



**NEWS**



**2011 Spring Conference April 9 thru April 11**

**San Antonio**

## From the President—Ami C. Milne-Allen

### In This Issue

Communicating With an Appraiser	4
Mass Appeal	7
Spring Conference Agenda	12



AARO had an active and productive year last year under **Bruce Fitzsimons'** presidency. We had our first joint conference with **The Appraisal Foundation** and the **Appraisal Subcommittee** in the fall in Washington DC. We had a professionally videotaped mock trial that was compliments of **The Appraisal Foundation** that is available online for education purposes for the jurisdictions.

The conference also featured a Board Member Training Session that is also available on line. We offered two more **Level One** investigator training classes and two **Level Two** investigator training classes in partnership with **The Appraisal Foundation**.

### AARO 's Mission:

To Improve the Administration and Enforcement of Real Estate Appraisal Laws in Member Jurisdictions through Communication, Research, Education, and Cooperation.

As we look towards the coming year, we as state regulators are facing several challenges. Implementation of the **Dodd-Frank** bill is going to be complicated for all of us. We will offer as much at the upcoming spring conference in **San Antonio** as possible to assist with this task. Regulators continue to struggle with AMC legislation. While many states have passed AMC legislation and are working through implementation, many states are in the process of writing

*(Continued on page 3)*

### Our Cover Image:

Is the iconic Tower of the Americas. Since 1968, the 750 foot high Tower has provided residents and visitors to San Antonio the most breathtaking views of the Alamo city.

Aside from the Observation Deck there is also fine dining (**Chart House**) amongst other attractions. Check out the website at:  
[www.toweroftheamericas.com](http://www.toweroftheamericas.com)



# ASSOCIATION OF APPRAISER REGULATORY OFFICIALS

(Continued from page 2)

AMC legislation and there are states that have not even started the process. **AARO** will continue to offer education to assistance with this for the jurisdictions.

The Steering Committee is working on a Policy and Procedure Manual for **AARO** that we hope to have finalized in the near future to offer consistency regarding travel, sponsors, conferences etc..

The **Policy and Planning Committee** has proposed changes to the **AARO** Committee structure. The recommendations suggest that committee chairs will be appointed by the president and have a two year term with a potential second two year term. Some of the initial chairs will have a one year term and some, two so that the chairs will be staggered and one president is not making all the appointments. This change will not apply to the Program Committee that will *always* be chaired by the President Elect. Committee Chairs will be the ones to attend the meetings that apply to their committees. For example, the Appraisal Standards Board Committee Chair will attend the Appraisal Standards Board meetings as necessary and will provide a written report to the Managing Director and the current president. This report will then be sent to all jurisdictions for their Boards to review and will be posted on the **AARO** forum and in the reading room section of the web site. The hope is that this will allow **AARO** committees to have a stronger and be more effective with longer term leadership. There are also some committee changes such as combing the **Appraisal Qualifications Board Committee** with the Education Committee.

We have a full, informative conference planned for the upcoming spring conference in **San Antonio**. Please visit the **AARO** web site for details.

Ami C. Milne-Allen  
AARO President

Originally named Misión San Antonio de Valero, the Alamo served as home to missionaries and their Indian converts for nearly seventy years. Construction began on the present site in 1724. In 1793, Spanish officials secularized San Antonio's five missions and distributed their lands to the remaining Indian residents. Originally named Misión San Antonio de Valero, the Alamo served as home to missionaries and their Indian converts for nearly seventy years. Construction began on the present site in 1724. In 1793, Spanish officials secularized San Antonio's five missions and distributed their lands to the remaining Indian residents.

<http://www.thealamo.org/main/index.php>





## Communicating With An Appraiser

Nikole M. Avers

Executive Director Tennessee Real Estate Appraisers Commission

The economy and the related mortgage lending crisis have led to many changes in the lending and real estate appraisal industry.

As the director of the TN Real Estate Appraiser Commission, I take a lot of calls from appraisers and users of appraiser services pertaining to these changes. Questions pertaining to changes resulting from the **Home Valuation Code of Conduct (HVCC)** which developed into the **Appraiser Independence Requirements (AIR)**, federal changes with the **Dodd-Frank Wall Street Reform and Consumer Protection Act, Title XIV - Mortgage Reform and Anti-Predatory Lending Act**, the Fed's

**Regulation Z** (the regulation used to implement various sections of the *Truth in Lending Act*), regulation of Appraisal Management Companies, and changes in the **FHA** requirements.

