

THE IOWA APPRAISER

VOLUME 2, ISSUE 2

AUGUST 2018

IOWA DIVISION OF BANKING
IOWA REAL ESTATE APPRAISER EXAMINING BOARD

A Letter From The Editor

We did it! We made it through the first batch of renewals in the new system. I'd like to thank everyone who renewed this year and say I appreciate your patience and understanding during this process. I know how frustrating it can be trying to navigate in a new system or complete applications online when you are used to being able to complete them via a paper application. I hope it wasn't too stressful for anyone and that not too much of your time was spent trying to figure it all out. I know your next renewal will be easier and it should go more smoothly. Perhaps you can share some of the tricks you learned along the way with your peers who will be going through their renewals in 2019. If you shared them with me, I would include them in a future newsletter column.

After months and months of requesting names to be added to the list of potential supervisors for the Real Estate Appraiser Examining Board's website, I've posted a list of all active supervisors for potential associate appraisers to review. Don't be surprised if you get calls from individuals requesting employment.

We have our first story submission in this issue, and I hope more is obtained along the way. If you have a comment on the story, submit a letter to the editor-I'll take them by email or mail. Another item in this month's issue is a short interview with the Board members. Read the article for a sneak peak into their lives.

-Brandy March,
Executive Officer

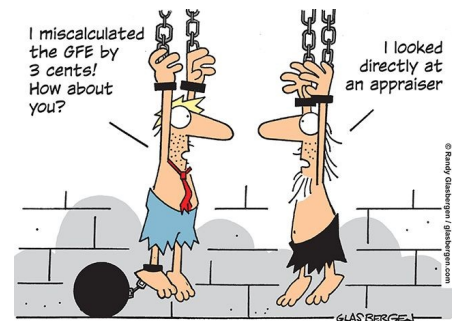
If I were a professional wrestler, I'd want a name that strikes fear in most people.

Something like, "The Appraiser".

LighterSide
REAL ESTATE



IDOBanking
Iowa Division of



Mortgage Origination Crimes

In Every Issue...

New Appraiser Licensees & AMC Registrants	2
Word from the Board	3
Industry Headlines	5
FAQ (Frequently Asked Questions)	6
Spotlight Interview	7
Discipline Update	10
Compliance Corner	12

Contact Information

Iowa Division of Banking
200 E. Grand Ave, Suite 350
Des Moines, IA 50309
AMCSupervision@iowa.gov
realestateappraiserboard@iowa.gov
Phone: 515-725-9025 Fax: 515-725-9032

Welcome Appraisers

ASSOCIATE APPRAISER

Golberg, Gabriel (AG03633)
Groeneweg, Andrea (AR03623)
Hickie, Heather (AR03627)
Maske, Brandon (AR03622)
Ruffcorn, Blake (AR03637)
Von Schlotterback, Kelly (AR03626)

Miles, Benjamin (CG03634)
Peirce, Scott (CG03629)
Perju, Sergiu (CG03632)
Pincomb, Arthur (CG03624)
Poe, Jack (CG03625)
Roberts, Andrea (CG03635)
Wickham, Jeffrey (CR03628)

INITIAL CERTIFICATION

Davelaar, Erin (CR03347)
David, Joseph (CR03212)
Fuessley, Lindsey (CG03339)
Harman, Benjamin (CG03257)
Kinne, Reed (CG03307)
Swales, Rita (CG03382)

REACTIVATION / REINSTATEMENT

Klostermann, Lisa (CR01840)
Roisen, Julie (CG03202)
Sharpe, Michael (CG02909)

RECIPROCITY

Deitemyer, Todd (CG03636)
Jones, Kaleigh (CG03631)
Knipper, Phillip (CR03630)



Welcome AMC Registrants

Home Base Appraisal Management, LLC (00104)
RPM Appraisal Services, Inc. (00102)
Saint Louis Appraisal Partners, LP DBA Appraisal Partners (00103)

Word From The Board



A very good friend of mine, from Fort Dodge, was appointed by Governor Reynolds to a Superintendent position once Terry Branstad was nominated as Ambassador to China. That is a great honor. It inspired me to serve in some way, and give back to the state where I raised my children as I appreciate all the advantages of raising a family, living and working in the Midwest.

