



# NEWSREAL

The Seattle Chapter of the Appraisal Institute Newsletter

January 2008



## President's Message

by **Chris Berger, MAI**  
**Seattle Chapter President**

In keeping with the spirit of past presidents, this January message is devoted to a current State of the Union Address. Because there is much to cover, I have focused on the current "big picture" items and focal points for the upcoming year.

In no uncertain terms 2007 was a success for the Seattle Chapter of the Appraisal Institute. While there were a few obstacles to overcome, we were able to meet most of our goals set at the beginning of the year. As of November of 2007, it appears that we will end the year with a cash surplus for the first time since 2003; we offered over 400 hours of education and seminars; we completed the transition of the North and South Sound Branch Chapters; and lastly, we had a very successful inaugural Fall Conference.

Financial Picture. It was a little over a year ago when I co-authored a letter with Mel Morgan Jr. informing our members of the alarming financial situation that developed. In mid-year 2006, Finance Committee was forecasting a year-end loss of nearly \$65,000. We were essentially in a financial emergency and through the hard work of our leadership and committees we responded quickly and brought the YE loss down to about \$38,000. However, as a result of the loss we were forced to raise dues in 2007 for the first time in many years. We were also successful in increasing our non-dues related revenues and stabilizing expenses. These efforts, along with a successful 1<sup>st</sup> Annual Fall Conference, bring us to a current projected 2007 year-end cash surplus and put us back in compliance with our minimum reserve threshold requirement set forth in the Fiscal Policy.

While the chapter typically performs better during odd years (due to CE cycling for State Licensing), we have planned for a break-even budget in 2008 which will keep us in good financial standing. Our current net worth is approximately \$145,000 with a breakdown of assets that includes a mix of accounts at HomeStreet Bank and multiple CDs at Washington Federal.

Membership Count. During the 2006 budget planning sessions, we set a goal to gain 50 new members in 2007 as part of a three-year recruitment campaign. During 2007, we gained approximately 35 new members (gross), which considering trends in the marketplace, is very respectable. That puts the Seattle Chapter at a current membership count of just over 500 members making us the second largest chapter in the region behind Northern California at about 700 members.

Our current membership breakdown includes 38% designated members with the balance made up of associates/affiliates. At the front of our marketing efforts are John Gordon and Justin Slack who head up the marketing committee (ad hoc) established in early 2007 to help coordinate our recruitment campaign. We intend to keep pushing forward with recruitment efforts in 2008. Clearly the most exciting opportunity to gain new members remains in the branch chapter forums of the North Sound and South Sound regions.

Our capture rate is about 23% of state licensed appraisers which is slightly above the national average of 20%, but below our target rate of between 25% and 30%. The branch chapters are new territory, and I believe through branding and the consistent offering of our education, we will begin to see new members emerge. We also hope to see new leadership continue to develop in these areas.

As a final note, just prior to the last Finance Committee meeting of 2007, we received a memo from the national Board of

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**Submission date for Newsreal:** January 18, 2008

# Upcoming Courses

## Basic Appraisal Principles

January 22-25, 2008

If you are considering a career in real estate appraising, your journey should begin with Basic Appraisal Principles. This four-day course will introduce you to real property concepts & characteristics, legal considerations, influences on real estate values, types of value, economic principles, real estate markets & analysis, highest & best use, and ethical considerations. This course will provide a solid foundation in basic appraisal principles no matter what appraisal specialty you pursue. By successfully completing the course and exam, you will have met most states' education requirements in the content area identified as basic appraisal principles.

### Sign Up Now!

**Instructor:** Marc Campos, MAI, SRA

**Location:** Hawthorn Suites, 6329 S. 212th Street, Kent, WA 98032

**CE Credit:** Washington State and all other states have approved this course for 30 qualifying education credit hours. Full attendance of this course and completion of the examination qualify Appraisal Institute members for 30 Appraisal Institute qualifying and continuing education hours. Attendance only provides 28 continuing education credit hours from the Appraisal Institute.

## Evaluating Residential Construction

January 30, 2008

Evaluating Residential Construction will improve your confidence to inspect, characterize, and critique a new or existing residential property. You will better identify and describe the quality and condition of a house that affect its market appeal and probable value. Participants have given this seminar high marks for its practicality and benefit to real estate appraisers, brokers, and mortgage lenders.

## Evaluating Commercial Construction

January 31 - February 1, 2008

Evaluating Commercial Construction offers you critical skills necessary to better inspect, describe, and analyze commercial property. Once you have taken this program, you will better identify building characteristics, conditions, and deficiencies; succinctly describe what you see in an appraisal report; and then factor your insights into the replacement cost, income capitalization, and market comparable calculations. Participants have highly praised the seminar for its useful content and relevance to commercial real estate appraisal, brokerage, and lending.

**Instructor:** James C. Canestaro AIA, AICP

**CE Credit:** The Appraisal Institute and Washington State have approved Evaluating Residential Construction for 8 hours of Continuing Education and Evaluating Commercial Construction for 16 hours of Continuing Education.

**To register** or to find out more about other courses being offered, go online to [www.ai-seattle.org](http://www.ai-seattle.org). For more information, please contact: Jessica Larson at (206) 622-8425 or by email: [aisea@qwest.net](mailto:aisea@qwest.net)

# Chapter Calendar

DATE	EVENT	LOCATION/TIME	CE HOURS
January 8	Finance Committee Meeting	9:30 AM by phone	
January 16	Board Meeting*	3:00PM Broadmoor Golf Club 2340 Broadmoor Drive East, Seattle	
January 16	Chapter Dinner Meeting	6:00PM Broadmoor Golf Club 2340 Broadmoor Drive East, Seattle	
January 18	Newsreal Deadline		
January 22-25	Basic Appraisal Principles	Hawthorne Suites 6329 S 212 <sup>th</sup> Street, Kent	30 hr CE
January 30	Evaluating Residential Construction	Hawthorne Suites 6329 S 212 <sup>th</sup> Street, Kent	8 hr CE
Jan. 31- Feb. 1	Evaluating Commercial Construction	Hawthorne Suites 6329 S 212 <sup>th</sup> Street, Kent	16 hr CE
February 8	South Lake Union Mixed-Use Perspective Neighborhood in the Making	TBD	7 hr CE (Pending)

\* All Chapter members are welcome to attend Board Meetings. Call the Chapter office for directions.

### For More Information

For more information on the Seattle Chapter of the Appraisal Institute's upcoming events, contact (206) 622-8425, or via email at [aisea@qwest.net](mailto:aisea@qwest.net). Information can also be located at the Seattle Chapter website at [www.ai-seattle.org](http://www.ai-seattle.org).



**Appraisal  
Institute®**

*Professionals Providing  
Real Estate Solutions*

**Meeting Information**

**Date:**  
January 16, 2008

**Schedule:**  
5:30-6:15PM Dinner Meeting  
Registration

5:30-6:30PM Chapter Social/  
2008 Roster Photos

6:30-8:00PM Chapter Dinner  
Meeting

**Location:**  
Broadmoor Golf Club  
2340 Broadmoor Dr. East  
Seattle, WA 98112

*Please note: Cell phones and  
denim are not allowed in the  
Broadmoor Golf Club.*

**Come hear Jeff Marcell, Vice President and CEO  
of enterpriseSeattle, speak on Economic Growth!**

Jeff Marcell joined enterpriseSeattle in July 2004 and has rebuilt the organization's client based economic development program, leading a team of development professionals targeted on five industry clusters: aerospace, IT, life science, clean technology, and international trade logistics.

His team has assisted 18 companies in creating or retaining close to 1,000 jobs with an estimated economic impact of close to 2,500 total jobs with over \$500 million in new economic activity.

Prior to working at enterpriseSeattle Marcell served as Project Manager with Angelou Economics, the country's largest economic development consulting firm, based in Austin, Texas.

**Associate Member Meeting:**  
Your 2008 Associate Member Guidance Committee Chairs Justin Slack, SRA and Chris Gibeault will host the first of four Associate Member Meetings which will be held prior to the regular Chapter Dinner Meetings. Come by, bring questions, introduce yourself and get more information about the chapter and working towards your designation.

**Have Your Roster Photos Taken:**  
There will be a photographer present to take 2008 Member Roster Photos! Look sharp and have your photo in a publication that is distributed at expos, and sent to attorneys and real estate professionals.

**Dinner Choices:**  
Menu 1: London Broil      Menu 2: Grilled Lemon Rosemary Chicken      Menu 3: Vegetarian

**Register online and/or to prepay for 2008 meals go to  
[www.ai-seattle.org/blast/ai\\_email.htm](http://www.ai-seattle.org/blast/ai_email.htm)**

**Please complete the following form and return with your check to:** Seattle Chapter of the Appraisal Institute, c/o HomeStreet Bank, 8050 15th Avenue NW, Seattle, WA 98117. Phone: (206) 622-8425, Fax: (206) 623-4474, Email: aisea@qwest.net.

Name \_\_\_\_\_  
 MAI     SRA     SRPA     Associate     Affiliate

Firm \_\_\_\_\_

Address \_\_\_\_\_

City/State/Zip \_\_\_\_\_

Phone \_\_\_\_\_

Email \_\_\_\_\_

**Fees**

\$40.00 Appraisal Institute Member Rate  
 \$50.00 Non-Member Rate  
 \$225 Prepaid Meals 2008 (King County Residents)  
 \$150 Prepaid Meals 2008 (Non King County Residents)

**Menu**

Menu 1: London Broil  
 Menu 2: Grilled Lemon Rosemary Chicken  
 Menu 3: Vegetarian

# NOVEMBER 2008

S	M	T	W	T	F	S
						1
2	3	4	 5	6	7	8
9	10	11	12	13	14	15
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23	24	25	26	27	28	29
30						

Seattle Chapter of the Appraisal Institute

## 2008 FALL CONFERENCE

November 5, 2008

Featuring 12 Informative Breakout Sessions to choose from

On November 5, 2008, the Seattle Chapter of the Appraisal Institute will present its 2<sup>nd</sup> Annual Fall Conference being held at the Washington State Convention & Trade Center. We had 200 Conference participants in 2007 and plan to double that number this year! This one-day event will appeal to appraisers, bankers, attorneys specializing in real estate transactions, and real estate brokers and sales persons. Education will be offered in all three areas of expertise, and provide 6 hours of continuing education.

Sponsorships are available! This is a great opportunity to feature your firm and your expertise to real estate professionals and attorneys!

Please contact Jim Walker for sponsorship details.  
206.605.3405    seaop1@qwest.net

Breakfast 7:00am

Conference 8:00am – 5:00pm

Reception 5:00pm - 6:30pm

*More 2008 Fall Conference details coming soon!*

## **President's Message Continued**

Directors issuing a statement of their intention to freeze associate dues for all chapters across the nation at a set flat rate of \$295 annually, also resulting in national's freezing our portion of associate dues revenue collection at the 2007 amount. It is part of the national effort to bring in new associate members over the upcoming year(s). This is not an opt-in/out program, but is mandatory. While recruitment is clearly a national priority for 2008 and could benefit everyone long-term if successful, it will have a financial impact on local chapters including Seattle. We are still receiving clarification and information regarding this issue and will discuss it at length in the upcoming months. Stay tuned.