*Whew!*

After all that it is easy to be confused and feel the need to catch your breath. One issue keeps rising to the surface again and again—how to communicate with an appraiser in the aftermath of all the changes we have gone through in the past two years.

Appraisal independence has been at the heart of almost every substantive change that affects users of appraiser services. Federal law, State law, and secondary market

requirements have long had requirements pertaining to appraisal independence. The mortgage crisis and the difficult economic climate have caused the market participants to establish additional safeguard requirements to preserve this independence. From these requirements many myths were born.

### **Do the changes mean you can't talk to an appraiser?**

No. Communication is critical to the appraisal process – entire appraisal standards are devoted to it – and communication is not a one way street.

**USPAP** requires that an appraiser protect the confidential nature of the appraiser-client relationship. The appraiser must not disclose confidential information or assignment results to anyone other than the client, persons authorized by the client to receive this information; state appraiser regulatory agencies, third parties authorized by due process of the law, or authorized peer review committees. See USPAP ETHICS RULE – Confidentiality Section, and the DEFINITIONS section for Assignment Results and Confidential Information for more detail. This requirement pertains to what an appraiser may communicate to others, not what information users of appraisal services may transmit to the appraiser.

*(Continued on page 5)*



The spectacular Riverwalk

# ASSOCIATION OF APPRAISER REGULATORY OFFICIALS



San Antonio skyline at dusk

The HVCC pertained *only* to 1-4 family loans that lenders sold to Fannie Mae or Freddie Mac. The Federal Housing Finance Agency (FHFA), Fannie Mae, Freddie Mac and others developed the Appraiser Independence Requirements (AIR) which replaced the HVCC on October 15, 2010. Fannie Mae issued a FAQ on these changes in November of 2010, a link to that FAQ can be found at: <https://www.efanniemae.com/sf/guides/ssg/relatedsellinginfo/appcode/pdf/airfaqs.pdf>

Recommendations for communicating with an appraiser:

① Communicate by e-mail or written correspondence whenever possible. Written communication has the benefit of documenting the exchange between an appraiser and a user of appraisal services. You may wish to indicate you are communicating by letter or e-mail to preserve the appraiser's independence. It is not a violation to place a phone call to an appraiser, but in my experience you will have more success if the communication is in writing, especially if you do not have an established professional relationship with the appraiser.

② Determine your objective before you begin writing. Take your time with the correspondence to ensure only the specific and necessary information is communicated. Be brief and to the point.

(Continued on page 6)

(Continued from page 4)

Many have misinterpreted the HVCC requirements to have banned mortgage loan officers and real estate agents from speaking with a real estate appraiser. Some have indicated that FHA prohibits communication with real estate appraisers. Still others believe there is a prohibition in federal law, but there isn't. There are requirements to preserve appraiser independence and protect the public.

There is no prohibition for communicating with a real estate appraiser. FHA specifically requires that the lender and the appraiser "avoid even the appearance of a conflict of interest, which would include providing the appraiser anything of value in consideration of returning the appraisal at a given value," and "that (the lender) may not condition continued selection of an appraiser on inflating values or disregarding repair requirements." For a more detailed list of prohibited activities by FHA concerning appraiser independence, please visit their website and read mortgage letter 09-26:

<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/09-28ml.pdf>

The HVCC did not prohibit communication with a real estate appraiser, it required the loan production staff not have "substantive communications with an appraiser or appraisal management company relating to or having an impact on valuation, including ordering or managing an appraisal assignment."

The loan production staff and the staff of an appraisal management company may communicate with the appraiser to correct *factual* errors on the appraisal report.

The HVCC did not prohibit real estate agents or brokers from communicating with an appraiser. They are allowed to communicate with an appraiser as long as the communication was not done in a way intended to influence the outcome of the appraisal. Appraisers may receive information from others on information pertaining to the subject and market data information such as: relevant property information such as condition, improvements, deferred maintenance and amenities; income and cost data; closed and pending sales data; conditions of sale and seller concession information; and builder or inspection information.

# ASSOCIATION OF APPRAISER REGULATORY OFFICIALS

(Continued from page 5)

③ Be professional. Whenever possible, use appropriate terminology to the lending and real estate industry. This will set the tone for a professional response. No one expects you to be 100% knowledgeable of appraisal methodology or techniques, but if you can specifically identify the areas of concern, the appraiser will be able to respond to your specific concerns. Avoid sending off emails or letters before proof-reading them for spelling accuracy and tone.

