fundamentals of review."

The introductory section of the course defines and explains the role of the reviewer, defining review and presenting an overview of the review process. The course quotes from the book A*ppraising the Appraisal* by Richard C. Sorenson, MAI, and SRA: *The essence of review is to investigate, analyze and verify logic and procedures used in appraisals and to ensure the preparation of competent and thorough reports that result in sound value opinions.* The course makes clear that there is a clear purpose to the process with the review process centering on reinforcing the client's confidence in the credibility of the appraisal conclusions.

The Seven Step Review Process

The course builds around a clearly set out methodical approach to the review process that has similar attributes of the familiar eight step valuation process that proceeds from the identification of the problem and Scope of Work determination to data collection and data analysis. The valuation process continues with determining the land value opinion, application of the approaches to value, reconciliation of these values and final opinion of value ending with reporting the defined value. The review process is set out in seven steps as follows:

- Step 1 Identification of the problem
- Step 2 Reviewer's Scope of Work
- Step 3 Review's Research and Analysis
- Step 4 Review of Appraiser's Analysis, Opinions, and Conclusion
- Step 5 Review of Appraiser's Report
- Step 6 Development of the Reviewer's own Opinion of value
- Step 7 Reviewer's Report Consistent with Intended Use

The format of the course carefully works through each step of the review process providing a coherent elaboration of the specific tasks required in a competently prepared review. While a reviewer has many tasks to perform during the review process, the course material emphasizes that a reviewer must not lose sight of the primary purpose of the review. Clearly identifying the intended use of the review helps to clarify the purpose of the assignment. Another benefit of the course found in the presentation of the seven step process is that some of the course material provides a reliable authority of accepted appraisal practice. One important comment settles the question of the report date:

> "The date of the review report is the same as the effective date of the review, because the effective date of the opinion of the quality of another's work is neither retrospective nor prospective. This approach to the review dates is readily understood by clients and avoids confusion. An alternative view is that the effective date of the review is presumed to be retrospective and thus should match the effective date of the review with the date of the appraisal report under review. The method that is least confusing to the client is generally the best approach."

While the course material is oriented towards the review process, the course is worthy of consideration for all appraisers in the way it presents solid methods for Identification of the Problem and the Reviewer's Scope of work. The section on determining the extent of the Reviewer's Research and Analyses outlines five areas to address that is consistent with the reviewer's scope of work. The course material defines and elaborates on these areas providing, perhaps one of the most useful analyses tools in the entire course. These areas are:

- Completeness- Research and Analyses must be comprehensive and thorough
- Accuracy- Aspects of accuracy include conformity, correctness and provable
- Adequacy-Emphasis on that which is minimum(enough to satisfy requirements) and acceptable (qualifies as sufficient)

- Relevance- Includes four aspects that are: connected, applicable, useful and significant
- Reasonableness-Includes four aspects that focus on: Common sense, rational, fair and acceptable

Roadmap to the Review Process

The course develops a section that addresses the most commonly used pre-printed review form, the Fannie Mae 2000. This practical section focuses on the 10 questions found in the form with specific guidance as to how each question must be addressed. Included within this section is an important clarification about Question 10 and the reviewer's Scope of Work. Question 10 states: "If the review appraiser determines that the opinion of value in the report under review is not accurate, he or she is required to provide an opinion of market value." Checking yes does not require the appraiser to provide his or her own analysis that leads to an opinion of value since it's been completed in the appraisal under review. Furthermore, if providing an opinion of value the appraiser is not required to replicate the steps completed by the original appraiser that the review appraiser believes to be reliable and in compliance with the applicable real property appraisal development standards of USPAP.

Review Reality Check

Throughout the course, there are specific examples of situations and review problems that provide discussion topics. These examples, for the most part, were extremely relevant to the issue and helpful in the understanding of the course. There is a separate booklet issues each day that contains suggested solutions. This booklet also contains the answers to the quizzes found within the handbook. There was one answer that addressed a common requirement by a lender for an additional comparable that would price bracket the indicated value of the subject. Here is the verbatim answer included in the Solutions booklet:

> "The GSE's selling guidelines do not address bracketing in regard to comparable sale selection. However bracketing is a legitimate valuation technique to ensure balance in the derived value from the sales comparison approach. Proper bracketing technique uses relevant characteristics such as GLA, rather than the price of the competing properties. If the appraiser's comparable sales bracket the subject's relevant features, it is possible that the prices may not bracket the subject's indicated value-this doesn't diminish this technique. However, it does emphasize that your client may not understand how the technique can be used. The reviewer may need to take the time to improve the client's knowledge of the valuation technique."

