



The APPRAISER

A PUBLICATION OF THE ARKANSAS APPRAISER LICENSING & CERTIFICATION BOARD

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Opinion Of Value

By **Nikki Bradley**
Board Chairman

Recently I had a conversation with a local lender about what makes a "good" appraiser. I remembered reading an article in *Appraisal Today* (July 2007 issue), which was written by Ann O'Rourke. Adapting from her article, I offer the following for your consideration.

Most of us know some residential appraisers who are basically form fillers; they know how to satisfy the underwriter, and they know how to manipulate the adjustments in order to come up with either a sales price or a "suggested" owner's estimate of value.

In commercial work, some appraisers believe the quality of their work is determined by the pound. These thick reports can be full of meaningless data and/or contain spreadsheets without the appraiser having any idea how these spreadsheets work or the relevance of the cash flows.

Here are some characteristics I think make a "good" appraiser:

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Complaints Up; Some 'Very Serious'

Board Investigator Mary Lou Brainerd reports that the years of fast-paced, high-pressured appraisal practice are now "coming home to roost."

Through the first six months of 2007, the Board has received twice the number of complaints it did during the same period last year, and Brainerd says "many of them are very serious."

"As your work loads slow a bit, be sure you do not continue with some of the bad habits you developed when it appeared you didn't have time for a second review of your work before it was transmitted to the client," Brainerd advises Arkansas appraisers.

She says many of the complaints the Board has received involve simple, careless errors but these "mount up."

When a report contains numerous "small" errors, she notes, it loses credibility, and even if the value is right-on, a client doesn't feel he can rely on it.

Scattered among the small errors, the Board is seeing some "very major errors," Brainerd says. Some of these are typographical but some "are either accidental or deliberate omissions and/or commissions," she continues.

"Any of these can result in unhappy clients, repossessed properties, and in extreme cases, ru-

ined lives. They also lead to complaints filed with the AALCB," Brainerd adds.

The Board considered 37 cases

See **Complaints**, Page 6

Deadline Looms On Changing Education Rules

As the Appraiser Licensing and Certification Board has been warning for the last two years, the path to becoming a state-credentialed appraiser and for upgrading a credential will become more difficult in about six months.

This is because the Appraisal Qualifications Board's new pre-qualifying criteria go into effect Jan. 1.

Here it is one last time: You are encouraged to evaluate the impact the AQB's new criteria and the Board's rules to implement them might have on your personal appraisal practice and career objectives and to act accordingly NOW.

The AQB's new criteria not only increase the hours of qualifying education required for each classification but they establish a post-secondary degree or a special course credit hour requirement for

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Blytheville Minister Appointed to Board

Gov. Mike Beebe has appointed Blytheville religious and community leader the Rev. Dr. Horace G. Howard Jr. to the Appraiser Licensing and Certification Board for a term that expires Jan. 15, in 2010.

Rev. Howard succeeds Bonnie Davis in the board seat designated by law for a consumer.

A Blytheville native who graduated from the public schools in that Mississippi County city, Rev.

Dr. Howard earned his bachelor's degree in social studies with a minor in education from Arkansas

Baptist College in Little Rock in 1978.

He attended Brewster's School of Religion in Memphis and the Memphis Theological Seminary and did graduate study at Ouachita Baptist University in Arkadelphia and then earned his doctorate from the Minnesota Graduate School of Theology at Minneapolis. He places such



Rev. Dr. Horace G. Howard Jr.

great value on education that he is continuing his online through Trinity College of the Bible Theological Seminary in Newburgh, Ind.

Rev. Dr. Howard has received two honorary doctorate degrees, one from Arkansas Baptist College and the other from Brewster's

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FYI —

QUESTION: When will the next edition of USPAP be available?

RESPONSE: It is planned for 2008 (to go into effect Jan. 1 through 2009) and currently is scheduled to be available in the fall of 2007, according to the Appraisal Standards Board (ASB)..

335 Appraisers 'See Future' at Seminar

The Board's 14th annual seminar that focused on what the future seems to hold for the profession under the theme "New Horizons" attracted 335 Arkansas appraisers plus staff and speakers to the Shrine Temple facilities April 19 in Little Rock.

John Widdoss of North Dakota, a practicing appraiser, discussed appraising mineral rights in his keynote speech at the morning session. This topic is of interest to those who work in the Fayetteville Shale Play, a natural gas field extending from central Arkansas east to the Mississippi River that

is being developed as a result of new technologies and higher prices for the fuel.