④ Don't send an angry e-mail or letter to an appraiser. It won't likely help the situation if the appraiser finds the communication offensive or disrespectful. Sending an e-mail in all capital letters can set the tone that you are *yelling* at them. If you wish to dispute information contained in an appraisal report, be specific and professional. Mistakes can happen and my experience is that a professional will want to correct an error.

⑤ Avoid opining on the *value* of the property. Rendering an opinion of value is the reason the appraiser was engaged. Telling an appraiser what you think the value of a property should be will be the fastest way to have them close the communication door. Do not communicate in a manner that impairs or attempts to impair an appraiser's independence, objectivity or impartiality.

⑥ Just the facts. If you have information you want the appraiser to consider, present it as information. Acknowledge in your correspondence that it is the ap-

praiser's decision to determine if the information is relevant to the appraisal assignment.

⑦ If an appraiser is hesitant to respond to communication, reference the specific independence requirements pertaining to the transaction. For example, if the appraisal is an **FHA** appraisal, provide them with the link to the above mortgage letter on appraisal independence. If the appraisal is for **Fannie Mae** or **Freddie Mac** reference the link to the above **Fannie Mae** frequently asked question link on appraisal independence. Many appraisers have fallen victims to the myths created pertaining to appraiser communication; they may not know their specific allowances for communication.

⑧ Be patient. If you want a well thought out response or reconsideration, it may take time. If you are concerned about them not receiving your information, you may want to indicate in your communication, "*Please let me know you have*

*received this inquiry/information and, if possible, a time frame for your response.*"

As an appraiser, a lender's review appraiser, and as a regulatory official, I have been privy to both sides of the conversation. Appraisers communicate for a living; the tricky part is knowing how to start the conversation. I hope these tips help in beginning that conversation.

**Nikole Avers** is the Executive Director of the Tennessee Real Estate Appraiser Commission. She is a Certified Residential Real Estate Appraiser with experience in real estate appraisal, appraisal review and teaching appraisal courses. She is an AQB certified USPAP instructor and she contributed as a subject matter expert for the AQB on the 2008 and 2009 National Real Property Appraiser Examinations. Nikole is currently the chair of the AARO ASB oversight committee.



## Dining in San Antonio

Here cultures have collided bringing a Tex-Mex explosion to center stage. More than the staple salsa and fajitas, San Antonio's culinary landscape is proving that heritage and nuances can go hand in hand.

<http://www.visitsanantonio.com/visitors/play/eat-pray-love-in-san-antonio/Wheretoeat/index.aspx>



## Mass Appeal

Larry Clark, CAE—Director of Professional Development  
International Association of Assessing Officers

The standards that address

real property appraisal and mass appraisal are nearly identical in language, as well they should be.

Real property appraisal is the profession under which single property appraisal and mass appraisal form separate segments.

Single-property appraisal is the valuation of a particular property as of a given date.

Mass appraisal is the valuation of many properties, a *universe* of properties, as of a given date, using standard procedures and statistical testing. Assessors need skills in mass appraisal to produce

the initial values in a revaluation and in single-property appraisal to defend assessed values before appeal boards and the courts and to appraise special-purpose properties not easily valued by mass appraisal.

Both mass and single-property appraisal requires market research. The principal differences are in scale and quality control.

The scale of mass appraisal often requires that many people work on the process. This requires synchronization of both tasks and appraisal judgments.