Challenging Review Assignments

The last section of the course deals with complex review assignments. Appraisers are often reminded too late that clients often have significant issues with appraisal reports. Most reports sent out for review are not routine typical reports Sorting through the issues of a complex assignment has an immediate impact on fee setting. This section fully describes the effect of such aspects as location, nonconformity, physical characteristics, market conditions, ownership types that come into play when determining the availability of comparable sales.

USPAP Reminders

The course emphasizes two important USPAP reminders

- When an appraiser provides an opinion of another appraiser's work (either an appraisal or review), Standard 3 of USPAP is the controlling Standard
- When an appraiser provides an opinion of value (Which includes agreement or disagreement with another's appraiser's value), Standards 1 and 2 of USPAP are the controlling Standards.

Final thoughts

An integral part of the course involves the handling of the appraiser rendering their own opinion of value. While this matter is thoroughly presented, there is little mention or emphasis that an opinion of value must be expressed in terms of reasonable exposure time. Standard 2-2 (a)(v). Lastly, review work often includes non-lender work. The appraisal Institute, through most appraisal software providers has pre-printed forms that are suitable for non-lender residential appraising and land appraising. Having an Appraisal Institute form that would mimic the Fannie Mae Form 2000 would be a helpful addition.

Recommendation
The two new designations offered by the Appraisal Institute are a welcome addition and I am convinced interest will grow in the industry. The course is suitable for those employed in the lending community who oversee appraisal review work. The Appraisal Institute offers an easily accomplished track for designated members to obtain the designation and thus offers even more of an incentive to work towards a designation. The course content is exceptional in that is focuses on the major components of the analyses, appropriate to both appraising a review work. The examples found in the course are relevant and helpful. Lastly, the course provides a level of authority that contributes to the body of appraisal practice knowledge.

Watch Those Concessions

By Douglas G. Smith, SRA

Appraisers are scrambling to keep up with the changing real estate market as interest rates creep up dampening sales and reducing the number of refi's. Every day there is a new article on some aspect of the market. These mostly center on the consequences of a downward trend. Some of these exaggerate real market conditions. It is too soon to make any great predictions but in general, rather than a steep down turn, the market appears to be righting itself and entering into a normalization phase with some market segments doing better than others. Now the market is changing and appraisers must remain alert to the subtleties of shifting conditions. The first and most noticeable change in this new market environment is a jump in concessions that represent discounts from the listing price of home sales. While in some markets, discounts are taking a back seat as buyers deal with a perceived shortage of inventory, sales inducements in the form of credits to the sale prices remain a deciding factor in many real estate transactions. The market may be improving but we are a long way from when real estate agents were order takers or auction referees. Buyers are coming into the market savvy to market anxiety and are driving hard bargains. Rising interest rates provide an incentive to chip away at the final sales price.

Imperfect information is the norm
The typical list/sell ratios available on most MLS sites do not generally take into account concessions or correct for discounts and therefore appraisers are reminded to take list/sell ratios with a grain of salt so as not to miss true market trends. The existence of concessions gives rise to another problem for appraisers. Some concessions are based on nothing more than a straight rebate noted as an amount towards the buyers closing costs. However, some concessions are based on home inspection items with some dealing with more serious issues such as roof replacement. Appraisers reporting a concession for a roof replacement must take into account the consistency issue when reporting such concessions based on repair items. This article is a general review of concessions and the reporting expectations for appraisers.

Client Expectations
Simply put, mortgage lenders and certainly relocation companies now expect appraisers to carefully analyze a wider range of information that may have perhaps been given little attention in the last seven to ten years. To reach a current opinion of value, appraisers must take into account not only market supply and demand information but specific information about pending sales, current listings, days on the market, price reductions and the effect of

notices of defaults and trustee sales on the market. Increased data needs require appraisers to up the time spent with personal interviews with real estate agents and other familiar with the market.

One point everyone seems to agree upon is that the momentum of the most recent downturn has halted... Some are calling this the "correction" phase. In some markets, values are still decreasing or lagging but the rate of decrease has been cut back. In some markets, the market not only has stabilized but there are signs of solid price increases. Concessions have emerged as the leading indicator of the heating up of the market. Concessions can sometimes be hard to detect. Appraisers must sharpen their hunting skills to root out and report them.

What is the standard?

Fannie Mae speaks to the process from which appraisers gain information about the sale of a property. In Part XI, Chapter 2 of the Fannie Mae Selling Guide it states:

> "The lender must disclose to the appraiser any and all information about the subject property of which it is aware, if the information could affect either the marketability of the property or the appraiser's opinion of the market value of the property. Specifically, the lender must make sure that it provides the appraiser with all appropriate financing data and sales concessions for the subject property that will be, or have been, granted by anyone associated with the transaction."