**Education Offerings & Chapter Meetings.** In 2007 we offered over 400 hours in total education. Mary Campos did an exceptional job as Education Chair and was recognized accordingly in our November Chapter Dinner meeting as recipient of the first annual "President's Award" for outstanding performance by a chapter member. Another education positive is our recently expanded pool of local AI instructors, which has helped reduce overhead associated with local AI course offerings. The increase in the local instructor pool is part of the Seattle Chapter's agreement to cover the cost for our chapter members who attend the national instructor training and successfully complete the program.

For 2008, we have 15 seminars totaling 105 hours and 14 courses at 277 hours planned to date with more hours pending. The 2008 Education Chair, Randy Gilliam, has surveyed our associate members to find out what courses are in demand. The results have helped shape our schedule for 2008. We are also committed to having four offerings in both the North and South Sound Branch Chapters.

For chapter meetings, the 2008 format will essentially follow last year offerings in terms of the overall chapter meeting schedule and mix of dinners and lunches. Chuck Munson (2008 Programs Chair) has put together a terrific preliminary line-up of presenters for the upcoming year, and I look forward to announcing these names as we move forward into 2008.

**Fall Conference.** For those 200 participants who attended our 1st annual Fall Conference last November, you know this was an outstanding event. The day-long conference includes four education modules chosen by the attendee out of a pool of 12 offerings. The offerings are organized into three general tracts: Commercial; Residential; and Legal/other. The tracts are designed to be interesting and informative with broad appeal to all of our members. In addition to the education, there is a continental breakfast and lunch (each with keynote speakers) and a reception to close out the day.

Attendees can accomplish three things by attending: 1) Gain 6 hours of CE from a series of interesting/informative educational topics that you select; 2) Network and socialize with your peers

over decent meals at a great venue; and 3) Support your local chapter/organization. Be sure and mark your calendars for the 2008 Fall Conference on Wednesday, November 5!

## **AI SEATTLE MEMBERS APPOINTED TO POSITIONS AT THE APPRAISAL FOUNDATION**

Recently, the Appraisal Foundation met and made its appointments for the upcoming year. It is with pleasure that we announce that three members of the Seattle Chapter have recently been appointed to leadership, and will be part of the efforts to shape our industry as we move forward. For the two main Appraisal Foundation Boards, Sandra Guilfoil was appointed to lead the Appraisal Standards Board (ASB), and Chad Campbell was appointed to the Appraisal Qualifications Board (AQB).

These are important positions in the industry, and it is great to have this kind of recognition for our Pacific Northwest area Appraisal professionals. Additionally, Scott Biethan was elected to be the Chair of the Industry Advisory Council (an advisory board to the ASB and AQB), for the upcoming year.

If you have any questions about the process and or the work of the Appraisal Foundation boards and committees, feel free to contact any of our local members who are involved, in addition to any of the national members.

## **GENERAL COMPREHENSIVE EXAM TO BE OFFERED IN TESTING CENTERS**

Beginning in 2008, the Appraisal Institute's General Comprehensive Exam will be offered at the Pearson VUE Testing Centers. The exam is one of the requirements for the MAI designation. In the past the General Comprehensive Exam was only offered in 10 locations twice a year, forcing most associate members to travel long distances to sit for the exam. Now associates can choose from any of the over 200 Pearson VUE locations across the United States to take the exam. The first testing center offerings of the exam will take place February 25-26, with two additional offerings expected later in 2008. The deadline to apply for the February offering is January 15, 2008.

To be eligible to take the General Comprehensive Exam, the test taker must be a general associate member in good standing, have met the MAI college degree requirement, and have passed all of the MAI educational requirements. Appraisal Institute associate members can log in to Members Only and access their Associate Status Report to see their remaining designation requirements.

# Chapter News

## 2008 INSTALLATION OF OFFICERS



2008 Officer Installation



Chris Gibeault, 2007 Associate of the Year Award Recipient



Scott Biethan, MAI,  
Appraiser of the Year Recipient



Mary Campos, SRA,  
President's Award  
Recipient



Michael L. Lamb, SRA,  
awarded his SRA  
Designation Certificate



Allen Safer, MAI, receives award  
for his service as 2007 Chapter  
President



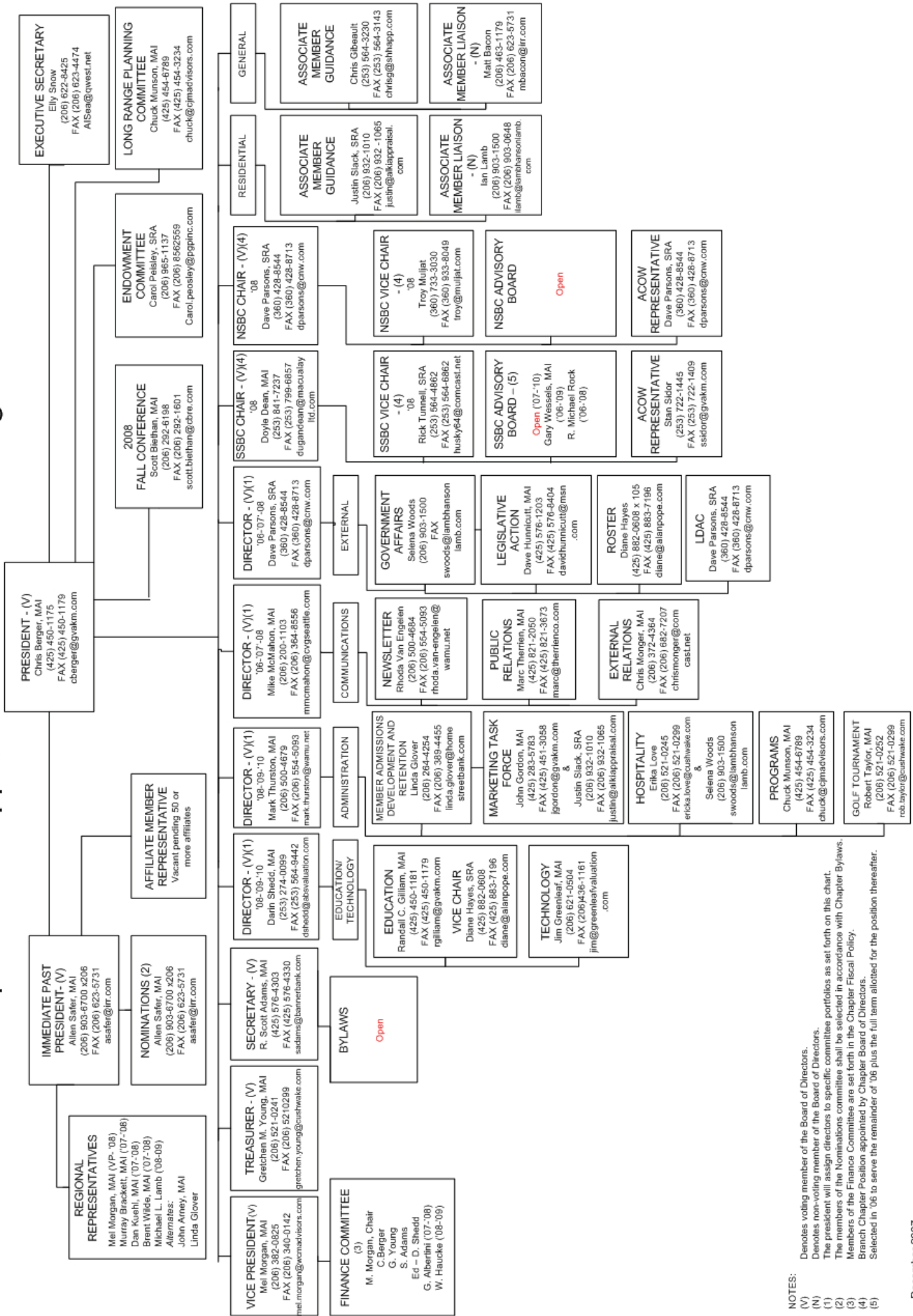
Kelli Knapp, MAI, receives her MAI Certificate from Fred Strickland, MAI, SRA

**Special thanks to all this years Award winners for their outstanding contributions to the Seattle Chapter!**

**Congratulations to the Seattle Chapter  
2008 LDAC Representatives**

**Stan Sidor and Dave Parsons, SRA**

## Seattle Chapter of the Appraisal Institute - 2008 Organizational Chart



NOTES:  
(V) Denotes voting member of the Board of Directors.  
(N) Denotes non-voting member of the Board of Directors.  
(1) The president will assign directors to specific committee portfolios as set forth on this chart.  
(2) The members of the Nominations committee shall be selected in accordance with Chapter Bylaws.  
(3) Members of the Finance Committee are set forth in the Chapter Fiscal Policy.  
(4) Branch Chapter Position appointed by Chapter Board of Directors.  
(5) Selected in '06 to serve the remainder of '06 plus the full term allotted for the position thereafter.

ADVERTISE YOUR SERVICES IN THE SEATTLE CHAPTER'S 2008 ROSTER

The Roster is distributed to numerous real estate attorneys, Appraisal Institute members, and at several conferences and expos throughout the year.

Name: \_\_\_\_\_

- Full Page \$250
- Half Page \$150
- Business Card \$100

Check Amount \$ \_\_\_\_\_

Credit Card Amount \$ \_\_\_\_\_

Type: VISA MC

\_\_\_\_\_ **Card Number**

Exp \_\_\_\_/\_\_\_\_

Submit an electronic copy of your advertisement for the 2008 Roster to [aisea@qwest.net](mailto:aisea@qwest.net). If you do not have an advertisement and would like an original advertisement constructed for you, please let us know. Seattle Operating Support will work with you to help create your advertisement.

Please complete and fax or mail this form to:

Seattle Chapter of the Appraisal Institute  
6351 Seaview Avenue NW  
Seattle, WA 98107-2664  
Phone: (206) 622-8425  
Fax: (206) 623-4474  
Email: [aisea@qwest.net](mailto:aisea@qwest.net)

**Full Page Ad**  
\$250  
5" x 8"

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**Half Page Ad**  
\$150  
5" x 3.875"

**Quarter Page Ad**  
\$100  
2.375" x 3.875"



## REGION I MEETING RECAP

By M. Brent Wilde, MAI

Seattle Chapter Region I Representative

The Region I held its Fall Meeting at San Francisco's Hotel Monaco the Saturday prior to the Nike Women's Marathon. By now you may have read the directors decision's made in New Orleans subsequent to this regional meeting. However, these are notes from the regional meeting.

### Report from National

The business meeting started with Institute VP Jim Amarin's report from National, where he stressed

- More services,
- Stronger voice for members,
- Better planning.

### Membership growth

Of the 100,000 appraisers in US, AI membership includes 11,600 designated (about 30-35% of designated appraisers nationwide), 11,300 associates, and 1,500 affiliates. At 2.2% annually, AI is growing at only half the rate of licensed appraisers. The directors are considering dues and their perceived value as options to attract new members.

### New Certificate Seminars

National has rolled out one new certificate seminar and is working on two others.

- Conservation easements (pilot is out)
- Green buildings
- Financial reporting

A new and improved national website should be out in January.

### LDNC Committee selection

Tom Boyle, MAI, of Portland was elected as Region I Leadership Development and Nomination Committee representative, and Allen Safer, MAI, as alternate Region I LDNC representative.

### Education Committee

Terry Bernhardt, SRA, presented the Education Committee report. The new 2008 AQB requirements require revised AI courses. He encouraged everyone, designated or not, to take the new AI courses -- you may learn something. All national AI courses should be available online by 2009.