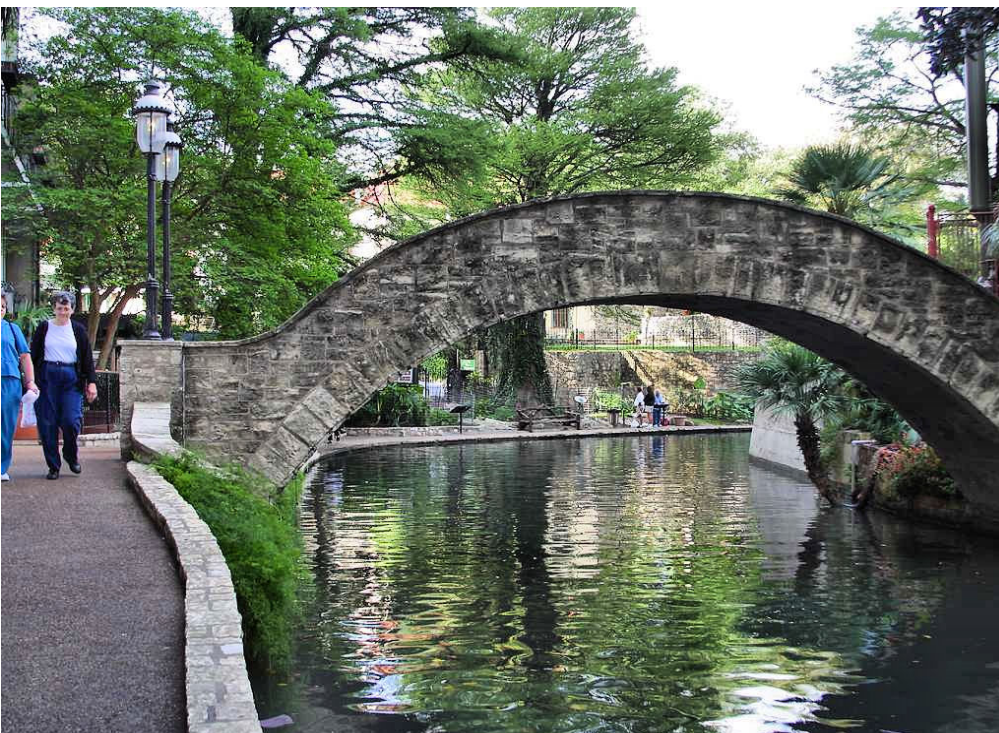
In the single-property approach, only one person need perform all research tasks and make all ap-

praisal judgments. Also, mass appraisal requires standardized procedures across many properties. Thus, valuation models developed for mass appraisal purposes must represent supply and demand patterns for groups of properties rather than a single property.

Quality is measured differently in mass and single-property appraisal. In mass appraisal, statistical methods are used to measure quality. If most mass-appraised values for properties with sales fall within a predetermined range from actual sales prices, work quality is considered good. The focus is not on the individual property. In single-property appraisal, quality can usually be judged by a comparison with comparable sales. Both mass and single-property appraisal can be judged by their adherence to professional standards.

Both mass and single-property appraisal is an exercise in applied economic analysis. They represent logical, systematic methods for collecting, analyzing, and processing data to produce intelligent, well-reasoned value estimates. Both mass and single-property appraisal relies on the same valuation principles such as supply and demand, anticipation, substitution, highest and best use etc. Both utilize the three approaches to estimating the value of real and personal property: cost, comparable

(Continued on page 8)



# ASSOCIATION OF APPRAISER REGULATORY OFFICIALS

(Continued from page 7)

sales and income. Those entering either segment of the appraisal profession will find themselves studying virtually the same material, whether they are preparing for a career in single-property or mass appraisal.

Beyond that beginning stage, however, the emphasis in mass appraisal moves toward standardization, synchronization and consistency.

A typical assessment office is comprised of a number of different individuals who specialize in one or more aspects of the entire appraisal process, beginning with data collection and ending with defense of value estimates.

Standardization is the process that takes the "rubber" of appraisal theory and principles and applies

them to the "road" of every-day activity. It ensures that everyone involved in the appraisal process is using the same terms through standard definitions. It ensures that no data is overlooked through standard data collection procedures and forms. It even ensures standard treatment of taxpaying customers through customer service training and standard report forms.

Mass appraisers, no less than single property appraisers face time deadlines that require synchronization of effort. Property characteristic data cannot be used until it is collected by someone who understands when the analyst needs it. The analyst has to provide results to those whose job it is to correlate a final value conclusion so that valuation notices can be sent to property owners on or before a statutory deadline. And if some