I applied online for several board positions with boards that appealed to me either professionally or personally. I had not heard any response but knew there were several board openings that still needed to be filled. Then, it seemed many months later, I received a call directly from the Governor's office asking if I would be interested in serving on the Real Estate Appraisers Examination Board. I was

thrilled to be chosen and accepted admittedly sitting up a little straighter in my chair when I hear the Governor's office is calling.

I was immediately impressed with the Board's Executive Officer in contacting me and guiding me through the process of being appointed as a new Board member. There were three new board members coming on at the same time three board members were leaving. We also had a change in Board chair with the exiting board members. The new board members were invited to attend a board meeting prior to appointment to observe and get a feel for what a meeting is like. I found that very helpful and informative. The new Board members were appointed effective May 1. Ironically, I was asked very short notice due to another board member being unable to attend due to medical issues if I would be able to attend an ARRO Conference in Seattle. Fortunately, my self-employed schedule allowed me to attend. I would recommend that ALL new Board members attend a similar conference as a new Board member if at all possible. That experience offered such a large degree of information, education and perspectives that catapulted my knowledge and awareness as a Board Member that would have taken months and hours to obtain on my own. I realized then, the importance and value of serving on this Board and our responsibility to the public as a Board member. I was able to meet and talk with many professionals in the field in many different capacities that accelerated my knowledge and awareness of the Board in general. The Board consists of professionals in the field and public members who take their profession and responsibilities as a Board member very seriously. I am honored to be serving on a Board with such dedicated people and look forward to giving back to the State I've called home for over 25 years now.

Tracy Crimmins, Board Member

Future Board Meetings

Times are subject to change. All public is welcome to attend at the Board office located at: 200 East Grand Ave, Suite 350 in Des Moines, IA 50309. Agendas can be found on the Board's website at: <https://www.idob.state.ia.us/REAP/> by clicking on "About the Board," "Board Meeting Schedule, Agendas and Minutes," and "2018."

Thursday, August 23, 2018 (In-Person) 1:00 pm

Thursday, September 27, 2018 (Teleconference) 1:00 pm

Tuesday, October 30, 2018 (In-Person) 1:00 pm

Thursday, November 29, 2018 (Teleconference) 1:00 pm

Thursday, December 20, 2018 (Teleconference) 1:00 pm

Lapsed Licensee Notice

July 30 was the last day to submit a late renewal. The 81 individuals listed below must submit a reinstatement application to have their Iowa license placed in active or inactive status.

Contact: Last	Contact: First	License:
Aerisolphal	Megan	CR02774
Ahern	James	CR02526
Ament	Wilfred	CG01239
Anderson	Brad	CR02342
Andreesen	Arnie	CG01650
Antonacci	Daniel	AG03444
Askew	James	CG03516
Baish	Christopher	AR03401
Banzhaf	Cynthia	CR01372
Bean	Douglas	CR02594
Bell	Peter	CG01397
Bentle	Thomas	CG03536
Bernard	Smedmore	CG03303
Beyer	Trenton	CG03584
Bissell	Charles	CG02328
Boaz	Amy	CR02923
Boden	Peter	CG03318
Bohl	Brad	AG03201
Boustead	Marilyn	CG01194
Brand	Andrew	CG03137
Brashears	Steven	CR02751
Brockbank	James	CG02211
Brovold	Trevor	CG03542
Brown	Loyd	CG01215
Bumguardner	Clint	CG03070
Byrum	Micheal	CG01339
Carlson	Lynn	AR03236
Chandler	Brian	CG03172
Chelesvig	James	CG01455
Childers	Edward	CG02864
Christensen	Ron	CG01030
Christensen Jr.	Clair	CR02084
Christman	Susan	CG03366
Clark	Neil	CG01731