### LDNC Committee Report

The regional members discussed the incoming VP situation with Jim Amarin and John Hillas, AI Directors. Apparently, the Board of Directors wanted to exert its prerogative and choose the VP at its November meeting rather than endorse the LDNC recommendation.

### 45-Day Notice Materials

Two items generated considerable discussion. The GMAT alternative to a college degree requirement for the MAI designation has been discussed for decades and is up again. Although far from unanimous, the representatives voted against the GMAT as an alternative. However, when asked if there should be some alternative to a college degree, the majority approved.

Representatives also discussed the proposed membership category changes and found that the proposed language in the regulation was confusing as were the statements about the changes. We didn't reach a consensus.

The remaining items were briefly discussed with no controversy.

- Requirements for Service on LDNC
- USPAP Course Requirements for First Twelve Months of Associate Membership
- Structured Format for Residential Demonstration Appraisal Report

The next regional meeting is in Portland in June 2008.

## JOHN CUM LAUDE

by Chuck Munson, MAI

Were it not enough that the Fall Seminar and Enlightenment Extravaganza was developed and hosted by the Seattle Chapter, I also learned a wonderful thing at the Fall Seminar and Enlightenment Extravaganza developed and hosted by the Seattle Chapter.

During a distant time before political correctness precluded numerous educational opportunities now unavailable, I had the opportunity to sing arrangements of, in Latin, Benedictus (Latin for "Blessed" as it is used in Matt. 21:9, quoting Psalm 118:26), Sanctus and Hosanna, Kyrie Eleison, and a Palestrina arrangement of Adoramus Te while part of the Edmonds High School choir. Singing songs written centuries ago in Latin is an education because you have to know both what the words mean and how they are meaningful.

Fortunately for me, during that distant era no one in public schools gave a rip about whether music was religious or not.

The arrangement of Adoramus Te was simple, beautiful, and memorable, as evidenced by the fact that, 45 years later, in addition to the composer, I can still remember snippets of the composition. Yes, in Latin (that's how we sang it).

I subsequently sang in secular college choirs, and later in various church choirs, and had opportunities to sing other Latin

## Chapter News

compositions, including several movements of the Catholic liturgy, learning more Latin along the way. Consequently, while at the Fall Seminar and Enlightenment Extravaganza developed and hosted by the Seattle Chapter, I became intrigued while talking with John Gordon, MAI, GVA Kidder Mathews, who, unlike most of us, has realized his passion.

John has written a choral mass.

Specifically, John has written “Missa Gratulationis [Mass of Thanksgiving]” with the five traditional movements: Kyrie (short for Kyrie Eleison or Lord Have Mercy), Gloria (short for Gloria In Excelsis Deo or Glory to God in the Highest), Credo (short for Credo In Unum Deum etc. or I Believe in One God etc.), Sanctus/Benedictus (Latin for Holy/Blessed as used in Isaiah 6:3 and Matthew 21:9), and Agnus [pronounced Ahn'-yuus] Dei (Latin for Lamb of God). This is deep stuff.

“Wow, John,” I said, “gloria tibi. [way to go].”

“Thanks. I’m not sure I deserve that, however.”

See, John evidently knew that gloria tibi means “glory to you” not “way to go” but most people wouldn’t know the difference because most people went to public schools after people started calling Edmonds High “Edmonds-Woodway,” whatever that means.

“What inspired you to write this?” I asked.

“I just thought that I should do something a little more meaningful than appraisals,” he responded seriously.

“As far as direct inspiration, whatever commercial or musical success my work may enjoy, I’d have to credit that to the same Guy who inspired Handel.”

“I’m impressed,” I responded.

“And with respect to the ‘more meaningful than appraisals’ part,” I added, folding my hands and looking solemn, “I can sympathize. After your life draws to a close, is anyone going to pull out a copy of the Crossroads Shopping Center appraisal report and excitedly exclaim, ‘Oh. That was so moving. Who could have written such a lofty appraisal report? Why, it almost brings tears to my eyes.’ Even in the unlikelihood someone pulled it out, no one’s going to say that.” Then I paused. “Well maybe some nitwit in Chicago might...Lord, the stuff those people can get jacked up about. You would hope some of that jackeduppedness would translate into better appraisal courses. I swear, if they did the 7-hour USPAP update in Latin it would be more interesting.

“Yes,” responded John, “it really would.”

I looked at John for a moment.

“You’re being serious, aren’t you?” I said.

“Aren’t you?” he asked, chuckling.

“Yes, well, ah, John, when did you get started writing this?”

“1993.”

“John, wasn’t that shortly after the McKinley assassination?”

“It seems like it,” he laughed.

“And now, after all this time, what next?” I held my palms out questioningly while asking the question. “Is it going to be performed any time soon?”

“The premiere performances will be on Friday, May 30th at Trinity Parish Church in Seattle, and Saturday, May 31st at Trinity Lutheran Church in Lynnwood,” John responded. “Both at 7:30 p.m. The performances will be by Seattle’s Sacred Music Chorale.”

“Who are they?”

“A choir, started in 1999, consisting of members from many denominations throughout the Seattle area. They obviously like to sing sacred music. They do some very good stuff so, of course, I’m honored. The director is Brad Klostreich.” John looked directly at me. “Lotta talent. They’re good.”

“They’d have to be to do something like this. From my own singing experience, I know how much effort goes into learning and a producing a choral mass.”

“Not nearly as much as goes into writing a choral mass.”

“John,” I said, “I get a little cavalier at times, and even my wife can’t understand all of my humor but, right now, in all seriousness, I’m proud of you and proud to know you. So many of us never attempt to go the distance. You’ve done two great things: you’ve written a choral mass, and you’ve cultivated and capitalized on an important God-given talent. Congratulations. And, incidentally, I will be attending the performance at Trinity Lutheran Church in Lynnwood.”

“It’s just past the intersection of Highway 99 and 196th St.,” John started to say, “as you head...”

“I know where it is, John. I used to sing in the choir there. Great acoustics.”

“I’m glad to hear that. What did you sing there?”

“Everything from soup to nuts. Ever heard of Brahms’ Requiem?”

“Yes,” replied John, “in fact, I’ve sung it myself. As well as masses by Mozart, Beethoven, Schubert, and a few other guys. I sang for 15 years with Seattle Choral Company.”

“Really,” I responded. “Impressive. Brahms’ Requiem is the most difficult piece I’ve ever sung. Johannes Brahms spent 11 years on it. As you know, eight-part harmony and more flats and sharps than you can shake a stick at. It was Brahms’ magnum opus [greatest work].”

“Yes,” responded John, “Brahms was incredible. He gets a lot of credit for being a great composer but not as much as he deserves.”

“So, John,” I smiled, “speaking of giving credit where credit is due, I guess now we can start talking about you behind your back cum laude.”

“Meaning...?”

“With praise,” I nodded.

## FLIGHT TO QUALITY

By Richard Hagar, SRA

*Editors Note: This article is written for mortgage professionals from the author’s perspective as an experienced appraiser and real estate professional. Hagar will present at the 2008 State System Summit, August 21-23, 2008 in Seattle.*

People, loans, and money are seeking out and moving toward quality. To survive in this market, you need to understand this fundamental shift.

Late one evening last week, I sat in the corporate offices of one of the nation’s largest mortgage lenders and watched the owners break down and cry at the thought that their company would go out of business within 24 hours. A multi-billion dollar mortgage lender was about to go ... poof! Days earlier a few of their concerned people asked me to fly in and help them determine what was going wrong within their lending system and if it could be turned around before it was too late. However, by the time I got there, they were already victims of the “Flight To Quality.” Too bad they didn’t see the shift months earlier.

The problem lenders are feeling isn’t a “Sub-Prime problem,” or a “Financial Crisis”.... it’s a quality and educational problem. Before I explain this statement, let me provide a little background.

The thing called “Wall Street” or the “Secondary Market” is a vast pool of money supplied by many diverse sources (investors) including insurance companies, investment trusts, banks, companies in China, investors in Japan, FNMA, FHLMaC and people off the street. All of these people and entities become involved with the Secondary Market by purchasing a variety of investments most commonly called mortgage backed securities (MBS).

Money flows through many hands. A home buyer fills out paperwork with a local mortgage broker who sends the paperwork to a mortgage lender who “obtains” the money from the “Secondary Market.” The money is sent to an escrow agent who pays the seller and the buyer owns a home and a mortgage (pew).

For years people investing in the Secondary Market have been told that the quality of the mortgage backed securities was great. Making money was almost guaranteed and the chance of losing was almost impossible. As a result, investors poured trillions of dollars into the Secondary Market and were willing to accept a small return on their “safe” investment. The problem was, they were being lied to by the “Advisors” or bond rating agencies. As foreclosures in this country climb from 65,000 per month, to 165,000 per month, and likely go higher, the investors in the Secondary Market are finding that their investment analyst was ... well didn’t know what he was talking about. “Advisor/Analyst” were throwing words around like “guaranteed,” “no way to lose,” “the safest investment in America.” The Secondary Market believed the hype and kept buying MBS even when things seemed odd.

Now we know the “Advisors” really did not understand the mortgage business at all. And the advice they gave to Wall Street wasn’t backed by good knowledge or research ... it was just some dweeb waving his arms around making it look like they knew what they were talking about. After all, they had been hired by the brokerage houses and were paid big salaries ... so they have to know what they are talking about ... don’t they?

As I sat in the office of this large lender, I was trying to figure out what had gone so terribly wrong with their lending system. Then it became apparent. They hadn’t done anything terribly wrong ... only a little wrong.

In months prior, HUD found a number of loans going bad. Not unusual, but in this case the loans were mainly from a select few mortgage brokerages. Ends up that the lender had an ownership position in these various mortgage brokerages, scattered throughout the U.S. As a result of their ownership, the loans were not reviewed as thoroughly as they should have been and a few problems got through the system. HUD discovered the problems, issued a cease and desist letter and said the lender should change its internal operations and divest itself of ownership in these mortgage brokerages. A letter was published, and a few changes made, and that was that. Minor pain.

After hearing about the little HUD issue, various investors from the secondary market started questioning the loans in their portfolio, including the ones with no payments problems. Upon closer review they discovered a few of the loan application forms contained misleading statements and the appraised

values were not based upon the Federal definition of “market value” as required by law. The appraiser made a serious mistake by not following this definition when stating value. Oops there goes the quality.

Investors tend to become conservative especially when their safe secure “guaranteed” world has become shaky and at risk of losing money. Remember investors are often investing other people’s money, and if they lose money, they’re out of a job. Investors have discovered that the Wall Street “analysts” didn’t know what they were talking about. Now investors don’t know who to trust or where to turn for help. Trust and the quality of information are big issues in the Secondary Market. So investors pull their money away from the one thing they felt comfortable with, MBS. Why?

The purchase and sale agreements, written up by agents, contain fraudulent terms ... like cash back to the buyer, or a new car in the garage of that new house.

Many loan originators, due to their lack of licensing, also lack good education. They think a “cash back deal” is acceptable, after all they saw late-night-TV-hype where they said getting \$35,000 cash back at closing was a great investment tool. So it must be OK.

The appraiser was selected because he was the cheapest, could turn an appraisal in 24 hours ... and he “always hit the number.” The mortgage broker sends the appraisal request to the appraiser and states he’d better hit “the value”.... or the deal is dead. Unfortunately for the lender, the appraiser didn’t know there is a difference between sales price and “market value.” Oh well, no problem. We got the loan to close so what could possibly go wrong now?

