

Message From the President Fall 2011

Legislation and Regulation

In looking back over the past 12 months, this was the most successful year ever for our profession in Annapolis, and it was the result of a smart, sophisticated, very intensive, and highly effective effort by many people, all of whom were willing to give a substantial amount of their time to making these things happen and is the main topic to be discussed later tonight.

In brief, we accomplished an almost unheard of triple-play in Annapolis – we got two very important appraiser bills passed and were able to kill a very bad third one that would have made it illegal for us to consider foreclosures and short sales in an appraisal that at the same time would have put us in violation of Federal law by requiring appraisers to not comply with USPAP

The Appraiser Independence bill, which has now been signed into law, makes coercing or bribing an appraiser a felony punishable by a fine of \$25,000 or 5 years in prison.

But the real game changer is **the Appraisal Management Company Registration and Regulation bill**, which overwhelmingly passed both houses and went into effect this past July.

A huge accomplishment written into this legislation is that the Commission will now be self-funded – meaning that the appraiser, home inspector, and AMC fees collected by the Commission will go directly to fund the Commission’s operations, including investigators, rather than going into the State’s general fund. This will finally give them the means to do their job much more efficiently. This was a major coup, given the state of Maryland’s economy, and will make a hugely noticeable – and positive difference to our profession. Both Patti and Bill will be discussing the details of this new law and the status of its implementing regulation later on this evening.

Education

Turning to education, it is unfortunate that a few classes have had to be cancelled this year due to insufficient enrollment. I want to make it very clear that MAA policy is to run a class unless there are so few students signed up that running it would result in a financial loss. That decision to cancel, however, must be made at a reasonable point in time prior to the class

scheduled start date, because we have obligations to both our instructors and the classroom facility to give them a reasonable notice.

Unfortunately for both your Association and some students, we have had some situations in which we cancelled a class due to having only three or four students signed up – thereby releasing the instructor and college or other facility - only to have several more people try to register after the fact, which would have allowed the class to run. In other words, classes that could have run have been cancelled because people have waited until the last minute to sign up – and then no one benefits. Let me stress something important, signing up early does not involve risk: if the class is ultimately cancelled, you will promptly receive a full refund. To encourage early registration that will help ensure that classes are held, we have been forced to raise the late fee to \$25. Please spread the word – register early for the sake of yourselves as well as your Association!

With all of the changes in residential appraising, some of you have found yourself at a crossroad and may have been thinking about possibly upgrading to Certified General. I would like to encourage you to do so – if only because you necessarily become even more professional because of the increased education. But there are other reasons that you might find interest you.

Significantly, there are far fewer Certified General appraisers and thus less competition. Fees, assignment conditions, and turn-around times are far more reasonable as well. In addition, because the Certified General is the highest level of licensure, it is favored by attorneys, and others, since there are no limitations on the complexities of an assignment that can be tackled, as long as the appraiser has or gains the appropriate competency. There are also more opportunities for a Certified General appraiser to perform litigation support (negotiated on an hourly basis) than for Certified Residential appraisers and to specialize in a variety of complex real estate valuation issues.

As an aside, there is also a significant market for assignments to be derived through private commercial owners and investors who also recognize the value-added of a thoroughly documented, appropriately analyzed and reported valuation (typically in the more flexible narrative format).

Diversity and anything that broadens the variety of clients or types of assignments is a positive move that can only help your bottom line. Whatever you decide, it makes good sense to broaden your client base away from total reliance on residential mortgage lending. Your Association offers more local Certified General core curriculum classes and specialized CE classes than anyone else. And remember, the alternative of taking selected college courses

in lieu of having a Bachelor's degree will likely be disappearing in January 2015.

And, for those of you who find yourself in a last minute bind for CE, don't forget about our on-line courses, all of which are AQB and IDECC approved. We have recently removed some of the older course offerings and added three new classes that include *Appraising the 2-4 Family property*, *Foreclosures*, and the *7 hour USPAP update Course*, with more courses in development. Although we have already switched over to the 2012-2013 update for our upcoming class on November 22nd to be taught at The Baltimore Museum of Industry, we will continue to offer the 2010-2011 version of USPAP on-line through the end of the year.

Help restore the public's trust in our profession through quality education. Contact your colleagues and encourage their participation in MAA's highly regarded professional educational course offerings.