Contact: Last Name	Contact: First Name	License: Number
Clark-Louderback	Connie	CR02216
Comstock	Ashely	AR03558
Danielson	Thomas	CR03098
Davis	James	CR01241
Dee	Gerald	CG02217
Detling	Robin	CG03574
Dolbeare	Betty	CG03364
Dominy	David	CG03472
Donaldson	Jason	CG03514
Duncan	Elizabeth	CG03506
Duwe	Dennis	CR02301
Estlund	Austin	AG03369
Fiore	Rene	CR03586
Fitzgibbons	Timothy	CG03424
Fleagle	Norman	CG01564
Frahm	Nancy	CG02032
Gallo	Sheryl	AR03384
Gardner	Scott	CG03489
Gastreich	Kent	CG03135
Gerot	George	CG02144
Gill	Samuel	CG02426
Green	Christopher	CR03305
Greenlee	Benjamin	CG03276
Hand	James	CR01389
Harms	Greg	CG01157
Harvey	James	CR02156
Heimes	Scott	CG03006
Herold	Joshua	AR03539
Hildenbrand	Kyle	CG03167
Hunter	Samuel	AR03471
Hunter	John	CR02511
Inman	Rick	CG02442
Jenkins	Jackie	CG03002
Jolicoeur	Bruce	CG03609

Lapsed Licensee Notice Continued

Contact: Last Name	Contact: First Name	License: Number
Kahler	Allen	CG01797
Kealy	William	CG02852
Kendzior	Michael	CG01545
Kielisch	Kurt	CG03477
King	Vincent	CR02898
Klaassen	Kevin	CG01436
Knaack	Aaron	AG03254

Contact: Last Name	Contact: First Name	License: Number
Knight	Elizabeth	CG03207
Kophamer	Kenneth	CG01715
Kremer	Ralph	CG01458
Kvols	Jonathan	CG02992
Mclaughlin	Elizabeth	AG02902
Patchett	Jillisa	CR03148

Industry Headlines

[Newly Published California Case Helpful to Appraisers: Tindell v. Murphy](#)

The California Court of Appeal authorized the publication of the case Tindell v. Murphy so that it may be used by other appraisers in similar court cases. It builds on prior case law in California. The appraiser won the case in Tindell v. Murphy as the case was dismissed due to the fact that the borrower was not the intended user of the appraisal.

[Landscaping Can Significantly Impact Home Values, Appraisal Institute Says](#)

A well landscaped property could add 6 to 13% to the overall value. There are four landscaping improvements one should consider: stick to essentials, plant a tree, think local, and be efficient. The American Society of Landscape Architects recommends 10% of a homes value be invested in landscaping.



Submit A Story

We'd love to hear from you. If you have a story to submit, or are aware of something going on in the profession, let us know. Maybe you have an interesting story that pertains to the profession or one that would benefit our readers. Email Brandy March at: brandy.march@iowa.gov with the subject line, Story Submission. Your story may be published in the next newsletter.

FAQ (Frequently Asked Questions)

Q: Where can I find a list of available supervisors?

A: There is a list of appraisers who currently supervise associates on the home page of the REAP website at: <https://www.idob.state.ia.us/reap/>.

Q: Where can I find a copy of my license card? Do these get mailed out anymore?

A: License cards are attached to the appraiser's license number within the online system. The State no longer mails out license cards or certificates, unless the appraiser requests and pays for a formal wall certificate.

Q: Has the Board drafted rules changing the state requirements pertaining to the 2018 AQB Criteria?

A: As you may be aware, the Board voted in April 2018 to partially adopt the 2018 AQB Criteria. Recently, the Board was asked to adopt rules to that affect. Due to further discussion and Board member changes, the vote was split and rules were not noticed. The Executive Officer will place the AQB Criteria on the August 2018 Board meeting for further discussion and potential vote to rule changes.

Q: I've had a complaint filed against me, can you describe the investigation process and what I should expect?

A: When a complaint is initiated due to an appraisal report, the appraiser (respondent) will receive a secure email and a letter in the mail advising the appraiser that a complaint has been filed against him/her. The letter will provide the subject property and will ask the appraiser to submit two copies of the appraisal report and workfile as well as provide comments to some questions regarding the report and their overall practice.