Nonresidential appraisers were able to hear more about the nuances of mineral rights appraising when Widdoss and Gayle Mason of Fort Smith, a certified general appraiser, teamed up on a panel at one of two afternoon breakout sessions. It was moderated by Russellville-based appraiser David Reinold.

Special FBI Agent Rodney Hays gave what some found to be a "somewhat disturbing" overview of mortgage fraud and the some-

times inadvertent role appraisers play in it during a morning talk.

The other afternoon breakout session that followed a barbecue luncheon feast was for residential appraisers and featured Penny Wheelus, lead mortgage underwriter with Simmons Bank of Pine Bluff, and Ethan Nobles, director of communications for the Arkansas Realtors Association.

Participants reassembled in a general session after the afternoon break at which Board members and staff dealt with several administrative concerns and answered questions.

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certification.

AQB has determined that on upgrading one's status after Jan. 1, accumulative education will be required to comply with the core curriculum it has adopted. This alone could have a devastating effect on any effort to upgrade to a higher classification.

Here are the new pre-requisites to become an appraiser or to upgrade:

A State Licensed appraiser who hopes to upgrade to Certified Residential will be required after Jan. 1 to have completed 200 hours of prescribed qualifying education course work along with evidence of having completed an associate degree or 21 college credit hours from a list of specified courses.

To upgrade to Certified General after Jan. 1, an appraiser will need to have completed 300 hours of pre-qualifying education in addition to holding a college degree or accumulated a minimum of 30 college credit hours of specified courses.

Those who apply to upgrade from a registered status to State Licensed will have to have 150 hours of qualifying education after Jan. 1.

The AQB gave the states two choices for implementing its revised criteria. One was a "firm" date with a deadline of Jan. 1 and the other was a "segmented" approach that allows an appraiser under certain circumstances to file for compliance with education criteria as they exists today.

The Arkansas Board chose the segmented approach, which means that by Dec. 31, 2007, an applicant may file with the Board a statement that he/she has completed current 2007 required education hours for a specific classification. This allows the application process (completion of experience and examination) to go forward after Jan. 1 under 2007 education re-

Exams to Be Longer, Tougher

Sandra Guilfoil, chair of the Appraisal Qualifications Board (AQB), revealed at a recent meeting in Florida attended by Arkansas Board representatives and staff that her agency has changed the certification exams for appraisers so that they will be longer and tougher after Jan. 1.

The AQB exams are administered by the states or by contractors they hire.

Guilfoil said the providers could submit equivalent exams to the AQB for approval. Arkansas Board Director Jim Martin noted, however, that "there is little doubt anyone will go to the expense and trauma of getting AQB approval for an equivalent exam." This means, he said, that states will be administering AQB exams.

quirements.

This partial compliance with minimum requirements affects those seeking initial licensing as well as those hoping to upgrade their status.

Board Executive Director Jim Martin said *appraisers who intend to upgrade their credentials should pay particular attention to this requirement if they do not have an associate or bachelor's degree or the applicable credit hours.* The affidavits of compliance with this approach may be obtained from the Board's web site at www.arkansas.gov/alcb.

The AQB changes also affect examinations.

The tests that will be given after Jan. 1 will be based on the expanded AQB education requirements and are said to more practice-oriented. The new test will consist of 165 questions that will take from 6 (residential) to 8 (general) hours to complete. Even those who file their education completions before Dec. 31 will

The exams are said to be more practice-based and will consist of 165 questions, of which 150 will be scored. The length will be expanded to up to six hours for the residential exam and eight hours for certified general applicants.

The AQB also has adopted new rules for administering the exams. For example, the exams are to be taken by computer except in documented ADA (disability) cases.

Martin said both the new exams and administration rules will impact the cost, and Arkansas appraisers should take note that the last exam to be given under existing rules and requirements will take place Oct. 6.

The Arkansas Board has not decided yet how it will administer exams after Jan. 1.

have to undergo the new exam. The last test to be administered by the Arkansas Board under existing requirements will be Oct. 6.

Blytheville, from Page 2

School of Religion.

In addition to pastoring St. Paul Missionary Baptist Church where he was converted and ordained, Rev. Dr. Howard is employed by the Mississippi County Economic Opportunity Commission as coordinator of its Faith-Based Initiative.

His volunteer work includes being president of the Mississippi County Inter-Agency Council and first vice-president of the General Baptist District Association, and he gives his time as a chaplain at the Great River Medical Center in Blytheville.

This leaves him little time for a hobby, but he manages to tend a small home garden plot.

He is married to the former Mae Jean Waters, and they have a soldier-son, Tavares, 25.

Defining, from Page 1

◆ **Personal and professional integrity**

If your ethics are gray, it will show up in every aspect of your life. Always perform in a manner you would be happy to have your mother know about.