Switching now to Appraisal Foundation News

Working with psychometricians in 2010, the AQB created additional exam questions and new versions of each of the licensing and certification exams that went into use this past January. Based on each of the core curriculum

topics, it measures both the candidate's ability to recall coursework as well as their ability to apply those educational concepts to real world problems.

As expected, there has been continuing improvement in the exam pass rates as more and more of the candidates qualifying to take the exam have done so based on having completed the entire series of the 2008 core curriculum educational requirements.

Not surprisingly, a measurable difference continues to be observed between the pass rates for first-time test takers (ie Trainees) who have taken the full 150, 200, or 300 hours of the core curriculum courses versus repeat test takers (or those seeking to upgrade) who try to get by with just the minimal course requirements for upgrade.

This is consistent with generally recognized exam trends, where the candidates who are properly prepared for the exams are able to pass it on their initial attempt, while those who do not possess the requisite qualifications, or exposure to all of the core curriculum courses, continue to fail the exam multiple times. In addition, analysis of the data received to date further confirms the Board's beliefs that candidates with college degrees perform, on average, better than those without degrees.

With that in mind, the Appraiser Qualifications Board is now in its 5th exposure draft with proposed revisions to the Real Property Appraiser Qualification Criteria. Adopted changes would become effective January 1, 2015. Some of the highlights include:

- All states will have to implement Maryland's current policy that you cannot sit for an exam until you have completed both the educational and experience requirements.
- Applicants for the Licensed credential would need to have at least 30 college semester hours of education.
- Applicants for both the Certified Residential and Certified General credentials would both require a Bachelor's degree or higher. And,
- The ability to substitute specified "in lieu of" college courses for the required degrees would be eliminated.

The AQB noted that other professions such as financial advisors, CPA's, engineers, architects, lawyers, and teachers all require a minimum of a Bachelor's degree, so if we are to be viewed by the public as a profession, a four-year degree is essential for both of our Certified classifications, and significant college experience for Licensed.

The new Appraisal Practices Board has also been busy at work. After surveying all appraisal disciplines last fall, the APB identified and prioritized more than 50 emerging issue topics. It has recently issued its first two exposure drafts on voluntary guidance for Residential Appraising in Declining Real Estate Markets, and Adjusting Comparable Sales for Seller Concessions.

MAA has provided copies of both drafts to each of its members for review and strongly encourages all appraisers to provide constructive commentary in writing to the APB before the comment deadlines of December 3rd and 5th, respectively. This and future guidance on recognized valuation methods and techniques in those areas in which appraisers and users of our services feel there is the most pressing need will be an invaluable resource to all appraisers in honing both their competency and skills.

As you know, I currently serve on the Foundation's Board of Trustees which accomplishes an enormous amount of work behind the scenes through its various committees. It is an amazing group of people who I continue to learn much from and I am privileged to have this opportunity to serve with them.

This year, I joined the Executive Committee as Chair of the Audit Committee in which I am responsible for overseeing the audit of the Foundation's books by an outside CPA firm. I also served on the Ethics, Policies, and Procedures Committee as well as the Trustee Nominating Committee.

Further, as a result of inquiries from educational institutions earlier this year seeking membership on TAFAC, the Board of Trustees appointed a task force, which I have been asked to Chair, to develop a viable mechanism to accommodate academia that would be mutually beneficial to colleges & universities, the Foundation, and appraisers.

The mission of the Academic Resource Panel is to provide an academic perspective to the Appraiser Qualifications Board's education criteria and to serve as a research and publication resource to the Foundation's other Boards. Given the changes to the educational requirements under consideration by the AQB, the opportunity for participants to have a real impact is quite high given the current lack of accredited real estate appraisal programs at both the graduate and undergraduate levels.

The creation of this panel will benefit both participating educational institutions as well as the appraisal profession in that it bridges the application

knowledge of practitioners and the intellectual and educational expertise of academia.