Once copy of the report is submitted to a peer reviewer for Standard 3, or 6, review. The peer reviewer uses a form created by the Board to evaluate whether or not the appraiser complied with each Standard. The peer reviewer also makes a recommendation to the Board as to how the case should proceed. The peer reviewer does not make specific recommendations, only that the case should be closed, further investigated or that discipline should take place. The peer reviewer may recommend interviewing or education but not a specific course, hours, etc.

Typically, if the Standard 3 review comes back with

some deficiencies, the Executive Officer will review the appraiser's log and select 2 additional reports for Standard 3 review.

This allows the Board to determine if the issues in the subject property report are systemic or an isolated event.

If the Standard 3 reviews on the additional reports reveal concerns or USPAP violations, the Board generally offers the appraiser a chance to meet informally with the Discipline Committee of the Board in an informal interview. This is entirely optional.

The Board considers a lot of mitigating and aggravating factors when determining the outcome of a complaint. The Board has quite a few options to take on a complaint, some of which may not result in public discipline. The Board may take actions that are not public discipline which consist of closing a case, closing with a cautionary letter (which may be used against the appraiser as an aggravating factor in future complaints), and a conditional dismissal which means the Board may recommend the appraiser take specific courses for their continuing education (steered CE) that is not punitive, meaning more education hours than what is required for renewal. Actions that may lead to public discipline include setting the matter for hearing and charging the appraiser with violations of the Administrative Rules, offering a settlement agreement (this would only become public if the appraiser agrees to the terms, and if not, the matter is typically set for a formal hearing), suspension, revocation, and voluntary surrender in lieu of revocation.

The Board is allowed one year, without extenuating circumstances, to reach a decision on a case. The Board understands that the complaint process can be a very stressful process. The Executive Officer or the Assistant Attorney General is more than happy to answer any questions a person may have whether they are the complainant or the respondent. However, unless a case has been set for hearing or results in public discipline, all complaint information is confidential and specific items about the investigation or complaint may not be able to be answered.



Spotlight Interview—David Cronbaugh (CR02042)

This issue's spotlight interviewee is David Cronbaugh. He is a certified residential appraiser (CR02042) in Cedar Rapids, Iowa. He received his initial certification in September of 1998. He and his wife, Sheila, used to drive around looking at houses for fun so it only seemed natural that he took the opportunity to become an appraiser when it was available. Why not get paid to do what you enjoy.

When asked about changes he's seen since becoming an appraiser, David said "technology has really made the process considerably easier with software, photos and with the amount of information available. On the minus side the AVMs and websites like Zillow have made it more important to communicate with lenders and home owners why what we do as appraisers is a better option and the downfall of those items. AMCs have also slowed the process of communicating with lenders where a five minute phone call to get an explanation now can take half a day or even a day to get an answer."

It is often said that being an appraiser provides a considerable amount of flexibility in life. It's no different for David; he has been able to attend the activities of his sons and help care for his family members when needed.

David plans to continue to stay on top of changing trends in technology and home styles for now. However, he is unsure if this will be his final career due to the decrease in pay and increase in work.

David used to spend his spare time watching his son play baseball and coaching the high school team. That all changed when his son joined the St. Louis University baseball program. Now David gets to spend his time going to St. Louis to see his son and

also watch the Billikens play baseball. Sometimes, he volunteers at Kennedy High School and runs the scoreboards for basketball and baseball games.



Pictured below (left to right): David Cronbaugh, his wife Sheila, and their son Noah.



FARM APPRAISER COMPETENCY

**This article is a submitted story and contains an individual's perspective. It is not endorsed by the Iowa Real Estate Appraiser Examining Board or the Iowa Division of Banking.*

Have you ever noticed that things seem to go in cycles? If an airplane gets hijacked, there's probably going to be more. If a volcano erupts, you can count on there being another eruption. Recently, the Real Estate Appraiser Examining Board (Board) has reviewed a rash of farm appraisals prepared by folks with very little experience and background in agriculture.

Just because you grew up in the Tall Corn State, visited Grandpa's farm every summer as a kid and you know that John Deere tractors are green doesn't automatically make you competent to appraise farms. Personally, I know about soap and, on any given day, I probably have quarters in my pocket; but, that doesn't make me competent to appraise a car wash.

Let's see how much you know about agriculture. The following is a farm appraiser competency quiz.