Now we come to me sitting in the office of this major lender. Various investors from the secondary market have discovered the loans are not perfect ... the lender has a pimple. Not a big flaw ... but enough that everyone could see. A small group of investors become nervous, due to the problematic HUD audit, and demanded that the lender “buyback” \$50 million worth of mortgages. You know the performing ones that included the car or have a bad appraisal (the small pimple). Fifty million is not an unusual sum ... but the investors want their cash back so they can invest elsewhere ... the “Flight to Quality” has begun.

Now the state banking department audits the lender and finds another small pimple or two and another group of investors demand “buybacks.” Others, being afraid and cautious, pull the lender’s lines of credit. And the “Flight to Quality” gets serious.

Why pull the lines? Because they are afraid and don’t know who to trust, so they default to anybody, any lender, any investment that looks perfect. Not just OK, as in the past,

but blemish free, and that lender with the minor HUD or State audit isn’t perfect, and perfect is in these days.

The investing community is crying out for quality and until they find it, they have pulled their money in close, to some safe place, regardless of the return. Safe is what they need and until the market can assure investors that they have a quality investment ... the money stays out of the market.

The United States ... and the world are not short of money to lend ... just short of quality loans to invest in. So anybody that has a quality product gets more money than they can handle. For example, the mid size bank Hudson’s or World Savings (prior to being purchased) have taken great pains to insure that the appraisals were rock solid. They didn’t want an appraisal that “hit the number” they wanted a real “market value” appraisal that they could trust. They even went so far as to review loan submissions and bar any that contained a car or cash back with the purchase of a new home.

Wow ... what a concept! A loan on the value of real estate ... not real estate and a personal loan or car loans ... an honest to goodness real estate loan backed by a great appraisal. It’s that quality thing I was talking about.

You know the result of all of this demand for quality? Hudson’s and every other nit picky lender like them are profitable, rolling in money and can make lots of loans ... even for Alt-A and Sub-prime mortgages. They are among the winners in the “Flight to Quality.” So now you should think back. What kind of loans did you do? Was the quality blemish free with no pressure on the appraiser or inclusion of cash back, or did you cause the “Flight to Quality” to flee from you, the mortgage broker and your lender?

So here’s what the market is going to do. Since it can’t trust the appraisals or prevent the inclusion of a cash back to the buyer it has to offset with something else:

- Require higher FICO scores for borrowers.
- Require larger down payments.
- Higher interest rates.
- Pulling lines of credit and demanding “buybacks” from any lender with a blemish.
- Requiring a higher net worth of all lenders.
- More background checks on borrowers, appraisers, lenders and mortgage brokers.
- Less money available in markets that have poor performing loans and high foreclosure rates.

In other words, investors avoid anything that is less than perfect and are looking for anything that appears to be of high quality.

### **Solution**

So what can you do to profit from the “Flight to Quality?” You must give the market what it wants. If you do, the money

gates will burst open and you will have more money than you can swim in.

Here's how to increase the quality:

1. Stop accepting deals with:
  - Cash back to the buyer
  - Inclusion of personal property
  - Down payment assistance from anybody other than family.
2. Hire great appraisers, not "form filling number hitters" but great appraisers.
3. Stop asking them to "hit the number." Let them do their job and appraise at the federally required "market value."
4. If values in your area are declining, appraisers must mark the box "declining values." If they do not mark the correct box, then investors know the appraiser is lying and you've defeated the whole quality perception.
5. Require criminal background check for every loan originator.
6. Every loan officer and employee should get education ... let's correct that to ... **great** education including what is fraud and how to work with the appraiser.
7. Get every loan officer, working for a lender or mortgage broker, licensed ... and do it immediately! Money is moving to states with loan originator licensing, so get in on the cash flow by licensing everybody ... and I mean everybody.

I've been through this "shortage of cash" several times before. I've watched lenders crash, while others soar. If you are unwilling to implement the suggestions, then get out of the business and let others do what's right.

To contact Richard Hagar email [rh@americanappraisals.com](mailto:rh@americanappraisals.com).

## ROSTER PHOTOS

The Chapter Board is making an all-out effort to get photos for 100% of the listings in the 2008 Roster. To make this happen there will be a photographer at the January Chapter meeting. If you can't make it for that, consider having a photographer come to your office. This option will be at your expense, but then you'll have photos to use on your company's web site, promotional materials, etc. in addition to the Chapter Roster. If you would like an onsite visit by a photographer, contact the Chapter office for rates and scheduling. If you have a photo to submit, please send it to us at [aisea@qwest.net](mailto:aisea@qwest.net), or by mail (please make a note if you would like it returned to you) to 6351 Seaview Avenue NW, Seattle, WA 98133.

### INVITATION TO COMMENT ON USPAP & USPAP EDUCATION

The Appraisal Standards Board (ASB) and the Appraiser Qualifications Board (AQB) are working together to evaluate the Uniform Standards of Professional Appraisal Practice (USPAP) and to evaluate USPAP education. Therefore, we are jointly issuing this Invitation to Comment to gather information. We are asking appraisers, users of appraisal services, and other interested parties to consider and respond to our inquiries.

USPAP is now twenty years old. During this time the document has evolved with regular changes and additions that responded to the needs of the profession. The most recent and significant changes include the introduction of the Scope of Work RULE and the new combined packaging of USPAP with the Advisory Opinions and Frequently Asked Questions.

The USPAP publication cycle is now two years, with the 2008-09 edition in effect until December 31, 2009. This creates an opportunity for the profession to undertake a broad look at USPAP and USPAP education and evaluate how well they are serving their purpose and their varied constituencies.

Both Boards would like to take time in 2008 to expand and enhance their relationships with appraisers and users of appraisal services who rely on USPAP. We want to hear from all interested parties, and we will be proactively engaging a wide array of market participants, in many different forums, to discuss the future direction of USPAP and USPAP education.

Please take the time to think about these questions and provide us with your opinions. This will be the first step in our major outreach effort to help the Boards stay informed and closely engaged with the appraisal profession and users of appraisal services. We are excited by this opportunity to hear from you and to actively engage everyone who is, in any way, influenced by USPAP.

The ASB had previously asked for your opinions in its research regarding the reporting requirements of USPAP; this Invitation to Comment replaces that project.

#### Our Questions

As stated in the PREAMBLE, the purpose of the Uniform Standards of Professional Appraisal Practice (USPAP) is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. Appraisal, appraisal review, and appraisal consulting services have many intended uses, such as those for lending, financial reporting, estate planning, business acquisitions, tax and litigation services. The fundamental requirement is that these

appraisal services are credible and that communication of the assignment results is meaningful and not misleading. All of our questions may or may not be important to you. Please help us by taking the time to share your opinions on those you believe are important. Our general questions are:

1. The goal of USPAP is to promote and maintain a high level of public trust in appraisal practice.
  - a. Is USPAP achieving its goal?
  - b. If not, why? Please provide examples or explanations.
  - c. Please describe USPAP modifications or other actions that would help in achieving the goal.
2. The ASB strives to create understandable Standards for appraisers.
  - a. Which parts of USPAP do you think are clear? Why?
  - b. Which parts create confusion? Why?
  - c. Do you have suggestions on improving USPAP understandability for appraisers?
3. The PREAMBLE states that USPAP is also for users of appraisal services.
  - a. Is USPAP understandable to users of appraisal services?
  - b. Does it need to be? Why or why not?
  - c. Can you show by using examples, the parts of USPAP that are understood by users and any parts that are not?
  - d. Do you have suggestions on improving its understandability for users?
4. The AQB Criteria include USPAP education and continuing education requirements.
  - a. Are the USPAP education and continuing education requirements adequate, inadequate, too much?
  - b. Are you receiving quality education?
  - c. What should be added or changed to enhance the quality of USPAP education?
5. The ASB strives to create enforceable Standards. Please respond to the following questions if you have experience in enforcement or peer review.
  - a. Can you give us examples of enforcement successes related to USPAP?
  - b. Which parts of USPAP present difficulties for enforcement authorities? Why?
  - c. What would you want to see changed in or added to USPAP to address enforcement challenges?
6. What methods can the AQB and ASB use to continue to enhance our ability to interact with a broad constituency of appraisers and users of appraisal services?

7. Are there other comments you would like to share?

## The Schedule

Oral comments on the important issues in this Invitation to Comment are invited at the following full-day joint public hearings of the ASB and AQB:

- March 3, 2008, in Los Angeles, California.
- June 6, 2008, in Atlanta, Georgia.

Please see The Appraisal Foundation website ([www.appraisalfoundation.org](http://www.appraisalfoundation.org)) for meeting details.

## Submitting Comments

If submitting written comments, we hope to have your comments by **February 25, 2008**, so that we can consider them at, and in advance, of our Los Angeles meeting. You may submit written comments by mail, e-mail or facsimile.

Mail: ASB/AQB '2008' Invitation to Comment  
c/o The Appraisal Foundation  
1155 15th Street, NW, Suite 1111  
Washington, DC 20005

E-mail: [comments@appraisalfoundation.org](mailto:comments@appraisalfoundation.org)

Facsimile: (202) 347-7727

Also, if you have any questions, please feel free to contact The Appraisal Foundation at (202) 347-7722.

## **USPAP Q&A**

**Vol. 9, No. 11 November 2007**

The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

### **Intentionally "Deflating" Opinions of Value Question:**

Most appraisers know that "inflating" values is unethical, but some appraisers think that "deflating" values is acceptable, particularly in light of difficult market conditions. I think that both actions are unethical. Am I correct?

**Response:**

Yes. The ETHICS RULE requires an appraiser to be independent, impartial, and objective, and to perform assignments without bias. An appraiser who intentionally “inflates” or “deflates” an opinion of value would be in violation of the Conduct section of that Rule.

**When does Appraiser-Client Confidentiality End?****Question:**

I performed an appraisal assignment for a lender client who has subsequently gone out of business. Now the borrower is requesting a copy of the appraisal from me since the company is defunct and there is no way to contact them. Does my obligation for appraiser-client confidentiality end since the client no longer exists?

**Response:**

No. USPAP has no provision for terminating appraiser-client confidentiality. An appraiser is required to comply with the requirements of the Confidentiality section of the ETHICS RULE, regardless of the status of the client.

*Note: the following question is reprinted from a prior monthly USPAP Q&A. It is also included in the 2008-2009 Frequently Asked Questions (FAQ #78).*

**Readdress or Transfer****Question:**

Is it acceptable to readdress or transfer a completed appraisal report?

**Response:**

No. Once a report has been prepared for a named client or clients, the appraiser cannot ‘readdress’ (transfer) the report to another party. Simply changing the client name on the report cannot change or replace the original appraiser-client relationship. Therefore, this action is misleading. However, you can consider the request as a new assignment. In so doing, you may establish a new appraiser-client relationship and appraise the property for this new client.

**USPAP Q&A**

**Vol. 9, No. 12 December 2007**

**Changing the Scope of Work after the Report has been Submitted****Question:**

Sometimes after submitting my appraisal report, my client will ask me to perform additional work. This can mean looking at more or different comparables or developing another approach. Do these requests for additional work create a new assignment?

**Response:**

No. Requests to perform additional research or analysis change the scope of work, but do not create a new assignment. The additional work can be performed as part of the original assignment. The appraiser may decide, as a business decision, to treat the request for additional research and analysis as a new assignment, but it is not required.