And finally, given the increasing emphasis on going “green” with building design and its components, competency in both recognizing and valuing these building characteristics is a skill set that every appraiser will be required to have in the very near future, either through specific coursework or possibly certification. **Given the complexities** and lack of substantial data with which to perform these assignments, The Appraisal Foundation was invited to meet with the White House Council on Environmental Quality and Control and the Department of Energy this summer to discuss the need for increased awareness and training in the valuation community on energy efficiency and the valuation of “green” buildings. **The meeting was highly successful** and resulted in a Memorandum of Understanding between the Foundation and the Department of Energy which outlines collaborative efforts in these areas that will assist appraisers in becoming skilled and competent to undertake these types of assignments.

Looking at what’s new at MRIS

- With the new requirements for appraisers to complete UAD compliant forms, I met with Mike Diegelmann with product management of

MRIS to discuss the issues of concern facing appraisers. Emphasis was given to the UAD and certain public record data – particularly in regard to recent changes to certain fields within the Fairfax County and DC public records. MRIS is keenly aware of how important the level, quality, and accuracy of data is to appraisers being able to provide credible appraisals and property valuations. It was for this reason that certain information and/or fields had to be removed.

Previously available information that was deleted from certain fields in the MATRIX Fairfax County/DC public records was because the Jurisdictions, themselves, lost data during a database conversion, and other information (such as certain dimensions) became obsolete because that information was no longer being properly maintained. The data was grossly out of date, inaccurate, and therefore could no longer be considered a credible resource for that particular information.

While certainly discouraging for appraisers that this information is no longer available, knowingly using information that has been deemed inaccurate would not only be irresponsible on the part of MRIS for providing it, but would be wrong and a violation of USPAP, for the appraiser to rely on it or use it just for the sake of filling in a box on the

form. **In the absence of the availability of that data**, an appraiser's due diligence is satisfied when they take both all of the necessary steps to provide the requested data and, when not available, thoroughly documenting those results in the report. Keep in mind, Fannie and Freddie are not expecting us to manufacture what isn't there but to do what we can within reason and to provide them with an accurate reporting and documentation of the facts.

- In an ongoing attempt to continually provide the highest quality, thoroughness, and accuracy of data, MRIS is now in the process of a major revamp of Keystone to make it smarter and more robust – but more importantly to effect changes that organize data input by Realtors in a more logical fashion. The goal is to revise it in a way that will streamline the whole process while making it operate much more efficiently. That said, they are exploring ways that will dramatically cut down the time to enter a listing while at the same time encouraging the inclusion of more comprehensive information that will ultimately inure to the benefit of the appraiser.
- For example, they are looking at having information entered in a logical sequence whereby the floor level will be selected first, then the rooms

on each level, then features, etc. This would flow in an orderly progression for each level that would also include the basement. The pic lists will be revamped to make them more streamlined, more germane, and better organized to encourage more, rather than less, inclusion of details of the property. Progress bars might be included that would relate the level of detail input by the Realtor with the projected level of successfully marketing and selling their property – ie – the longer the bar – the higher the success rate in selling the property in a timely manner at its true market value.

- Obviously, the more detail provided – the more accurately an appraiser can reflect its true market value rather than erring on the side of caution due to the absence of ,or conflicting, data (ie where all the choices are included), which may inadvertently result in a property being under – or over-appraised. One significant enhancement that has been invaluable to the appraisal profession has been the incorporation of Media Connect that allows Realtors to display multiple photographs on any given property. MRIS is to be commended for making the use of this service free to Realtors as it has resulted in a dramatic increase in the number of photographs – both interior and exterior – as well as its use for most

listings of all property types, aiding the appraisal profession immeasurably.

- They are also looking at spelling out terms vs abbreviations to provide for better clarity and understandability and to clear up ambiguities, such as “other” under financing type
- I have asked that they also consider adding tabulated figures to our statistical analyses reports for the number of foreclosures, number of short sales, and the number of subsidies, which are an essential element of our market conditions analysis and would certainly streamline our time which now requires additional searches and/or physically counting them up.
- Right now we do have the high, low, average, and median of seller subsidies being used to get properties to settlement provided in that report but a critically important part of the market analysis is also knowing if the number of subsidies is increasing or decreasing.
Analyzing how distress sale activity is impacting the market is even more crucial, but currently that information is not included on those statistical reports and requires more time and effort to derive it for any