Farm Competency Quiz

1. What color are Case IH tractors and equipment?
2. What does CSR stand for?
3. What does HEL stand for?
4. What does CRP stand for?
5. What is the current farm bill called?
 - A) Freedom to Farm
 - B) Direct & Counter Cyclical Payments
 - C) Agricultural Risk Coverage
6. Are Holstein cows beef cows or dairy cows?
7. What is the Master Matrix?
 - A) A spreadsheet of soil type productivity indexes
 - B) Canvas stretched over a grain truck to keep the grain dry
 - C) Hog confinement permitting rules
 - D) Grid of soil samples for fertility levels
8. What is the breakeven price per bushel to raise corn according to ISU Extension?
9. What is brome?
 - A) Cyclone's Head Basketball Coach
 - B) Used to sweep out of livestock pens
 - C) A type of grass
 - D) Common soil type south of Interstate 80
10. Match the item in the left column with the appropriate item in the right column:

Sweet Corn	Weed
Soybeans	Vegetable
Potatoes	Legume
Morning Glory	Grass
11. Rank the following like terms by age/size:
 - A) Sows, Weaners, Feeder Pigs, Market Hogs, Gilts
 - B) Feeder Cattle, Calves, Heifers, Cows, Market Beef

Ideally, one should have a perfect score because these are all beginner level questions. A 17 year old member of the local high school's (FFA) chapter is going to correctly answer over half of these questions. If you can't score as well as your nephew back home on the farm, you're probably not competent to accept the farm appraisal assignment. BTW, do you know what FFA stands for?

If you accept a farm appraisal assignment for which you're not competent, you have just violated the Competency Provision of USPAP. The Competency Provision reads as follows:

An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary competency to perform the assignment; or (3) decline or withdraw from the assignment. In all cases, the appraiser must perform competently when completing the assignment.

BEING COMPETENT

An appraiser must determine, prior to agreeing to perform an assignment, that he or she can perform the assignment competently. Competency requires:

1. *the ability to properly identify the problem to be addressed;*
2. *the knowledge and experience to complete the assignment competently; and*
3. *recognition of, and compliance with, laws and regulations that apply to the appraiser or to the assignment.*

You can begin your quest to become competent by researching the answers to the Farm Appraiser Competency Quiz above.

Just because you've recognized that you may not be competent, doesn't mean you have to turn down the assignment. You still have the option to associate yourself with

FARM APPRAISER COMPETENCY CONTINUED

someone who is competent. In other words, find somebody who does know the answers to the Quiz. It does not have to be a certified appraiser. Your local, active, experienced farmland broker or farm manager are excellent resources of market information.

USPAP also requires you to be geographically competent. Here's a little tip. If you don't know the unique way to pronounce Osage or Knierim or Kamrar or Nevada, then you aren't geographically competent to appraise near Osage, Knierim, Kamrar, or Nevada.

The following examples are problems identified in farm appraisals submitted for Standard 3 review to either the Work Product Review Committee or the Discipline Committee of the Board.

1. Wooded ravines on the subject property were compared to wooded ravines on the sales on the basis of CSR2 average.
2. Pig nurseries were compared to hog finisher sites in the Sales Comparison Approach. (This is like comparing a single family home to an apartment building.)
3. The search for large hog confinement facilities was confined to within an hour drive of the property being appraised.

4. The cropland or building sites sales were not documented. The sales were just pulled from a subscription service or the Assessor website. Was it sold by auction? Was the buyer an adjoining owner? Did it have any market exposure?

5. There is no evidence in the report that the USDA Service Center was ever contacted. Are there any designated wetlands? When does the CRP contract expire? What would be the CRP termination penalty? How can you value a farm if you don't know how many acres are tillable? The Farm Service Agency (FSA) has sophisticated digital measuring capability using high resolution satellite photography. It is not uncommon for the FSA measurements to be more accurate than the gross acre and net taxable acre figures according to the Courthouse. Just ask a surveyor.