**Errors of Commission and Omission****Question:**

A reviewer recently told me that my residential appraisal did not comply with USPAP because of “errors of omission and commission” and cited Standards Rule 1-1(b). What is the difference between these errors?

**Response:**

An error of commission is doing something incorrectly. For example, to incorrectly identify the subject property’s relevant characteristics is an error of commission. In a residential appraisal assignment, this could be inaccurately measuring the property. An error of omission is neglecting to do something that is necessary. For example, failing to identify the subject property’s relevant characteristic is an error of omission. In a residential appraisal assignment, this could be neglecting to measure the second level of a two-story house.

**Making a Series of Errors****Question:**

A reviewer told me that my real property appraisal did not comply with USPAP because I made several minor calculation and analytical errors. Does USPAP address this issue?

**Response:**

Yes. Standards Rule 1-1(c) addresses when small errors affect the credibility of the assignment results. For example, in a residential appraisal, making small errors in determining the property size, not recognizing minor deferred maintenance items, and making a small negative adjustment when it should have been a positive adjustment, could affect credibility. An appraiser may not make a number of errors that, while not individually significant to the assignment results, would, when taken together, affect the credibility of those results.

*Additional information can be found in Advisory Opinion 26, Readdressing (Transferring) a Report to Another Party. Important considerations, such as the handling of confidential information and other factors, are addressed in Advisory Opinion 27, Appraising the Same Property for a New Client. The USPAP Q&A is posted each month on The Appraisal Foundation website ([www.appraisalfoundation.org](http://www.appraisalfoundation.org)). The ASB compiles the monthly USPAP Q&A into the USPAP Frequently*

*Asked Questions (USPAP FAQ) for publication with each edition of USPAP.*

*In addition to incorporating the most recent questions and responses issued by the ASB, the USPAP FAQ is reviewed and updated to ensure that it represents the most recent guidance from the ASB. The USPAP Frequently Asked Questions can be purchased (along with USPAP and USPAP Advisory Opinions) by visiting the "Foundation Store" page on The Appraisal Foundation website (<https://commerce.appraisalfoundation.org>).*

For further information regarding USPAP Q&A, please contact:

John S. Brenan, Director of Research and Technical Issues  
The Appraisal Foundation  
1155 15th Street, NW, Suite 1111  
Washington, DC 20005  
(202) 624-3044 (202) 347-7727 fax  
[john@appraisalfoundation.org](mailto:john@appraisalfoundation.org)

## APPRAISAL INSTITUTE 2007 YEAR END LEGISLATIVE REPORT

### Federal Legislation

A number of bills were introduced in Congress this year to combat mortgage fraud and predatory lending, some of which also address issues that are important to appraisers, such as appraisal independence. The most significant bill in this regard is **House Resolution 3915**, The Mortgage Reform and Anti-Predatory Lending Act, which passed the House late November and has now been referred to the Senate Committee on Banking, Housing and Urban Affairs.

**H. R. 3915**, introduced by Rep. Brad Miller (D-NC) represents a bi-partisan solution to predatory lending/mortgage fraud. The bill includes provisions from **H.R.3837**, The Escrow, Appraisal and Mortgage Servicing Improvements Act, introduced by Rep. Paul Kanjorski (D-PA) and added to **H.R. 3915** as an amendment. These provisions would:

- Promote appraisal independence by banning improper influence of appraisers through acts such as coercion, extortion, collusion, compensation, instruction, inducement, intimidation, non-payment or bribery. Civil penalties: first offense: \$10,000, second offense: \$20,000.
- Promote more transparency of the Appraisal Subcommittee by requiring more detailed reports by the ASC.
- Give the ASC the authority to issue binding rules and regulations, after public notice and opportunity for comment, in the areas of temporary practice, national registry, information sharing and enforcement.

- Create a national registry for state appraisal agencies to report license or certification suspensions or revocations.
- Increase appraiser license registration fees from \$25 to \$40, and allow the ASC to use the fees to make grants to state appraisal agencies to help defray enforcement costs.
- Give the ASC the authority to monitor funding and staffing levels of the State appraiser certifying and licensing agencies so they are at proper levels.
- Give the ASC the authority to impose interim sanctions and suspensions on state appraiser certifying and licensing agencies if they are found to be out of compliance.
- Permit special consideration of appraisers' designations or training from professional appraisal organizations as an indication of their proficiency.
- Call for a Government Accountability Office study on improving the appraisal process and the effectiveness of state compliance efforts. Additionally, the study would examine the existing de minimis.

Other bills introduced in the **110th Congress** to combat mortgage fraud/predatory lending and promote appraiser independence include:

- **H.R. 1852** – Introduced by Rep. Maxine Waters (D-CA), The Expanding American Homeownership Act of 2007 reforms the Federal Housing Administration (FHA). Included in the reforms is an amendment by House Financial Services Committee Chairman Barney Frank (D-MA) that bans "improperly influencing appraisals."
- **H.R. 3535** – Introduced by Reps. Paul Hodes (D-NH) and Gwen Moore (D-WI), The Homebuyers Protection Act of 2007 would require escrow accounts for the payment of property taxes and insurance for all subprime loans, and require a licensed appraiser in all real estate transactions.
- **H.R. 3535** is not being considered by the House Financial Services Committee.
- **H.R. 1723** – Introduced by Rep. Charlie Wilson (D-OH), The Fair FHA Appraisal Act would ban pressure on appraisers and put in place a "blind draw" system in the FHA process. The language banning pressure on appraisers has been inserted as an amendment into **H.R. 1852** but the "blind draw" was not.
- **H.R. 3012** – Introduced by Rep. Spencer Bachus (R-AL), The Fair Mortgage Practices Act of 2007 addresses concerns with mortgage fraud and predatory lending in the subprime lending industry. The bill would promote appraiser independence and professionalism through improved oversight and accountability

for federal and state appraisal regulators. Rep. Bachus is working with Reps. Miller, Frank and Watt on **H.R. 3915** (see above).

Two bills being considered by the Senate (**S. 2452 and S. 1299**) include provisions that would require appraisers to carry a bond. The Appraisal Institute is strongly against such a provision.

- **S. 2452** – Introduced by Sen. Christopher Dodd (D-CT), chairman of the Senate Banking, Housing and Urban Affairs Committee, , The Homeownership Preservation and Protection Act would prohibit mortgage brokers from steering prime borrowers to more expensive subprime loans, create a fiduciary duty for mortgage brokers toward borrowers, and prohibit prepayment penalties and yield spread premiums. Appraisal provisions include banning lenders from “encouraging” or “influencing” an appraiser to “hit” a certain value in connection with making a home loan and require appraisers to carry a bond.

This measure is expected to be considered by the Senate Banking, Housing and Urban Affairs Committee early next year. The Appraisal Institute is working with Senator Dodd’s office to eliminate the bonding requirement.

- **S. 1299** - Introduced by Sen. Charles Schumer (D-NY), The Borrower’s Protection Act would increase federal oversight of mortgage brokers and establish standards to assess a borrower’s ability to repay. The bill would extend federal enforcement of the Truth in Lending Act to all mortgage brokers and non-bank loan originators and hold lenders accountable for the actions of brokers and appraisers. Appraisers will be required to carry a bond.

Appraisal Institute member Alan Hummel, SRA testified in front of the Senate Subcommittee on Housing, Transportation and Community Opportunity on this bill. His testimony is available on the Appraisal Institute’s website.

Because similar appraisal-independence language and the bonding requirement can be found in **S. 2452, S. 1299** is not expected to be considered by the Senate Banking, Housing and Urban Affairs Committee.

- **S. 1222** - Introduced by Sens. Barack Obama (D-IL) and Richard Durbin (D-IL), the STOP FRAUD Act defines mortgage fraud and authorizes criminal penalties against those who commit fraud. Under the act, mortgage professionals would be required to report suspected fraudulent activity and would be given a safe harbor from liability when they report suspicious incidents. Sens. Durbin and Obama previously introduced the bill in the 109th Congress.

**S. 1222** is now being considered by the Senate Banking, Housing and Urban Affairs Committee.

## 2007 Farm Bill

In late December, the Senate passed a Farm Bill that includes a provision that would make permanent the new tax incentive for conservation donations. The Appraisal Institute is very grateful to the leadership of Senators Max Baucus (D-MT) and Charles Grassley (R-IA) for having moved this forward. A final bill will require a House-Senate conference in January. If the conference approves the Senate provision, it will be made retroactive to January 1, 2008.

## Federal Banking Regulatory Policy

On December 18, the Federal Reserve Board released their proposals to protect consumers from unfair and deceptive mortgage practices. Continuing the momentum seen in State and Federal legislation, this proposal includes appraisal independence language prohibiting mortgage brokers from coercing real estate appraisers from misstating a home’s value on all loans.

In addition, the proposal would establish a new category of “higher-priced mortgages” that should include virtually all subprime loans. The proposal would, for these loans:

- Prohibit a lender from engaging in a pattern or practice of lending without considering borrowers’ ability to repay the loans from sources other than the home’s value.
- Prohibit a lender from making a loan by relying on income or assets that it does not verify.

The proposal would, for these and most other mortgages:

- Prohibit lenders from paying mortgage brokers “yield spread premiums” that exceed the amount the consumer had agreed in advance the broker would receive. A yield spread premium is the fee paid by a lender to a broker for higher-rate loans.
- Prohibit a creditor or broker from coercing or encouraging an appraiser to misrepresent the value of a home.

The Federal Reserve has engaged in outreach efforts with consumer groups, the financial services industry, lawmakers, and others to ensure that the proposed rules are likely to achieve the goal of protecting consumers from unfair practices without shutting off access to responsible credit. The Appraisal Institute submitted testimony and a written comment letter in a June 2007 hearing.

## State Legislation

This year three states (California, Colorado and Iowa,) passed legislation prohibiting appraisal pressure. These bills passed because of the support Appraisal Institute chapters and members provided in each of these states. Without their help,

these bills would not have been enacted into law. Our office greatly appreciates their help. Legislation was also introduced in a handful of other states, including New York. Here is the language of the three states that passed legislation this year.

## CALIFORNIA

This law prohibits anyone with an interest in a real estate transaction involving an appraisal from improperly influencing, as specified, the reporting, result, or review of a real estate appraisal sought in connection with a mortgage loan. The bill provides that if a person is licensed by a state licensing law, a violation of these provisions shall be deemed a violation of that state licensing law.

*Effective October 5, 2007*

## COLORADO

This law prohibits a mortgage broker from compensating, coercing or intimidating a real estate appraiser in order to obtain an artificially inflated appraisal. It also prohibits anyone else, including real estate agents, other brokers, lenders or homebuyers, from improperly influencing or trying to influence an appraiser, and prohibits the appraiser from knowingly submitting a false appraisal.

*Effective June 1, 2007*

## IOWA

This law states: No mortgage lender, mortgage broker or originator, real estate broker or salesperson, client, party, appraiser, nor another person with an interest in a real estate transaction or the financing of any loan secured by real estate involving an appraisal assignment, shall improperly influence the development, reporting, result, or review of a real estate appraisal through coercion, extortion or bribery, or through any other means that impairs or may impair the independent judgment of the appraiser, including but not limited to the withholding or threatened withholding of payment for an appraisal fee, or the conditioning of the payment of any appraisal fee upon the opinion, conclusion or valuation to be reached, or a request that the appraiser report a predetermined opinion, conclusion or valuation, or the desired valuation of any person.