Both FHA and VA speak to the issue of Concessions. In Mortgagee Letter 2005-2, FHA outlines,

> "Appraisers are required to identify and report sales concessions and properly address and/or adjust the comparable sales transactions to account for sales concessions in the appraisal of all properties to be security for an FHA-insured loan." In a memorandum to appraisers, the VA informs, "Sales/Financing concessions must be properly addressed. If there are not any concessions, then simply state "no concessions" on the appropriate line on the market grid. If there are concessions, you must state the amount of the concession for each comparable sale and whether or not a value adjustment is necessary in the market grid. The reasoning for any financing concession being made or not being made must be fully documented and understandable to the reader. VA does not have a specified policy that is any different from other industry standards."

Both the VA and FHA then concisely summarize the importance of reporting concessions.

A Matter of Definition

Sales concessions influence the price paid for real estate. Sales concessions may be in the form of loan discount points, loan origination fees, interest rate buy downs, closing cost assistance, payment of condominium fees, builder incentives, down payment assistance, monetary gifts or personal property given by the seller or any other party to involve in the transaction. With the rise in the number of buyers using home inspection services, appraisers are learning to recognize concessions that represent discounts based on the condition of the property. While some of these are based on purely cosmetic items such as carpet replacement, some involve more serious repair issues such as roof repairs. Here the appraiser, when reporting these types of repair concessions, must in the reporting sequence consistently deal with the repair item. If, for instance, there is a $5,000 concession for repair of the roof, the appraiser may be required to reflect the condition of the roof on the condition line of the report and deal with the condition of the roof in the cost approach. Finally, it may be necessary to complete the appraisal subject to repairs

Stalking Concessions

With emphasis on a more thorough analysis of data, appraisers must step up their efforts to confirm sales. While most real estate professionals provide information about concessions on the MLS property listing, appraisers well know that is many instances, this information is not disclosed. Each sale must be verified with someone with first-hand knowledge of the transaction. Under scope of work reporting, appraisers are required to clearly state how the sale was verified and to explain to what extent. In the current market, appraiser may want to dust off their sale confirmation procedures in the search for efficient ways to gather data. The simplest means to navigate through the confirmation process is to insure that good contact information is maintained with an up to date computerized contact program. Some real estate offices have no concern about staff members releasing sales information. However, most real estate offices confine the release of data to real estate agents and brokers. Contact information can be accumulated over time as sales are confirmed with specifics noted as to the level of cooperation from staff members, agents and brokers.

Look Back Concerns

Appraisers are also saddled with the further burden of reporting concessions when it comes to prior sales. The appraiser must not only provide an analysis of the current agreement for sale but also an analysis of all prior transfers of the subject property that occurred within three (3) years prior to the effective date of the appraisal. The appraiser must also provide an analysis of all prior transfers of the comparable sales that occurred within one (1) year prior to the effective date of the appraisal. Again, under Scope of Work procedures, if the contract for sale for the subject property is not provided to the appraiser, the appraiser must report the steps or efforts taken to obtain the current agreement of sale. If the data on comparable sales is unavailable, the appraiser must note the steps that were taken during the normal course of business to obtain the report information.

Appraisal Vigilance

The dark side of the concession issue is that the reporting of concessions is not a mandatory requirement of most MLS organizations. Appraisers, however, are held accountable for an appraisal if the value is inflated due to concessions. In the understanding of market strategy between buyers and sellers, appraisers have to be aware of the typical desire on the part of participants to build concessions into the contract price so they will be included in the loan. This sets in motion a compounding effect when comparables without reported concessions are used in support of an opinion of value. Appraisers have to be particularly alert in the case of new construction. According to Kathy Coon, SRA in an Appraisal Buzz interview,

> "...Appraisers also confront the overall confusion about how to handle concessions. Some appraisers are misinterpreting the word "typical" as it is used in the definition of market value, thinking that if a lot of sellers are paying concessions-especially from new home builders in the same neighborhood-then these are "typical" and therefore should not be deducted. That's incorrect. Fannie Mae and FHA have both attempted to clarify the instructions to the appraisers. Any concession that has been built into and increases the contract price should be deducted when these sales are used as comps."
>
> (http://www.fncinc.com/Media_Library/Files/Public/Articles/Appraisal%20Buzz%20interview.pdf)

In the new market environment, there are greater expectations on the part of those securing appraisal services. As the market changes and in most cases in a slowly upward direction, appraisers simply must renew attention to the role of price discounts in the form of concessions.