A university football assistant coach recently told farm boy recruits that they wouldn't benefit from studying agriculture in college. Wrong. Maybe someone should turn that football recruiter into the Discipline Committee of the Real Estate Appraiser Examining Board! ;-)

Helping Peers Be Better Farm Appraisers
Fred Greder, Certified General Appraiser



Photo Courtesy of Bob Felderman, General Bob Photography

Discipline (May 1, 2018-July 31, 2018)

Since May 1, 2018, the Board has received five (5) new complaints. The Board has closed a total of nine (9) complaints.

There have been two (2) consent orders, suspensions, or voluntary revocations during this period. You can find existing consent orders on the Board's website at: <https://www.idob.state.ia.us/REAP/> and clicking on "Disciplinary Index/Adverse Action" on the left side of the screen and performing a search by an individual's last name or by a case number.

17-30 Ellis, Corey (CG01931) Rock Island, IL

The Board and Respondent entered into a combined statement of charges and settlement agreement on June 1, 2018. Mr. Ellis was charged with failure to adhere to USPAP in the development and communication of appraisals in violation of Iowa Code sections 543D.17(1)(d) and .18(1) and Iowa Administrative Code rules 193F—7.2, 7.3(2)(d) and .3(7)(a); failure to exercise reasonable diligence in the development and communication of appraisals in violation of Iowa Code section 543D.17(e) and Iowa Administrative Code rule 193F—7.3(6)(a); and demonstrating negligence or incompetence in the development, preparation and communication of appraisals in violation of Iowa Code sections 272C.10(2) and 543D.17(f) and Iowa Administrative Code rules 193F—7.3(2)(c) and (6)(a). Mr. Ellis is required to take 105 hours of continuing education (30 hour general appraiser site valuation and cost approach, 30 hour general appraiser sales comparison approach, 30 hour general appraiser income approach part 1, and a 15 hour residential report writing and case studies course) of which only 45 hours may be taken online with the exception of the 30 hour General Appraiser Site Valuation & Cost Approach course; submit monthly logs; submit three reports for Standard 3 review, as requested by the Board, approximately 60 days after the required hours of education are completed (two of the three must be commercial properties with an income approach and one of the three should be a residential property with an income or cost approach); pay a sum of \$1,700 for the cost of the peer reviewer services; and not supervise an associate or otherwise co-sign another appraiser's work while under the terms of the Settlement Agreement.

16-41 Hand, James (CR01389) Dewitt, IA

The Board entered into a conditional reinstatement order/settlement agreement with Mr. Hand on July 23, 2018. Prior to the Board granting an application for reinstatement, Mr. Hand is required to provide proof of client notification pertaining to the voluntarily surrender; complete the 15 Hour 2018-2019 USPAP course within 60 days; enter into a supervision agreement with a Board approved supervisor; and submit four (4) demonstration reports 60 days after the education is completed for Standard 3 review. The Board may then grant an application for reinstatement which shall remain subject to oversight and monitoring or deny the reinstatement application. If granted, Mr. Hand will continue to be subject to one (1) year of log review monthly; the Board will randomly selected one report from the monthly log for Standard 3 review with not less than 6 appraisals being selected during the one year period; pay the cost of the peer reviewer fees for each report submitted; fully and rapidly cooperate with the Board going forward; and not supervise an associate appraiser.

DISCIPLINE

AMC National Registry Fee Collection

Iowa will start collecting current AMC registrant ASC National Registry Fees during the next renewal period. The renewal period is November 1 to November 30, 2018, for registration period January 1, 2019 through December 31, 2019. The ASC National Registry fees will be calculated by the total number of panel members who actively engaged in appraisal-related assignments for the applicant between October 1, 2017 and September 30, 2018. This allows the AMCs, at a minimum, one month to collect the necessary data for reporting purposes.

New AMC Registrants: An applicant whose registration is granted on or after November 1 and before December 31 may be required, as determined by the appraisal subcommittee, to pay the fee for registration on the appraisal management company national registry in full for both calendar years. For example, while a registration granted on November 17, 2017, would not lapse until December 31, 2018, the registrant may be required to pay the national registry fee in full for 2017 and 2018.