◆ **Looks at appraising as a career, not just a J-O-B**

There is an old saying that “Everyday, when an appraiser gets up, he is at work.” As with most any profession, liking what you do for a living defines your approach to your day and your ability to do your best.

◆ **Objective**

This is a hard one for most of us. Because we believe in ourselves and are an educated and (hopefully) articulate lot, it is hard to put personal biases aside. A good appraiser wants to determine a property’s value, not just what it sold for or simply mimic what the buyer or seller *thinks* it’s worth.

◆ **Talented**

Appraisal work is like putting the pieces of a puzzle together. How many times have we completed an assignment, sensed that something wasn’t quite right, and then taken a second look at conflicting information or acted on a hunch about a quirky piece of data? A good appraiser makes every effort to find out what is *really* going on and performs due diligence.

◆ **Excellent People Person**

A good appraiser is able to get tenants, property owners and mortgage clients to talk to him or her. More than once, a small-talk/rock-kicking session has garnered invaluable information. Most commercial tenants will love to tell you about their businesses, as

well as complain or brag about details of their lease contract or lease space.

A side note here: it is an excellent business practice to REQUIRE your client to provide copies of current signed leases. Just having the client tell you the rental amounts and lease dates will not give you the entire picture. If written contract lease information is not forthcoming, a red flag appears.

◆ **Discerning Reconciler**

Your opinion involves much more than just tallying numbers. If this is all an appraiser gives the client, the client rightly could think, “What do I need you for? I could have gotten my 7th grader to put the data in an Excel program.”

◆ **Independent, but not too self-sufficient**

I tell my clients that while they have hired an excellent appraiser, I do not—nor will I ever—know it all. A good appraiser NEVER turns down or refuses to consider any offered information. Taking this a step further, a good appraiser recognizes when a project has turned into an analysis that is over his or her head, and then either seeks help from a respected colleague or declines the assignment.

◆ **Not obsessive or an over-analyzer**

You have to come to terms with the fact that no appraisal report ever will be perfect. There always will be another piece of information that *could* be obtained. You have to know when to “put a pin in it” and get the report out the door.

And finally:

◆ **Easily bored. Eager for new challenges. Always, always, always learning**

Finding competent team players is

STATUS REPORT

As of Jan 24, 2007, Board records showed these totals for appraisers:

State Certified General . . .	462
State Certified Residential	366
State Licensed	143
State Registered	312

(Includes temporary and nonresident appraisers)

NEXT LICENSING, CERTIFICATION EXAM

October 6, 2007

**DEADLINE TO APPLY:
August 5, 2007**

Potential applicants should contact the Board’s staff for current information about the application process, exam schedules, fees, and other licensing matters. Call (501) 296-1843; use our website at www.state.ar.us/alcb/, or write to the Appraiser Licensing and Certification Board, 101 E. Capitol Ave., Suite 430, Little Rock, AR 72201

a crap shoot. If you own or manage a fee shop and you are looking to hire an appraiser or trainee, it is tough not to fall into the pit of hiring someone who does not, and never will, “get it.” You can waste months of your time and money.

You easily can tell good appraisers by reviewing their work and/or by giving them sample appraisal problems while interviewing them. However, because trainees have no appraisal experience, you should ask about and verify previous employment. Ask the applicants what jobs they liked and disliked and why. Make sure the applicants are *interested* in real estate. Ask what they think about the local real estate market. If a blank look follows, you probably have someone before you who is just looking for a J-O-B!

Board Suspends Licenses; Actions Appealed

The Arkansas Appraiser Licensing and Certification Board recently suspended the licenses of two appraisers after finding that evidence showed they had violated the Uniform Standards of Professional Appraisal Practice (USPAP) or other laws.

Board rules require publishing the names of those whose licenses have been revoked, suspended or surrendered as a result of disciplinary action.

The suspended appraisers are Linda Webb and Jauneita Pendleton. The Board's orders in both cases have been stayed pending the outcome of appeals. Webb has appealed to Benton County Circuit Court and Pendleton to Carroll County Circuit Court.

After a hearing April 11, the Board suspended Webb's license for six months to be followed by a year of probation during which she is to submit to the Board a monthly log of all signed and supervised appraisal assignments from which randomly selected reports will be reviewed for USPAP compliance. She also was ordered to complete 40 hours of a report writing education course and was fined \$4,000.

The Board found that Webb had violated USPAP record keeping provisions when the documents in her work file were not consistent with the three signed reports on the same property in the assignment.