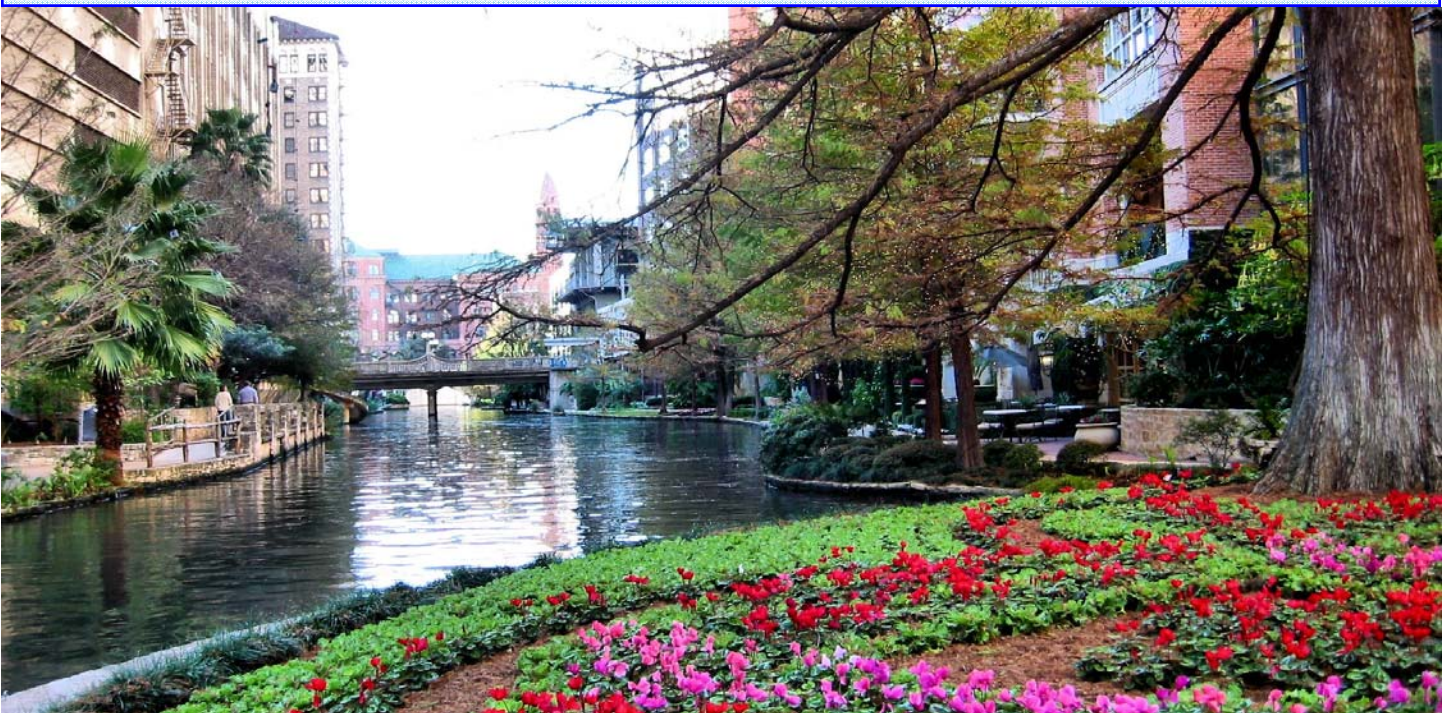
property owners are unhappy with the value estimate on their property, someone has to prepare a timely response to their complaint and be prepared to follow the complaint process to whatever conclusion is mandated by state law.

The goal of a mass appraisal project within a market value jurisdiction is the market value of each parcel. Additional pressure is brought to bear on the mass appraiser, however, to be consistent. That means the value of any given parcel is both consistent with the market evidence and with the values assigned parcels in the subject's immediate environment. It is referred to in mass appraisal education as "equity" and it means that a difference in value may be directly traced to a recognizable difference in the property and not to

(Continued on page 9)

Cruise the River

<http://www.riosanantonio.com/content/publish/riotrans.shtml>





# ASSOCIATION OF APPRAISER REGULATORY OFFICIALS

(Continued from page 8)

inconsistent treatment by an assessor.



Standardization will help, but where the exercise of judgment is required to assign important property characteristics, such as construction quality or effective age, consistency is achieved with purposeful training and experience. The use of valuation models has been used to separate mass from single-property appraisers, but the truth is all appraisers use them. A model, in its simplest sense, is a representation of something else.

Every appraiser has used the model:

$$MV = BV + LV$$

Where:

MV = market value estimate of the subject property

BV = depreciated building or improvement value

LV = land value

and many have used the model:

$$MV_s = SP_c + ADJ_c$$

Where:

MV<sub>s</sub> = market value estimate of the subject property

SP<sub>c</sub> = selling price of a comparable property

ADJ<sub>c</sub> = total adjustments to the comparable sale

or

$$MV = NOI \div OAR$$

Where:

MV = market value estimate of the subject property

NOI = net operating income

OAR = overall capitalization rate

A mass appraiser will spend more time analyzing those models in order to more accurately specify and calibrate them.