University of Northern Iowa

The University of Northern Iowa received exciting news on May 14, 2018. The Appraiser Qualification’s Board of The Appraisal Foundation reviewed the institution’s Bachelor of Arts Real Estate degree program. The review resulted in the University of Northern Iowa having received 60 hours of Qualifying Education Credit towards an associate credential, 185 qualifying education credit hours towards a certified residential credential, and 285 qualifying education credit hours towards a certified general credential for graduates of the degree program between August 20, 2018 and August 20, 2021. This means that graduates of the BA in Real Estate from UNI are only required to take a 15-Hour USPAP Course or its equivalent in order to meet all education criteria for licensure. UNI is one of 18 higher education institutions in the United States which provides some type of qualifying education credit within an undergraduate or graduate level degree program. A complete list of AQB approved degree programs can be found on The Appraisal Foundation’s website at: <https://appraisalfoundation.sharefile.com/share/view/s7841a4a4c444060a>.

APPROVAL PERIOD: AUGUST 20, 2018—AUGUST 20, 2021

COURSES:

- ACCT 2120—Principles of Financial Accounting
- FIN 3110—Principles of Real Estate
- FIN 3115—Real Estate Law and Brokerage
- FIN3120—Real Estate Appraisal & Investment
- FIN 3125—Real Estate Finance
- FIN 3130—Corporate Finance
- FIN 3135—Intermediate Financial Management
- FIN 3159—Advanced Real Estate Cases
- MKTG 2110—Principles of Marketing
- ECON 1011—Business Statistics
- ECON 1021—Introduction to Decision Techniques
- ECON 1040—Principles of Macro Economics
- ECON 1051—Principles of Micro Economics
- STAT 1772—Introduction to Statistical Methods



Real Property Appraiser Qualification Criteria Credential	Hours Approved	Deficiencies
Trainee/Associate Appraiser	60 Hours	15-Hour National USPAP Course
Licensed Residential	135 Hours	15-Hour National USPAP Course
Certified Residential	185 Hours	15-Hour National USPAP Course
Certified General	285 Hours	15-Hour National USPAP Course

Compliance Corner (AO 22)

This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. Advisory Opinions are issued to illustrate the applicability of appraisal standards in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems.

SUBJECT: Scope of Work in Market Value Appraisal Assignments for Real Property

APPLICATION: Real Property

THE ISSUE:

How does “market value” affect the scope of work in a real property appraisal assignment?

ADVICE FROM THE ASB ON THE ISSUE:

Relevant USPAP & Advisory References

- COMPETENCY RULE
- SCOPE OF WORK RULE
- DEFINITIONS section: “Appraisal,” “Intended Use,” “Market Value,” and “Scope of Work”
- STANDARD 1
- Advisory Opinion 35 and 36

Scope of Work in a Market Value Appraisal

This Advisory Opinion provides guidance that appraisers, users of appraisals, and enforcement bodies can use when making decisions about the scope of work in market value appraisal assignments (called a “market value assignment” or a “market value appraisal” in this Advisory Opinion).