Also, the Board found that Webb had mislabeled the reports as "restricted" in the Report Identification Addendum, failed to account for the inconsistencies between the reports developed on the same property for the same client within a six-month period, and failed to reflect the "June report" on the probationary log, as required, as a result of being

sanctioned previously by the Board.

After a hearing in December, the Board put Pendleton on probation with conditions. At a hearing May 23, the Board found she had violated the conditions of her ex-

isting probation and ordered her certification suspended for six months followed by the same probation period, fine, and remedial education requirements that were contained in the December action.

EDUCATION OFFERINGS

Arkansas Chapter of The Appraisal Institute - Contact Sara Stephens at (501) 372-7513 for information.

Baker's Professional Real Estate College
Shreveport, LA. Contact Billie Baker at (318) 222-7459.

Career Webschool
Distance Learning.
Call (717) 919-9191.

The Columbia Institute
Contact www.columbiainstitute.org or call 1-800-460-3147 for information.

Lifetime Learning - Contact Dennis McElroy at (417) 887-2221. All classes in Springfield, MO.

The Lincoln Graduate Center
Call 1-800-531-5333 for information.

McKissock Appraisal School
Call 1-800-328-2008. Online courses only offered in Arkansas.

Mid-South RE Appraisal Educators - Contact James Reuss at j_reuss@sbcglobal.net or www.midsouthappraisal.com. Courses offered in Hot Springs: July 21-22, 15 hrs.

National USPAP course; July 23-24, 15 hrs. QE Residential Market Analysis and Highest and Best Use; July 25-26, 15 hrs. Residential Site Appraiser Valuation and Cost Approach; July 27-28, 15 hrs. Residential Report Writing and Case Studies; Sept. 10, 7 hrs. USPAP Update.

National Association of Independent Fee Appraisers Call (312) 673-5914 for class schedule.

Ozarks Technical Community College - Springfield, MO. Contact Mike Toler at (417) 477-8880.

RCI Career Enhancements
Contact David Reinold at (479) 968-7752 or www.raycampinc.com. All courses in Russellville. July 23-24, 15 hrs., QE Basic Income Capitalization; Aug. 6-7, 15 hrs. QE Market Analysis and Highest and Best Use; Aug. 20-21, 15 hrs. QE National USPAP; Aug. 27-28, 15 hrs. Appraisal Math, Finance, Statistics; Sept. 24-25, 15 hrs., Residential Report Writing.

John C. Wilkerson Jr.
Pryor Creek, OK. Call (918) 825-1514 for information on class schedules.

COMPLAINTS, from Page 1

through the probable cause level during the first six months of 2007. Two cases were combined with a previously received case involving the same appraiser, 10 were dismissed without further action, 3 were issued letters of advice, 15 were referred to non-judicial (informal) hearings for further consideration, and 7 were referred to the full Board for administrative hearings.

Sixteen non-judicial hearings were held during the first half of 2007. These resulted in 2 dismissals, 1 letter of caution, 12 consent agreements and 1 referral to the full Board for an administrative hearing.

The full Board has held administrative hearings on three cases to date this year. These hearings resulted in two license suspensions followed by education, fines, and probation (both have been appealed) and one case of probation, education and fine.

"The appraisal profession changes constantly as do all active professions, and this creates new challenges, new rules and new questions," Brainerd acknowledges. "We don't always have an immediate answer for a new question, but unless we know of the problems you face, we can't search for solutions. Feel free to contact us with any appraisal questions or problems you have. We are very interested in helping you find the correct way in which to proceed."

ASB Gives Guidance on Who May See Reports; 'Significant' Assistance

In response to questions, the Appraisal Standards Board (ASB) frequently issues its answers that are designed to clarify the applicability of USPAP to specific situations.

QUESTION: An intended user of an appraisal I did who is *not* the client called to discuss the report with me yesterday. Do I need the client's authorization before discussing the appraisal with this intended user?

RESPONSE: Yes. The USPAP Ethics Rule states that "An appraiser must not disclose confidential information or assignment results prepared for a client to anyone other than the client and persons specifically authorized by the client."

QUESTION: In preparing an appraisal, I talk with many different people. I know the report certification must identify individuals who provide "significant real property appraisal assistance." What is significant appraisal assistance?

RESPONSE: USPAP does not contain a definition of significant appraisal assistance, but aspects of this phrase can be explored to clarify its meaning.

The term "significant" means the contribution must be of substance to the development of assignment results. In other words, the person must contribute to the valuation analysis in a noteworthy way. This would not include someone who merely collects or provides data for use in the analysis.

