Appraisal Foundation releases Q&A on Appraisal Institute withdrawal

In response to the announcement by the Appraisal Institute to withdraw as a sponsor, the Appraisal Foundation released a Q&A on the split between the two groups. Read on to find out The Appraisal Foundation’s take on the story.

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The Appraisal Foundation, in response to the announcement by the Appraisal Institute to withdraw as a sponsor, released a Q&A with its perspective on the situation. The Q&A left open the possibility that the two organizations could settle their differences and work together again in the future.

Valuation Review will cover the split between the two organizations in detail with response from both sides and industry reaction in its September 27 print edition.

Question: Why did the Appraisal Institute choose to withdraw as a Sponsoring Organization of The Appraisal Foundation?

Answer: Obviously, only the Appraisal Institute can provide their full reasoning for this decision. However, the simple response to this question is the Appraisal Institute was unwilling to accept sanctions imposed by The Appraisal Foundation as a result of its conduct as a Sponsoring Organization.

Question: What did the Appraisal Institute do or not do that The Appraisal Foundation objected to?

Answer: In simplest terms, The Appraisal Foundation expects its Sponsoring Organizations to communicate with it first regarding any matters that have a direct or indirect impact on our organization. The Appraisal Institute failed to comply with this expectation.

Question: Are Appraisal Sponsors of the Foundation being held to a new standard of conduct?

Answer: No, the Code of Conduct for Appraisal Sponsors and the conduct section of the Foundation Bylaws have remained unchanged for many years. All previous Appraisal Institute leadership teams have operated under this code without incident.

Question: Isn't this a type of censorship on Appraisal Sponsors?

Answer: No, not at all. It is simply a matter of disclosure. If a sponsor has a concern about the Foundation or is contemplating a legislative or regulatory proposal that would either directly or indirectly impact our organization, we ask that the issue be raised with the Foundation before it is raised with another organization or agency.

Question: Was this most recent incident the first time the Appraisal Institute failed to communicate with The Appraisal Foundation?

Answer: No, this was not an isolated incident. In the recent past, there were two prior incidents where the Appraisal Institute failed to communicate, as expected, with The Appraisal Foundation. Ultimately, these continued actions by the Appraisal Institute reached the point where, on Feb. 6, 2009, the Board of Trustees of The Appraisal Foundation unanimously adopted the following resolution:

RESOLVED, That it is the sense of the Board of Trustees that the leadership of the Foundation schedule a face-to-face meeting with the leadership of the Appraisal Institute as soon as possible to voice the serious concern
of the Board of Trustees regarding the content, nature and manner in which the Appraisal Institute attempted to influence the Appraisal Subcommittee on issues relating directly to The Appraisal Foundation. It should also be made very clear to the leadership of the Appraisal Institute that similar conduct in the future will place their affiliation with The Appraisal Foundation at risk.

**Question:** What exactly was the most recent issue?

**Answer:** Despite the above formal resolution by the Board of Trustees of The Appraisal Foundation and subsequent face-to-face meetings with Appraisal Institute leadership, the Appraisal Institute once again failed to communicate with the Foundation regarding a matter directly related to our organization. In this case, without the Foundation’s knowledge or approval, the Appraisal Institute approached three other organizations with the following proposed revision to the federal law (FIRREA) which grants authority to The Appraisal Foundation “to maintain the independence of the Appraisal Standards and Appraiser Qualifications Boards and to avoid potential conflicts of interest, The Appraisal Foundation shall not directly or indirectly offer or sponsor any qualifying or continuing education courses for certified or licensed real estate appraisers beyond the National Uniform Standards of Professional Appraisal Practice (USPAP) course specifically required for licensure and certification.”

**Question:** Isn’t this the same or similar restrictive language that is contained in the SAFE Act, which regulates mortgage brokers?

**Answer:** Under the SAFE Act, mortgage lenders, brokers and loan officers who want to be licensed have to meet certain statutory requirements. Congress created an entity known as the Nationwide Mortgage Licensing System (NMLS) as the regulatory authority. The NMLS is, effectively, a surrogate for the state regulatory and licensing agencies (i.e., the banking departments) of the 50 states. As the entity which awards the licenses or disapproves them on behalf of the states, the educational limitation in the SAFE Act is appropriate because as part of their due diligence they will be reviewing educational offerings and determining which qualify for credit towards licensure. The Appraisal Foundation is not a licensing authority and does not approve education for licensure credit. These are functions of the state appraiser regulatory agencies. Accordingly, the analogy is without basis.