*Effective July 1, 2007*

### **Looking to 2008...**

In 2008, the Appraisal Institute's Washington Office will work to ensure the passage of a mortgage reform bill that includes strict appraisal independence language and the necessary changes to the appraisal regulatory structure. In addition, we will hope to see the passage of House Farm Bill that includes

tax incentives for conservation easements.

In the states, we hope to continue to get legislation passed that prohibits appraisal pressure. Legislation already has been introduced in New Hampshire, and we expect to see legislation introduced in many other states as well.

### **For more information, please contact:**

Director of Government Relations:

Don Kelly - dkelly@appraisalinstitute.org

Congressional Representative:

Brian Rodgers - broddgers@appraisalinstitute.org

State Government Representative:

Justin Morton - jmorton@appraisalinstitute.org

Region I Government Relations Chair:

Kurt L. Reitman, MAI SRA-Reitman1@mindspring.com

## **FEDERAL APPRAISAL REFORMS ARE COMING**

### **Jim Irish, President, Appraisers' Coalition of Washington**

The Mortgage Reform and Anti-Predatory Lending Act of 2007 (H.R. 3915) passed the U.S. House of Representatives on November 15, 2007, with a substantial 69.62% majority of the 418 members voting (291 to 127). As passed by the House, H.R. 3915 includes the mortgage servicing and real estate appraisal content from H.R. 3837, the Escrow, Appraisal, and Mortgage Servicing Improvements Act. Don Kelly and the Appraisal Institute's Washington Office have worked for several years on the appraisal provisions of that bill with strong support from the AI membership.

H.R. 3915 provides for improvements to the federal appraisal regulatory structure by some fine-tuning of what was created by Title XI of FIRREA (12 U.S.C. 3301, et seq.) in 1989, and by amending the Truth in Lending Act to bring in several appraisal requirements. It was received by the Senate on December 3, read twice and referred to the Committee on Banking, Housing, and Urban Affairs. The Chairman of the Committee is Senator Christopher J. Dodd, D-CT.

Senator Dodd has been working on a similar bill named the "Homeownership Preservation and Protection Act of 2007" that was introduced on December 12, 2007, and is now S. 2452. The Dodd bill also was read twice and referred to the Committee on Banking, Housing, and Urban Affairs. The bills are similar in concept, but certainly are not identical. Action by the Committee on the next step is expected early in 2008, after members return to the other Washington from the Holiday break.

Title VII of H.R. 3915 is named "Appraisal Activities" and contains five sections concerned with property appraisal requirements, unfair and deceptive practices, appraiser

independence, a study of possible improvements to the appraisal process, and consumer appraisal disclosure. Placing pressure upon an appraiser during an appraisal assignment will be deterred by the risk of significant fines (10-thousand dollars per day) for the first offense. The Appraisal Subcommittee gain additional authority to issue rules involving enforcement, reciprocity, and sharing of information about disciplinary actions through the National Registry. Consideration of an appraiser's designation by lenders or others when engaging an appraiser for an assignment clearly is not prohibited by FIRREA.

Section 701, PROPERTY APPRAISAL REQUIREMENTS, amends the Home Ownership and Equity Protection Act of 1994 (15 U.S.C. § 1639, HOEPA) as to high-cost loans, which are but a small percentage of the market. For these loans, H.R. 3915 requires a physical interior inspection by an appraiser certified or licensed by the state in which the property is located, and that the appraisal must conform to the USPAP. It also requires a second appraisal by a different appraiser if a property is sold within 180 days of a seller's acquisition of the property for lower price than the new sale price with an analysis to explain the increase in value between the two sale dates. The cost of this second appraisal may not be charged to the consumer. A creditor (lender) shall provide the consumer (borrower/buyer) without charge, one copy of the appraisal (report) at least three days prior to the transaction closing date. Notification to the borrower is required at the time of the initial mortgage loan application "that any appraisal prepared for the mortgage is for the sole use of the creditor, and that the consumer may choose to have a separate appraisal conducted at their own expense." Creditors violating the appraisal provisions of the Act "shall be liable to the consumer for the sum of \$2,000."

Section 702, UNFAIR AND DECEPTIVE PRACTICES AND ACTS RELATING TO CERTAIN CONSUMER CREDIT TRANSACTIONS, contains strong provisions that demonstrate that the intent of the Congress is to protect appraiser independence. It includes four examples of unfair and deceptive practices familiar to all appraisers, and three examples of reasonable appraisal review requirements by underwriters. The five federal banking agencies are directed to jointly prescribe regulations and authorized to jointly issue interpretive guidelines to implement the proposed statute. Penalties are set for violators of \$10,000 per day for the first violation and \$20,000 per day for each subsequent violation.

Section 703, APPRAISAL SUBCOMMITTEE OF FIEC, APPRAISER INDEPENDENCE, AND APPROVED APPRAISER EDUCATION, contain numerous provisions to improve the operations and strengthen effectiveness of the ASC. Registry fees will be authorized to increase from the present \$25 annually to \$40 per year with the cap being raised from \$50 to \$80. The increases will be placed in the Appraisal Subcommittee Account, a separate account at the U.S. Treasury. The ASC will be authorized sanction or suspend ineffective state

programs and to make grants to states to improve their enforcement operations. Strict differentiation is established between licensed and trainee classifications. The AQB is authorized to establish criteria for both trainee and supervisory appraisers. Reciprocity is mandated between ASC compliant state programs. Confusion is cleared up in that professional designations conferred by recognized national professional appraisal organizations may be recognized within FIRREA requirements. Appraiser independence is clearly established by further provisions. The ASC is directed to encourage states to accept courses approved by the AQB's Course Approval Program.

Section 704, STUDY REQUIRED ON IMPROVEMENTS IN APPROCESS AND COMPLIANCE PROGRAMS, requires that the Comptroller General study the appraisal profession's effectiveness and compliance with Title XI of FIRREA in depth, examine the existing de minimis loan levels, and whether consumer protection is a function of the ASC. The Comptroller General is given 18 months from the effective date of the statute to complete the study.

Section 705, CONSUMER APPRAISAL DISCLOSURE, amends the Truth in Lending Act (15 U.S.C. 1631, et seq.; TILA) to mandate that the appraisal report be given to the consumer not "later than 3 business days prior to the transaction closing date."

As the bill's short title reveals, however, the major part of H.R. 3915 relates directly to consumer protection in residential mortgage lending. Its first six titles deal with the matters of loan origination (licensing of originators and their practices), minimum standards for underwriting and servicing, high cost mortgages, creation and operation of a federal office of housing counseling, RESPA disclosures and servicing.

Both H.R. 3915 and S. 2452, together with related information, may be accessed by going to the "Thomas" (as in Thomas Jefferson) website maintained by the Library of Congress at < <http://thomas.loc.gov/home/thomas.html> >. It is necessary that both the indicator of the house of origin (HR or S) be entered as well as the bill number be entered in the search block located in the upper middle of the Thomas homepage

Don Kelly and his staff at the Appraisal Institute's Washington office continue to work hard toward Senate passage of a bill that will protect the public along with the appraisal profession that it serves. They will now focus on Senator Dodd's office to obtain the best provisions possible in the Senate bill and the ensuing Conference Report. The goal is legislation that will be acceptable to both houses of Congress, to the vast majority of stakeholders and, ultimately to the President.

As you read this, plan to respond to alerts from ACOW and the Appraisal Institute asking to contact Senators Maria Cantwell

< <http://cantwell.senate.gov/contact/index.cfm> > and Patty Murray < <http://murray.senate.gov/contact/contact.cfm> > to ask for their support of H.R. 3915 or S. 2452 or the final appraisal-related bill being reported to the full Senate by the Committee on Banking, Housing, and Urban Affairs. Both Senators have a webform template page on their websites to make sending them an e-mail very easy.

Appraisers are encouraged to support both AI and ACOW with you time, talent and treasure. The need is great now as legislative action will be in full swing in both DC and Olympia as you read this.

## WASHINGTON STATE LEGISLATIVE MATTERS

ACOW needs your financial donations immediately to continue serving you and the appraisal community of Washington. Raising the money is essential for ACOW to continue the services of our very effective lobbyist, T. K. Bentler, for the 2008 Legislative session.

This will be the second regular session of the 60th Washington Legislature will convene at noon on Monday, January 14, at which time it will organize its leadership, establish committees, adopt the 2008 Session Cutoff Calendar, and tend to administrative matters before hearing the Governor's State of the State message. Business should begin in earnest the next day. Several committees will meet during the preceding week as the 2007-2008 Interim comes to a close. The sixty-day Regular Session will end on March 13.

Legislators have been prefiled a total of 108 new House and Senate Bills for introduction on the 2008 Opening Day as of day's end on 12-31-2007 during the Prefiling Period that began on 12-01-2007. None of these are felt to be of concern to ACOW members at this point. Assessed valuation requirements for the direct petition method of annexation would be modified by < HB 2483 >. As some 2,000 bills may be introduced during the session, some 95% are yet to be screened. PLEASE VOLUNTEER TO HELP No one watches out for appraisers except appraisers and T.K Bentler.

A new bill to amend various RCW's concerning eminent domain issues including the Eminent Domain Reimbursement Allowance modification proposed in 2007's ESHB 2016 has not yet been prefiled as that bill's prime sponsor, Representative Larry Springer (D-45), planned to do after the November 8, 2007, meeting of the Attorney General's Eminent Domain Task Force. This series of meetings was attended by Stan Sidor, Tom Stowe and Jim Irish for ACOW and SC/AI with the goal of preserving the allowance and making it better able to assist a property owner in evaluating the fairness of the condemnor's offer. The next meeting of the task Force is scheduled for April 29, 2008, some six weeks after the close of the 2008 Regular Session.

A keyword-word root search is doable for "valu" because "value" but not for "apprais" because neither "appraisal" nor "appraiser" are considered as key words by the Legislature's Code Reviser's Office/Statute Law Committee (SLC). ACOW will endeavor to have this deficiency corrected so appraisers may more effectively monitor proposed legislation. PLEASE DO YOUR PART. THANK YOU TO ALL WHO HAVE MADE DONATIONS.

SEATTLE AI CHAPTER MEMBERS HAVE AN EASY WAY. PLEASE INCLUDE A DONATION TO ACOW IN THE SPACE PROVIDED ON YOUR PREPAID MEALS RESERVATION FORM. All appraisers can find an ACOW Membership dues and donation form at < [www.acow-wa.org](http://www.acow-wa.org) >.

As to the continuing implementation of Washington State's Mortgage Broker Practices Act (Chapter 19.146 RCW), the Department of Financial Institutions (DFI) is concerned that many Mortgage Brokers have not renewed their licenses for 2008. More importantly, the majority of their Loan Originators have not successfully completed the examinations required to be passed for renewal before their one-year initial licenses that expired on Monday, December 31, 2007. Those who did not pass and/or renew now are out of business without a 2008 license. Verification is easy. Just click go < <http://www.dfi.wa.gov/cs/list.htm> >. This link will display the page showing:

## Verify A License With The Licensee Database

To find information about companies currently licensed by the Division of Consumer Services, < search the licensee database >.

Search Tip: When searching the database for a mortgage broker or lender, if you don't find the company you want by searching mortgage brokers, try searching by "consumer loan company."

You will be taken to < <https://fortress.wa.gov/dfi/licenselu/dfi/licenseLU/default.aspx> >, check the appropriate (Loan Originator) license category, and complete the very brief inquiry webform.