Registration for the 2015 Capstone is now open

Capstone Location	Webinar 1	Webinar 2	Classroom
Phoenix, AZ	1/9/2015	2/3/2015	02/23/2015 - 03/01/2015
Austin, TX	1/9/2015	2/3/2015	02/23/2015 – 03/01/2015
San Juan, PR	3/13/2015	4/7/2015	04/27/2015 - 05/03/2015
Chicago, IL	3/13/2015	4/7/2015	04/27/2015 - 05/03/2015
Boston, MA	5/29/2015	6/23/2015	07/13/2015 - 07/19/2015
Seattle, WA	5/29/2015	6/23/2015	07/13/2015 - 07/19/2015
Columbus, OH	8/14/2015	9/8/2015	09/28/2015 - 10/04/2015
Sacramento, CA	8/14/2015	9/8/2015	09/28/2015 - 10/04/2015
Kansas City, MO	9/25/2015	10/20/2015	11/09/2015 - 11/15/2015
Charleston, SC	9/25/2015	10/20/2015	11/09/2015 - 11/15/2015

Click here for full information and to register!

The *General Demonstration Report-Capstone Program* is an option that general Candidates for Designation may choose to complete their demonstration of knowledge requirement for their MAI designation. Like the traditional requirement, the same skills and knowledge base are required to produce a complete demonstration appraisal report.

However, this program was designed to offer an option that accelerates the completion of the report. Instead of selecting and compiling data on a property, participants are provided with a subject property and data to analyze and then write the report in a limited time span of approximately two months.

Participants must attend two webinars, submit a pre-assignment and attend a 7-day classroom session where facilitators will be on hand to answer questions and offer guidance. On day 7 at noon, the full report is submitted for grading.

Payment due in full at time of registration. Because of the nature of this program, NO REFUNDS or TIME EXTENSIONS will be granted.

*****VERY IMPORTANT*****
Required prerequisites that must be completed BEFORE general Candidates for Designation can register (NO EXCEPTIONS CAN BE MADE):

1. Must have completed the Advanced Market Analysis & Highest and Best Use course or AI approved equivalent

AND

2. Either the General Demonstration Report Workshop OR General Demonstration Report Writing seminar, either within the past five (5) years. (This General Demo Writing seminar is available online for $99.) Again, these prerequisites MUST be completed PRIOR to registering. No exceptions.

Upcoming Montana Chapter Events

Keep an eye on your inbox for information regarding these events from the Montana Chapter that will take place over the next year and a half. This is a tentative schedule, but you'll be alerted as more info becomes available and when registration opens.

September 2014
Part II Residential Applications: Using Microsoft Excel to Analyze and Support Appraisal Assignment Results
Registration opening soon!

January 2015
15-hour USPAP

April 2015
Income Approach for Residential Appraisers

September 2015
Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book)

January 2016
7-hr USPAP

Registration for the Instructor Leadership & Development Conference

Registration for the Instructor Leadership & Development Conference (ILDC) is open and quickly selling out! The ILDC website went live on April 23 and already the conference is more than half sold. Designated members who show the potential to be an instructor should be encouraged to register immediately.

Find more information and register at http://www.appraisalinstitute.org/education/instructor-resources-/ildc/.

Come Early or Stay Late for Green Education at the Annual Meeting

Annual Meeting attendees will receive discounted pricing on green education when adding it to their registration. Come early for Introduction to *Green Buildings: Principles & Concepts* on Aug. 3 or stay late for *Case Studies in Appraising Green Residential Buildings* on Aug. 7 and save! See course descriptions and register here. Both courses are required for AI's Valuation of Sustainable Buildings Professional Development Program.

The AI Annual Meeting will be held August 4-6 at the Hilton Austin in Austin, Texas. Register today.

List of State Appraisal Review Credentialing Laws Free to AI Professionals

The Appraisal Institute announced May 13 that its "Provisions of State Appraiser Licensing and Certification Laws

Applicable to Appraisal Review" is available in the AI Store free to Designated members, Candidates for Designation, Practicing Affiliates and Affiliates. The document is available for purchase by non-AI professionals.

In producing this comprehensive document, the Appraisal Institute compiled from all 50 states the relevant provisions of appraiser licensing and certification laws that apply to the review of appraisals of properties by state-licensed or certified appraisers who are physically situated in another state. Download a PDF of the document.

Have Something to Contribute?

Do you have an idea for an article you'd like to contribute to the next newsletter? A news item to cover, topic to suggest, pictures from a Montana event? Send them our way! E-mail content and ideas to Douglas G. Smith, SRA at hotelman@montana.com.

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