given market area. **This is something that they have agreed to consider.**

- I have also suggested that as they look to revamp their organizational flow of data entry along with their pic lists that, in addition to the Realtors indicating each of the rooms and specific data for the basement, that they also consider adding a field for the Realtor to “estimate” the % of finish. As I explained to Mike – this is information that is now required for the UAD and the Realtor is in the best position to express this estimated percentage. Although it likely cannot be made mandatory, its use can certainly be encouraged since the lack of information may well result in a conservative estimate by the appraiser which could once again lead to properties “not appraising”. If presented to the Realtors properly – it can only be construed that quality data that is thorough and complete will help the economy get back on its feet and help them to close deals.
- I also inquired about the need for better reporting by Realtors of eco-friendly, energy efficient, and other “green” property characteristics, given the increasing focus on appraiser competency when valuing these properties.

- I am pleased to report that the need for better identification of these characteristics is a priority with MRIS who is now working on specific line items in the pic lists for eco-friendly, energy efficient, and green items **that will then summarize and segment these featured items together in a specific location of the report.** This will not only help with the sale of these properties but will also enable the appraiser to make accurate comparisons when valuing these buildings.
- Because this is a comprehensive revamping of the current system that will take some time, they want to ensure that they get it right the first time and that the changes also coordinate seamlessly with MATRIX.

New Member Benefits

As part of the important benefits of belonging to MAA, we are proud of the strong partnerships that we have developed with our E&O, healthcare, and other insurance and financial partners, including identity theft and pre-paid legal services that are offered on a highly personalized level to our members. A team of experienced professionals is available to you for a coordinated approach that will assure that, as a member, your insurance and financial needs and goals are appropriately addressed. Earlier this week we provided

you with a sneak preview of a timely new program that is targeted to save you substantial money in today's economic climate and rising healthcare costs.

Tonight we are pleased to announce the unveiling of the AFLAC

NewBenefits Program exclusively available for paid members of MAA. If

you have not already done so, please stop by, or call and schedule an

individual appointment with Chuck Harlan or King Barnes to learn how this

new program will substantially reduce your healthcare, dental, vision, and

other medical related expenses on a very affordable basis. We are sure you

won't be disappointed. This truly is a program that does what it says with no

strings attached.

Membership

A top priority of MAA is continually looking for ways to provide our members with more value added to their membership dollars. We have decided that one such way is in the reprogramming of our website to require

Member Log-in so that most of the professional information, alerts, and advice that is uniquely available from MAA will now be available only to our paid members. Course offerings, onsite and on-line registrations, and "Find an Appraiser" sections would, of course, remain in the public sector. **This change will take effect January 15, 2012 and will require your current e-**

mail address to be on file with MAA and the MAA member ID Number on your membership card for log-in. An unpaid member status will deactivate the log-in to the “Members Only” sections following a short grace period.

Drawings

And last but not least - we have a number of really great drawings at the end of the evening: MAA gratefully acknowledges our E&O Partner, Moscker Insurance Agency in Severna Park Maryland for their contributions to the MAA Scholarship Fund in support of the professional continuing education of appraisers. We will be giving away a free CE class courtesy of our E&O partner; two canvas rolling beverage caddies from our AFLAC partners; a document shredder from our Identity Theft and Pre-paid Legal partners; a \$25 Staples gift certificate provided by your Association; three family passes courtesy of the Baltimore Museum of Industry; a 1 year subscription courtesy of The Appraisal Foundation; and of course our famous 50/50. All winners must be present to win.

In closing, I just wish to say that it is no secret that appraisers sometimes feel like they're walking around with a target on their back. A few years ago, threats of blacklisting were on the rise if the appraisal report failed to “hit the

number” and were not uncommon in many venues. There is now a surge of complaints that values are too low. The best defense against both regulatory complaints and lawsuits is clearly a well-documented report of a thorough appraisal that showcases best professional practices and complies with all the relevant regulations. And the best way to prepare yourself to provide that is to join the best of your peers in an organization that stresses high standards and professionalism.

Our profession is at a crossroads and although making change happen is often a steep uphill climb, it is made easier with each new member. We look forward to you renewing your membership as soon as possible. If not currently a member, please consider joining or reactivating your membership and begin reaping the many benefits professional membership has to offer, and add your voice to the growing list of appraisers who wish to elevate themselves from being viewed as a trade to that of a Profession.

Beth Riedel
President, MAA