Deborah Bortner, Director of Consumer Services at DFI < [dbortner@dfi.wa.gov](mailto:dbortner@dfi.wa.gov) >, 360-902-0511, is asking for the help of all appraisers business people and their publics by checking that all Mortgage Brokers and Loan Originators now offering services to consumers have a valid 2008 license.

This is especially important all certified or licensed appraisers, or registered trainees and or anyone else licensed by the Business and Profession Divisions of the Department of Licenses because all such licensees must comply

with Chapter 18.235 RCW, the Uniform Regulation of Business and Professions Act. Its Section 18.235.130 entitled "Unprofessional Conduct - Acts or Conditions that constitute" includes "(9) Aiding or abetting an unlicensed person to practice or operate a business or profession when a license is required;" among its fourteen subsections.

Director Deborah Bortner reported in our telephone conversation on January 2, 2008, that 2007 ended with a surprise to DFI. Substantially fewer Mortgage Broker and especially far fewer Loan Originator license renewals than expected were received. DFI kept its website current, published a Fall 2007 Newsletter, sent out reminders during the late fall to subscribers on its ListServ, and postcards by USPS to its mailing list. Anyone may subscribe to the ListServ at < <http://www.dfi.wa.gov/cs/mortgagelist.htm> >, including appraisers.

The Mortgage Broker Practices Act (Chapter 19.146 RCW) amendments were enacted into law in the first half of 2006 and the rules (WAC 208-660) were implemented during the fall of 2006, so that initial licenses could be issued to Loan Originators effective with the beginning of 2007. Mortgage Brokers licensing had been in place since the early 1990's. Through 2007, DFI had issued licenses to 1,261 existing and new Mortgage Brokers, and pre-examination licenses to 13,722 new Loan Originators of the over 15,000 who applied, with some 1,300 having unresolvable issues with their applications. These included 170 who failed the required criminal background check or problems with character, credit, or other fitness criteria. Some just withdrew from the process as the mortgage lending industry experienced rapidly escalating problems during 2007.

As 2008 begins, about one-third of the Mortgage Brokers and over one-half of the Loan Originators have not yet renewed their license. Part of the problem is that there was great procrastination among Loan Originators in taking the required examination. This may have been do to fear of testing, changing perceptions of the occupation, or view of the industry. Whatever the reason, they are ineligible to do business in Washington State until they pass the examination and are issued a 2008 license. Presently only 5,720 Loan Originator Licenses for 2008 have been issued to the 6,139 individuals who have passed the examination, which is not a snap. Ms. Bortner said that while DFI has processed all the properly completed applications that it received by yearend, a large number of additional applications are expected in the next few weeks.

Once issued for 2008, each subsequent renewal will require completion of the Continuing Education Requirement. Several good business practices for appraisers would be to request a copy of their license from every potential

mortgage broker and loan originator before accepting them as a client as well as to check them on the DFI Licensee Database, become knowledgeable of the Prohibited Practices in the Mortgage Broker Act < <http://apps.leg.wa.gov/RCW/default.aspx?cite=19.146.0201> > and Rules < <http://apps.leg.wa.gov/WAC/default.aspx?cite=208-660-500>>, and be on both the DFI Mortgage Broker and the DOL Appraiser ListSers

**The RCW and WAC subsections as they do or may relate to real estate appraisers are as follows:**

## **RCW 19.146.0201 - - Loan originator, mortgage broker —**

### Prohibitions — Requirements

It is a violation of this chapter for a loan originator, mortgage broker required to be licensed under this chapter, or mortgage broker otherwise exempted from this chapter under RCW 19.146.020(1)(e), (g), or (4) to:

(1) Directly or indirectly employ any scheme, device, or artifice to defraud or mislead borrowers or lenders or to defraud any person;

(2) Engage in any unfair or deceptive practice toward any person;

(9) Make any payment, directly or indirectly, to any appraiser of a property, for the purposes of influencing the independent judgment of the appraiser with respect to the value of the property;

(11) Fail to comply with any requirement of the truth-in-lending act, 15 U.S.C. Sec. 1601 and Regulation Z, 12 C.F.R. Sec. 226; the real estate settlement procedures act, 12 U.S.C. Sec. 2601 and Regulation X, 24 C.F.R. Sec. 3500; the equal credit opportunity act, 15 U.S.C. Sec. 1691 and Regulation B, Sec. 202.9, 202.11, and 202.12; Title V, Subtitle A of the financial modernization act of 1999 (known as the "Gramm-Leach-Bliley act"), 12 U.S.C. Secs. 6801-6809; the federal trade commission's privacy rules, 16 C.F.R. Parts 313-314, mandated by the Gramm-Leach-Bliley act; the home mortgage disclosure act, 12 U.S.C. Sec. 2801 et seq. and Regulation C, home mortgage disclosure; the federal trade commission act, 12 C.F.R. Part 203, 15 U.S.C. Sec. 45(a); the telemarketing and consumer fraud and abuse act, 15 U.S.C. Secs. 6101 to 6108; and the federal trade commission telephone sales rule, 16 C.F.R. Part 310, as these acts existed on January 1, 2007, or such subsequent date as may be provided by the department by rule, in any advertising of residential mortgage loans, or any other applicable mortgage broker or loan originator activities covered by the acts. The department may adopt by rule requirements that mortgage brokers and loan originators comply with other applicable federal statutes and regulations in any advertising of residential mortgage loans, or any other mortgage broker or loan originator activity;

(12) Fail to pay third-party providers no later than thirty days after the recording of the loan closing documents or ninety days after completion of the third-party service, whichever comes first, unless otherwise agreed or unless the third-party service provider has been notified in writing that a bona fide dispute exists regarding the performance or quality of the third-party service;

(13) Collect, charge, attempt to collect or charge or use or propose any agreement purporting to collect or charge any fee prohibited by RCW 19.146.030 or 19.146.070;

(15) Fail to comply with any provision of RCW 19.146.030 through 19.146.080 or any rule adopted under those sections.

[2006 c 19 § 4; 1997 c 106 § 3; 1994 c 33 § 6; 1993 c 468 § 4.]

### **WAC 208-660-500 -- Prohibited practices.**

(1) What may I request of an appraiser? You may request an area or market survey. While there are no strict definitions of these terms, generally they refer to general information regarding a region, area, or plat. The information usually includes the high, low and average sales price, numbers of properties available for sale or that have been sold within a set period, marketing times, days on market, absorption rate or the mixture of different property types in the specified area, among other possible components. An area survey does not contain sufficient information or is not so defining as to allow an appraiser or reader to determine the value of a specified property or property type.

(2) How may I discuss property values with an appraiser, prior to the appraisal, without the discussion constituting improperly influencing the appraiser? You may inform the appraiser of your opinion of value, the borrower's opinion of value, or the list or sales price of the property. You are prohibited from telling the appraiser the value you need or that is required for your loan to be successful.

(3) What business practices are prohibited? The following business practices are prohibited: (but these are not appraisal related.)

### **NOVEMBER NATIONAL BOARD MEETING HIGHLIGHTS**

The National Board of Directors recently concluded its final meeting of the year in New Orleans, during which many important issues that affect the Appraisal Institute's long-term future were discussed. The following is a summary of the Board's decisions and actions.

#### **2008 Vice President**

The Board elected Leslie P. Sellers, MAI, SRA, to serve as 2008 Vice President. Leslie is a 30-year member of the Appraisal Institute and currently serves on the Board of Directors representing Region IX. This year he also serves as chair of the Chapter-National-Regions Project Team, co-chair of the 75th Anniversary Project Team, and is a member of the Education Committee. In addition to serving as president of his chapter and as regional chair, Leslie was elected twice as chair of the national Audit Committee and twice as a member of the national Strategic Planning Committee. He served on the Governance Restructure Project Team and the Governance Implementation Project Team that wrote the new governance for the Appraisal Institute. He is an Appraisal Institute certified instructor and seminar author.

#### **Membership Categories and Statuses Revised**

With the exception of matters pertaining to voting rights, the Board adopted the 45-day notice proposal that creates an "Honorary" membership category (unrelated to the MAI and SRA designations) and several new membership statuses that will better accommodate our existing membership as well as create opportunities to attract new members. Key among the changes is the creation of a "practicing status" and a "non-practicing status" for both designated and associate members. Among other things, this will permit associate members for the first time to hold retired or semi-retired status in the organization. Members will receive additional information that details all the changes and their potential implications with their 2008 dues invoice. These changes become effective January 1, 2008.

#### **2008 Budget/Strategic Plan**

The Board approved a balanced budget for 2008 based on the recently approved strategic plan, which calls for an aggressive membership growth campaign over the next several years. In addition, the budget provides for new member services including various online Communities of Practice groups, which will be rolled out early next year, creating an effective new approach to member networking and learning. The budget also calls for a \$100 increase in national dues for all general designated members in 2008, which is based on the

adoption of the new membership categories and statuses as mentioned above (other dues amounts may differ depending on membership status).

## Unification

Earlier this year, the Board endorsed moving forward in developing a plan for unification with the American Society of Appraisers (ASA) and the American Society of Farm Managers and Rural Appraisers (ASFMRA). The 15-member Unification Team was asked to present such a plan. The Board received a draft of the plan in New Orleans when it met with the governing groups of both the ASA and ASFMRA to review the Unification Team's report. The Board concluded that the Appraisal Institute's Unification Project Team, guided by the Executive Committee on behalf of the Board, will continue to work on unification with the teams from the ASA and ASFMRA.

## Relationship with National Association of Realtors

Earlier this year, the National Association of Realtors (NAR) approached the Appraisal Institute regarding possible affiliation. Following an initial meeting with Executive Committee members, a project team was appointed and a second meeting with the NAR was held. The project team briefed the Board on this meeting and the Board directed that the project team continue to meet with NAR representatives in 2008 to further explore possible affiliation. Please note that our discussions with the NAR are independent of unification efforts with the ASA and ASFMRA.

## Additional 45-Day Notice Items

The Board adopted proposed changes to the bylaws and regulations presented in the 45-day notice, as follows:

- Eliminate the Structured Format alternative to the Residential Demonstration Report requirement
- Adjust the USPAP course requirement for new associate members, allowing those associate members who have previously taken the 15-hour USPAP national course to take the 7-hour USPAP course during the first 12 months of membership to meet this requirement
- Prohibit members of the Leadership Development and Nominating Committee, except its chair, from serving simultaneously on other national Appraisal Institute boards or committees

Consideration of the proposal to offer the GMAT as an alternative to the college degree requirement for the MAI designation was postponed for further study.

## UNIFICATION

*By President Terry R. Dunkin, MAI, SRA  
November 20, 2007*

Following our meeting earlier this month and subsequent discussion, a brief review on unification is in order. Last February, the Board authorized the Appraisal Institute's unification project team to pursue a plan for bringing together the Appraisal Institute (AI), the American Society of Appraisers (ASA) and the American Society of Farm Managers and Rural Appraisers (ASFMRA). To guide the project team, the Board passed the following motion:

That the Allied Efforts Project Team be directed to negotiate and develop a plan of unification among the Appraisal Institute (AI), American Society of Appraisers (ASA) and American Society of Farm Managers & Rural Appraisers (ASFMRA) organizations for consideration by the Boards and members of each organization.

That the Project Team update the Board of Directors on the development of the plan including necessary details at each Board of Directors meeting.