A single-property appraiser using the cost model may simply accept the existing structure and estimate a value by adjusting one of the components, such as depreciation. The mass appraiser has to exercise more discretion because the issue of consistency demands that adjustments for a single property be considered for all properties in the same class or location. Adjustments to a single property have to be weighed against the responsibility to treat all properties equitably.

With these factors in mind, the education and experience requirements for the person who collects data in the field can be different from the person who analyzes that data and uses it to specify and calibrate valuation models, which can also be different than the person who correlates the value estimates into a single market value estimate for each property. Especially in

the larger offices, there may be support staff that perform the clerical functions associated with any appraisal project, but their education requirements will not be considered here.

As with any other apprentice approach, the new employee would work with the supervisor, then under the supervisor's review of the entire work product before working as an independent data collector. The length for each of these phases will depend upon the individual employee's ability to master the skills needed.

An appraiser analyst must have the knowledge of a data collector coupled with the knowledge of how to use that data to generate accurate value estimates.

(Continued on page 10)



King William Historic District features a rich German heritage in an area known as Sauerkraut Bend. Large, stately homes on lands subdivided in the 1860s and named for King Wilhelm I, King of Prussia.

Check out the walking tour:

<http://www.saconservaion.org/pdf/kwwalkingtour.pdf>

# ASSOCIATION OF APPRAISER REGULATORY OFFICIALS

(Continued from page 9)

This requires the analyst to have a firm grasp of the workings of the real estate market, a working knowledge of statistics and a thorough knowledge of the strengths and limitations of the particular legal and valuation system in which he or she is working.

Statistical analysis of sales, income and cost data will be used to isolate those factors that cause valuation changes within each market area that same statistical analysis has defined. His or her knowledge of the particular valuation system that is being used will enable the efficient deployment of valuation models built on the previous analysis.

Finally, someone with the judgment that only training and experience in real property appraisal can bring must correlate the output of those valuation models into a final value estimate for each property in the jurisdiction.

This position requires a thorough knowledge of appraisal principles and how those apply in the local market(s). It also requires sensitivity to the requirements for equity in and among neighborhoods and property classes, as well as the political implications of value changes over time. Appraisers at this level will also be called upon to defend their decisions in whatever informal and/or formal appeals process is applicable to the jurisdiction.

The delineation and segregation of these responsibilities will depend upon decisions made at the juris-



Spanish Governor's Palace

[http://www.sanantonio.gov/dtops/parks\\_plazas/governorspalace.aspx](http://www.sanantonio.gov/dtops/parks_plazas/governorspalace.aspx)

diction level, some of which will be influenced by size. When there is only one assessor hired to oversee the valuation of a jurisdiction, he or she will obviously have to assume all of these roles.

On the other hand a large jurisdiction that can afford to hire a specialized staff may choose to require its entire appraisal staff to be thoroughly familiar with all of these roles. It is very valuable for the person who is collecting data in the field to sit across from a property owner and explain how a one-story ranch turned into a two-story colonial or two bedrooms became three.

An analyst who finalizes a residential model that produces a \$50,000 deck in a neighborhood of \$150,000 homes will look more closely at

sales data and model output after trying to explain that value to the property owner.

Considering the possibility of separate roles, it is reasonable to ask someone who submits a report of their mass appraisal experience to specify the hours spent on particular phases. Just as a single-property appraiser has to spend a certain amount of time collecting data, it is reasonable to allow experience credit for a mass appraiser performing that function. It is equally reasonable to set a limit of the number of hours accepted, since there is more to appraising than collecting data.

After studying this issue, IAAO members have proposed that no more than 33% of any experience

(Continued on page 11)

# ASSOCIATION OF APPRAISER REGULATORY OFFICIALS

## HOTEL CONTESSA SUITES ON THE RIVERWALK

306 WEST MARKET STREET, SAN ANTONIO, TEXAS 78205

\$ 179 PLUS 16.75% TAX

866-435-0900



*(Continued from page 10)*

hours required be devoted to data collection. It is felt that the other functions relating to the mass appraisal process should be considered equivalent to appraisal functions performed by single property appraisers. The skills needed to distill market data into an estimate of value of a single property are similar between the single property and mass appraiser.