The reference to "appraisal assistance" means the contribution is related to the appraisal process or requires appraiser competency. Some appraisers think they have to provide the names of non-appraisers who help, but this is not so. Only appraisers sign the certification or are identified as providing significant appraisal assistance. For example, the use of an environmental expert to determine wetland boundaries would not be considered significant appraisal assistance.

Examples of contributions made by appraisers that constitute significant real property appraisal assistance include the identification of comparable properties and data, inspection of the subject property and comparables, estimated accrued depreciation, or forecasting income and expenses.

18 Fall Short On Renewal

Board records show 18 appraisers failed to meet the June 30 deadline to respond to the license renewal and certification notices that were sent to them in May.

Appraisers who continue to practice without up-to-date credentials are violating state law and could find themselves in serious difficulty with their clients as well as the Board. In

addition, they face a \$50 a month (or partial month) late penalty.

The rules provide for a 30-day grace period before the National Registry is advised that the appraisers are no longer eligible to perform federally related transactions. On Aug. 1, however, the Board will tell those who have not responded that they are no longer

eligible to appraise, and an advertisement in a local newspaper will list the persons by name. The appraisers will receive "cease and desist" letters.

Appraisals performed after July 1 by those without proper credentials can be rejected by clients and result in serious impacts on potential borrowers.

Board Asking 10 for Views About Agreement

In an effort to end a dispute with the Appraisal Subcommittee (ASC), the Arkansas Appraiser Licensing and Certification Board is surveying 10 “mass” appraisers to determine how they feel about two proposals concerning their certification.

The dispute began last year when ASC auditors objected to the Arkansas Board’s rule that ad valorem tax (often called “mass”) appraisers may be awarded experience credit based on a timed log of specific appraisal tasks performed, and by demonstrating that he or she effectively had used appraisal process techniques similar to those used by other appraisers to value properties.

The auditors complained that the one-line summaries in some of the timed logs the Board had accepted could not have provided the kind of information needed to determine whether the claimed work was USPAP-compliant.

The ASC said the Arkansas

agency would have to determine how many appraisers were licensed based on affidavit or ad valorem experience alone and to correct this.

The Board contacted 30 appraisers to determine if they had accumulated any post-credential fee appraisal experience. Of these, 20 said they had and provided the Board with logs and USPAP compliant reports documenting their experience.

The 10 remaining appraisers are being surveyed now about their ability and willingness to provide logs of past ad valorem experience along with work products that verify compliance with USPAP Standard 6.

Another option the 10 are being given is to have an understanding between the affected appraisers and the Board that as long as they are involved in ad valorem tax activities, their certification will remain intact with a restriction that they are “*not eligible to perform*

federally related transactions.”

The National Registry would show his or her certificate as being “inactive.” The restriction would affect in no way their ability to perform nonfederal related appraisals for independent clients outside their ad valorem capacity.

Before the appraiser could be removed from this restricted status, he or she would have to provide the Board at least two Standard 1 and 2 compliant reports and undergo a personal interview.

Board Director Jim Martin said no consensus has developed yet from the survey being conducted.

The Board has objected from the outset to the ASC auditors’ findings, but to no avail. Board representatives and Martin even met about the issue with the ASC’s director and attorney during the recent meeting of state regulatory officials in Florida. Martin reported the meeting produced more questions than answers.

Transcripts? Summaries? ASB Clears Up Issues

In response to questions, the Appraisal Standards Board (ASB) frequently issues its answers that are designed to clarify the applicability of USPAP to specific situations.

QUESTION: Does the expectation of having a transcript or summary apply only when an appraiser provides an oral report?

RESPONSE: No. The requirements set forth in the Record Keeping section of the USPAP Ethics Rule apply to both oral reports *and* testimony in an appraisal, appraisal review, or appraisal consulting assignment.

QUESTION: Is a transcript of an oral report or testimony required

for the workfile when an appraiser testifies about an appraisal assignment?

RESPONSE: No. The Record Keeping section of the Ethics Rule requires that the workfile contain summaries that are prepared typically by the appraiser *or* a transcript. When summaries are retained, a transcript is not required.

QUESTION: Does the expectation of having a transcript or summary of testimony available apply if the appraiser has a written appraisal report and testifies only to the information contained in that report?

RESPONSE: Yes. A transcript or summary of the testimony must be included in the workfile when the appraiser testifies about a written report along with a copy of the report that is the subject of the testimony.

QUESTION: Is the workfile required to contain a separate signed certification for any testimony the appraiser provided to support the report he or she prepared?

RESPONSE: No. The requirement to include a signed certification is satisfied by including a true copy of the report in the workfile, consistent with the Record Keeping section of the Ethics Rule.

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