That the Project Team and Board of Directors members communicate effectively and in detail with the membership on the goal and proposed plan of unification.

That the Allied Efforts Project Team, as expeditiously as possible, develop an action plan including a timetable for consideration at the April 2007 Board of Directors meeting. Unification Team meetings began shortly thereafter and, excluding numerous phone calls, e-mails and other types of correspondence, the Unification Team (AI/ASA/ASFMRA) met almost a dozen times. In July, the team hired Dadie Perlov, a professional facilitator with extensive experience in association mergers and unification efforts. With Ms. Perlov's facilitation, the culmination of the team's efforts was manifested in the presentation of its draft unification plan to the joint meeting of the AI/ASA/ASFMRA Boards of Directors on November 6.

In preparation for the joint meeting, the draft plan and pro-forma financials were to be distributed to each Board for its review. Unfortunately, due to the very tight timeline on which the Unification Team operated, these materials were not provided to you until a few days before the joint Boards' meeting. Thus, the Unification Team's presentation on the morning of November 6 left many of you with a number of questions, particularly regarding the financials.

At the end of the joint Boards' meeting, on the morning of November 6, each Board was asked to approve the following motion:

"To accept the Unification Team's report and provide funding in an amount not to exceed \$200,000 to continue development

of the final plan by March 1, 2008, to unify the profession.” (The Appraisal Institute’s portion of this funding most likely would be \$100,000.)

When we took up this issue during our November 6 afternoon meeting, it was clear to me that all in attendance were anxious to weigh in. This included members of the AI Unification Project Team and Dadie Perlov, who were invited to attend and participate in the open meeting session.

Following an extensive question-and-answer period, we went into Executive Session, again inviting the project team to be present. The debate was lengthy and thorough, as most of you introduced a wide variety of views on the proposed plan and its specific elements. Project team members also were asked to contribute during the candid session.

At the end of the discussion, the Board did not approve the motion put forward by the Unification Team, and instead adopted the following motion:

“To direct the President and the Executive Committee to continue working with the (AI) Unification Project Team on a potential unification effort.”

Since departing New Orleans, I already have reached out to the presidents and leadership of ASA and ASFMRA to assure them that the AI Board of Directors is committed to pursuing unification with their organizations. I also advised them that while some elements of the proposed plan are acceptable to the Board, others are not. However, I stated that these are issues we can discuss further in pursuit of finding a solution that is acceptable to all three organizations.

It is important to note that recent discussions between the Appraisal Institute and the National Association of Realtors (NAR) regarding possible affiliation played no role in our deliberations or decision on unification with ASA and ASFMRA. Unification and possible NAR affiliation are independent of one another and this fact was communicated to ASA and ASFMRA leaders on several occasions well in advance of the New Orleans joint Boards’ meeting.

Going forward, the Executive Committee would like to meet with the AI Unification Project Team the week of November 26-30, subject to availability, to review and discuss the Appraisal Institute’s position on elements of the proposed unification plan and to formulate alternatives that we think are acceptable to all three organizations.

The Executive Committee and AI Unification Project Team encourage and welcome your input on this important decision that will be addressed again at the next Board meeting, February 4-5, 2008. We will continue to keep you informed on this matter as developments occur.

## New Actions

The Board approved funding for a project team to study the creation of an alternative to the demonstration report requirement for the MAI designation, similar to the 45-hour education package alternative to the residential demonstration report now in place for the SRA designation. The Board also authorized the development of a Residential Mortgage Certificate Program that includes best practice issues, with the hope that the program will roll out in 2008. Moreover, the Board elected leaders and members for the Strategic Planning Committee, Audit Committee, Appraisers Liability Insurance Program, and Education Trust and Relief Foundation.

## CHANGES TO APPRAISAL INSTITUTE MEMBERSHIP CATEGORIES & STATUSES

There have been changes and additions to Appraisal Institute membership categories and statuses by the Board of Directors at its meeting November 5-6, 2007. For further specific information, you may call the Appraisal Institute’s Designated Member Service Center at 312-335-4401 or Associate/Affiliate Member Service Center at 312-335-4111; you may also e-mail your inquiries to [membershipcategories@appraisalinstitute.org](mailto:membershipcategories@appraisalinstitute.org).

### New Membership Categories are as follows:

1. A **Practicing Member** is a Designated Member in good standing or an Associate Member in good standing who engages in business activity identified by the Standards of Professional Appraisal Practice. Some Practicing Members may also hold the status of Life Member or Semi-Retired Member.
2. A **Non-Practicing Member** is a Designated Member in good standing or an Associate Member in good standing who is not engaged in business activity identified by the Standards of Professional Appraisal Practice. Some Non-Practicing Members may also hold the status of Temporarily Non-Practicing Member, Retired Member, or Life Member.
3. A **Practicing Life Member** is a Designated Member in good standing or an Associate Member in good standing who has held membership in the Appraisal Institute or its predecessor organizations continuously for at least 40 years, who is current in the payment of full membership dues as an Active Designated Member, Associate Member, Candidate Member, or Candidate during those years, and who engages in business activity identified by the Standards of Professional Appraisal Practice.

4. A **Practicing Semi-Retired Member** is a Designated Member in good standing or an Associate Member in good standing who is at least sixty (60) years of age and earns no more than a certain dollar amount in each calendar year from business activity identified by the Standards of Professional Appraisal Practice.

5. a) A **Non-Practicing Retired Member** is a Designated Member in good standing or an Associate Member in good standing who is at least sixty (60) years of age and who does not engage in business activity identified by the Standards of Professional Appraisal Practice. b) A **Non-Practicing Life Member** is a Designated Member in good standing or an Associate Member in good standing who has held membership in the Appraisal Institute or its predecessor organizations continuously for at least 40 years, who is current in the payment of full membership dues as a Designated Member, Associate Member, Candidate Member, or Candidate during those years, and who does not engage in business activity identified by the Standards of Professional Appraisal Practice.

6. A **Temporarily Non-Practicing Member** is a Designated Member in good standing or an Associate Member in good standing who is temporarily unavailable for employment in any business activity identified by the Standards of Professional Appraisal Practice due to: (i) poor health or physical disability; (ii) family obligation or responsibility; (iii) military service; or (iv) other good cause shown.

7. An **Affiliate Member** is an individual who is interested in property economics and either (i) does not engage in business activity identified by the Standards of Professional Practice, or (ii) holds an appraiser trainee license or equivalent from a state. Affiliate members may include such individuals as university faculty, students, brokers developers, lawyers, accountants, financial planners, researchers and investors. To be eligible for student affiliate membership, the student must be enrolled in six or more credit hours in a college degree program relative to real estate appraisal, finance and/or economics at the time of application. They must provide proof (course schedule, college confirmation, etc.) of their current enrollment at the time of application and confirm proof of student status annually.

## UPDATED USPAP PUBLICATION

### Standards of Professional Appraisal Practice

Appraisal Institute Members are entitled to receive one free printed copy of the current edition of the Standards from the Appraisal Institute. Appraisal Institute Members may call 312-335-4469 or email [uspap@appraisalinstitute.org](mailto:uspap@appraisalinstitute.org) to request their free copy of the current Standards. Be sure to specify that you want the new 2008 version.

## 2008 Seattle Chapter Board & Committee Chairs

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### **PAST PRESIDENT**

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### **VICE PRESIDENT**

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#### **Associate Member Liaisons**

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Matt Bacon

#### **Nominations**

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Jim Greenleaf, MAI

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#### **Executive Secretary**

Elly Snow

6351 Seaview Avenue NW  
Seattle, Washington 98107-2664  
(206) 622-8425/Fax (206) 623-4474  
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## Classified Ads

### **COMMERCIAL RESIDENTIAL APPRAISER TRAINEE**

Highly motivated career driven North Seattle Community College Graduate seeking a commercial or residential appraisal trainee position with a firm in the Northwest Washington area (Pierce, Thurston, King Counties). I have a great work ethic, high ethical standards, and am detailed oriented. I also have impeccable analytical skills, a good working knowledge of Microsoft Office programs, and am proficient with the inner working of IBM based software and hardware devices and products.

My Degrees and Certificates are as follows:

- 1) RES AAS-T DEGREE IN APPRAISAL
- 2) RES AAS DEGREE IN REAL ESTATE
- 3) CERTIFIED LICENCED RESIDENTIAL APPRAISAL
- 4) CERTIFIED REAL ESTATE RESIDENTIAL APPRAISAL
- 5) CERTIFIED REAL ESTATE APPRAISAL TRAINEE
- 6) REAL ESTATE GENERAL APPRAISAL
- 7) CERTIFICATE IN REAL ESTATE
- 8) REAL ESTATE BROKERAGE
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- 10) REAL ESTATE MORTGAGE BROKER
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- 12) CERTIFIED ADVANCED REAL ESTATE SALES
- 13) CERTIFIED REAL ESTATE LOAN PROCESSOR
- 14) CERTIFICATE IN REAL ESCROW
- 15) CERTIFICATE IN INVESTMENT IN COMMERCIAL REAL ESTATE

I am committed to a future as an appraiser for my next career. Please contact Clint Hyde for a resume or an interview at mjrcanis@yahoo.com or 253-250-1768. Thank you.

### **COMMERCIAL APPRAISER OR TRAINEE**

PGP is now accepting large assignments including portfolio work. There are opportunities locally, nationally and globally if you have that desire. We currently seek a local candidate, however, if you have aspirations to travel, there may be that opportunity for you.

We are seeking the best candidates. Qualified individuals will have earned a college degree. Experience in real estate or real estate appraisal is highly desired. Proficiency in Word and Excel is a must. If you have taken classes toward your general license, this is considered a plus.

We seek an individual with a high degree of integrity and a desire to grow in an atmosphere of support. You will be provided with state of the art technology, data and support staff. We offer an excellent benefit package that includes a 401k plan and a production oriented compensation plan.

PGP has a reputation for excellence and could be a good fit for you if you strive to be the best as well. Please call Suzanne Coleman at 206-965-1111 or email your resume' to suzanne.coleman@pgpinc.com.

### **SENIOR LEVEL VALUATION ANALYST/ APPRAISER**

Greenfield Advisors LLC of Seattle, Washington is looking to hire a Certified General Real Estate Appraiser to join us as a mid- to Senior level Valuation Analyst. For a general look at some of the work we do, please see our website: <http://www.greenfieldadvisors.com/case.html>

The ideal candidate is comfortable writing narrative appraisals and has worked on projects involving complex eminent domain, environmental contamination, and/or large-scale (class action) litigation. S/he is comfortable directing a team of highly intelligent researchers and trainee appraisers in a wide variety of projects. Mentoring is expected and may comprise a large part of every day tasks. Excellent communication skills (written and verbal) are essential.

The ideal candidate is a rainmaker, comfortable with finding new clients and working with them to develop accurate budgets and timetables. As we are a group of experts in our various fields who collaborate to find the best answers to unusual and complex valuation, research, and appraisal assignments, the ideal candidate is also well-known within his or her area of expertise and is looking for a company where s/he can continue to be \_the\_ expert.

We offer excellent benefits and competitive wages.

Please submit your resume/professional qualifications and your salary requirements to Lisa Mc Sherry (Director, Administration) via email ([lisa@greenfieldadvisors.com](mailto:lisa@greenfieldadvisors.com)) or snail mail at: 2601 Fourth Avenue, Suite 650 Seattle, WA 98121

No phone calls or faxes, please. EOE