**Larry Clark** assumed the position of Director of Professional Development for IAAO on January 22, 2008. He came to that position with over twenty-seven years of experience with three separate assessment offices in the State of Kansas. During that time Larry earned the RES and CAE designations. He also served as an officer, including president of the Kansas County Appraisers Association and the Kansas City Chapter of IAAO. He has served on the Education and Designations subcommittees of the IAAO Professional Development Committee for several terms. In addition, he has been a recipient of the Bernard L. Barnard award on two occasions, the Most Valuable Member and the Instructor of the Year awards from IAAO. He has published numerous articles and has many years of experience as a senior instructor, a professional designation advisor and a demonstration appraisal report grader.



### **Fall Conference**

**October 15—18, 2011**

**Westin City Center**

**Washington DC**



# AARO Spring 2011 Tentative Program Agenda

**SATURDAY, APRIL 9, 2011**

**8AM—4PM**

**REGISTRATION**

**8:30—10AM**

**COMMITTEE MEETINGS**

Policy & Planning—Rod Stirman  
Nominating—Bruce Fitzsimons  
ASB Oversight—Nikole Avers  
Investigator Training—Dennis Badger

**10—10:15AM**

**BREAK**

**10:15—11:45AM**

**COMMITTEE MEETINGS**

Education & AQB Oversight—Larry Disney  
Program/Publications—Don Rodgers  
Budget & Finance—Sherry Bren  
Past Presidents—Jim Martin

**11:45—1:30PM**

**LUNCH SPONSORED BY ZDS**

**NOON—1:15PM**

**BOARD MEETING**

**1:30—1:45PM**

**OPENING SESSION—WELCOMING REMARKS**

Ami Milne-Allen, AARO President  
George Harrison, AARO Ambassador to San Antonio

**1:45—3:15PM**

**FEDERAL AGENCY UPDATES**

Moderator—Ami Milne-Allen  
Appraisal Foundation—Dave Bunton  
ASC—James Park  
ASB—J. Carl Schultz  
AQB—Rick Baumgardner  
APB—Gary Taylor

**3:15—3:45PM**

**BREAK**

**3:45—4:30PM**

**ISSUES WITH AMC IMPLEMENTATION**

Moderator—Roberta Ouellette  
Panel: Utah, Bob Keith, Rod Stirman

**6—8PM**

**PRESIDENT'S RECEPTION**

# ASSOCIATION OF APPRAISER REGULATORY OFFICIALS

## AARO Spring 2011 Tentative Program Agenda

### SUNDAY, APRIL 10, 2011

<b>8AM—4PM</b>	<b>REGISTRATION</b>
<b>8:00—8:45AM</b>	<b>BREAKFAST</b>
<b>8:30—10:00AM</b>	<b>DODD-FRANK INTERIM RULES</b> Moderator—Rod Stirman Virginia Gibbs—Federal Reserve
<b>10—10:30AM</b>	<b>BREAK</b>
<b>10:30—NOON</b>	<b>REVISIONS TO TITLE XI</b> James Park & Alice Ritter Appraisal Subcommittee
<b>NOON—1:15PM</b>	<b>LUNCH ON YOUR OWN</b>
<b>1:15—3:30PM</b>	<b>JOB FUNCTION BREAKOUT SESSIONS</b> Administrators—Moderator—Sherry Bren Attorneys—Moderator—Neva Conway Board Members—Moderator—Patti Fisher Investigators—Moderator—Tom Lewis **Open to Regulators ONLY
<b>1:45—3:15PM</b>	<b>NETWORKING AND GROUP DISCUSSIONS</b>
<b>6—8PM</b>	<b>EVENING RECEPTION</b>

### MONDAY, APRIL 11, 2011

<b>8:00—8:30AM</b>	<b>BREAKFAST</b>
<b>8:30—10:15AM</b>	<b>UNIFORM APPRAISAL DATASET</b> Moderator—Larry Disney Panel: Robert Murphy, Fannie Mae Mark Simpson, Freddie Mac
<b>10:15—10:30AM</b>	<b>CONFERENCE WRAP-UP</b> Don Rodgers, President-Elect
<b>10:45—NOON</b>	<b>POST CONFERENCE BOARD OF DIRECTORS MEETING</b> All Members Welcome!