**Question:** Upon learning that the Appraisal Institute had again failed to communicate issues affecting The Appraisal Foundation, what actions were taken?

**Answer:** A sponsor’s decision to promote the passage of an amendment to a federal statute that would directly and expressly limit the future educational activities of the Foundation, without the Foundation’s prior knowledge or its approval, is a very serious matter. Because previous direct discussions, as well as the prior resolution addressing this type of behavior failed to result in a change in conduct, the Board of Trustees of the Foundation had no other choice but to take up consideration of sanctioning the Institute.

**Question:** How did the process of determining if the Appraisal Institute should be sanctioned work?

**Answer:** On June 15, 2010, The Appraisal Foundation held a special meeting of its Board of Trustees. At that meeting, information was provided to the Trustees regarding the most recent conduct of the Appraisal Institute.

**Question:** Was the Appraisal Institute given an opportunity to address these concerns at that meeting?

**Answer:** Yes, both organizations were given equal time to state their positions.

**Question:** What specific action was taken by the Board of Trustees?

**Answer:** On July 12, 2010, The Appraisal Foundation conducted a second special meeting of its Board of Trustees. After extensive deliberations, the following resolutions were adopted by at least a two-thirds majority:
RESOLUTION #1

RESOLVED, that upon consideration of the information and materials presented to the Board of Trustees with respect to the conduct of the Appraisal Institute related to an amendment to Title XI, namely, to maintain the independence of the Appraisal Standards and Appraiser Qualifications Boards and to avoid potential conflicts of interest, the Appraisal Foundation shall not directly or indirectly offer or sponsor any qualifying or continuing education courses for certified or licensed real estate appraisers beyond the National USPAP course specifically required for licensure and certification.

The Board of Trustees has concluded that the Appraisal Institute engaged in conduct materially and seriously prejudicial to the purposes and interests of the Foundation;

RESOLUTION #2

RESOLVED, that as a result of engaging in such conduct, the Appraisal Institute shall be sanctioned as follows:

1) The Appraisal Institute shall be suspended as an Appraisal Sponsor effective Sept. 15, 2010, and ending on April 15, 2011;

2) Permission by The Appraisal Foundation to the Appraisal Institute to reproduce the USPAP without charge and (b) its discount on the purchase price of USPAP shall be revoked for a period commencing Sept. 15, 2010, and ending on July 1, 2012;

RESOLUTION #3

RESOLVED, The chair of The Appraisal Foundation shall promptly appoint a task force comprised of not less than three nor more than five members from the Board of Trustees to liaison with the Appraisal Institute during the period of suspension, or for such longer period as the chair may determine, for the purpose of rehabilitating the relationship of the Appraisal Institute with The Appraisal Foundation as an Appraisal Sponsor.

Question: Was the Appraisal Institute given an opportunity to appeal the decision of the Board of Trustees?
Answer: Yes. The Appraisal Foundation Bylaws allow for an appeal. The Appraisal Institute chose to appeal the decision at a meeting of the Board of Trustees on Sept. 1, 2010.

Question: What was the outcome of the appeal hearing on Sept. 1, 2010?
Answer: Comments of Appraisal Institute President-Elect Joseph Magdziarz and Vice President Sara Stephens during the appeal hearing demonstrated a strong desire for a cooperative effort between the two organizations in the future. As a result, it was the consensus of the Board of Trustees that the suspension of the Appraisal Institute as a Sponsoring Organization should end just prior to the start of their terms, which commence on Jan. 1, 2011. Therefore, the suspension term was shortened from Sept. 15, 2010, through Dec. 31, 2010. The other resolutions adopted by the Board of Trustees on July 12, 2010, remained unchanged as they were not appealable.

Question: So because the Appraisal Institute was unwilling to accept the revised sanctions, they elected to withdraw as a Sponsoring Organization of The Appraisal Foundation?
Answer: Yes. The Appraisal Institute notified The Appraisal Foundation on Sept. 7, 2010, that they were withdrawing as a Sponsoring Organization, effective immediately.

Question: Is this action final? Is the Appraisal Institute prohibited from ever returning as a Sponsoring Organization of The Appraisal Foundation?
Answer: No, not at all. We firmly believe that, under the right circumstances, there will always be a door open for the Appraisal Institute to return to The Appraisal Foundation. We are always willing to talk with their representatives. We hope and believe the opportunities associated with a change in their leadership in a few
months may be constructive.

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