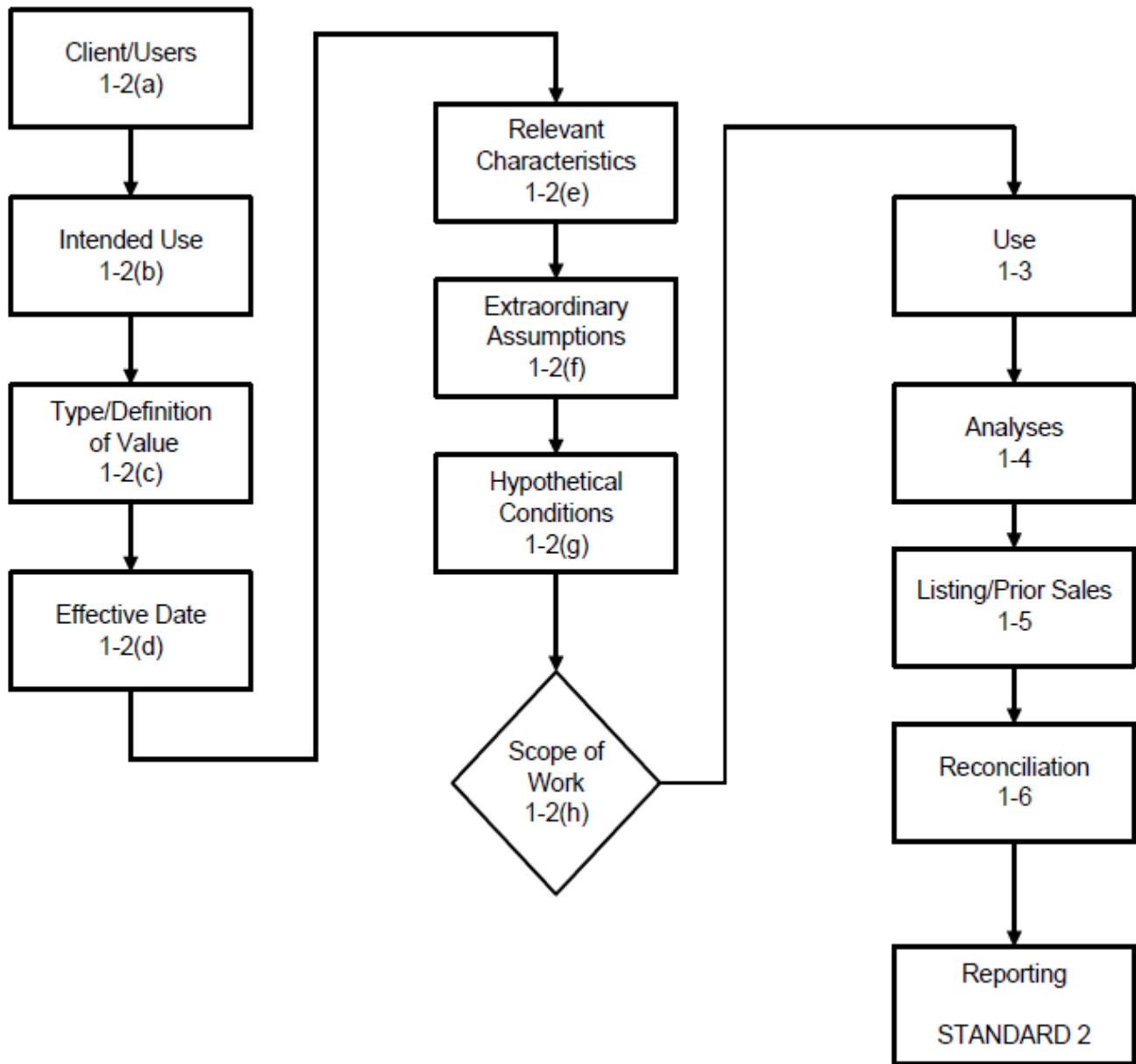
Competently determining the scope of work is an essential step in all assignments performed under USPAP. In a real property appraisal assignment, Standards Rules 1-2(a)–(h) set forth eight identification actions or steps that an appraiser must understand and complete in performing any appraisal assignment. Completing the first seven action steps provides support for the eighth step, the appraiser’s scope of work decision.

The Sequence and Relationship of Action Steps Required by SR 1-2 in a Real Property Appraisal – The following table illustrates the sequence and relationship of the action steps leading to the appraiser’s scope of work decision and the steps taken after that decision through to completion of the appraisal process.



SCOPE OF WORK

Compliance Corner (AO 22) Continued



It is important to recognize that the action of identifying the client and intended users, the intended use, the type and definition of value, and the effective date of value (SR 1-2(a)-(d)) affects the appraiser's decisions as to the subject's relevant characteristics, the scope of work, and extraordinary assumptions or hypothetical conditions (SR 1-2(e)-(h)). The appraiser's decisions about the last four elements to be identified follow from, and must be consistent with, factual information identified in the first four elements shown in the table.

The sequence illustrated in the table requires the appraiser to begin the decision-making process in the early stages of an assignment. It also means the appraiser has a burden of proof for conclusions about which property characteristics are relevant and which are not.

Compliance Corner (AO 22) Continued

Sequence and Relationship of Action Steps Required by SR 1-2 in a Real Property Appraisal

Competency and the Scope of Work Decision - Accomplishing the first four action steps (SR 1-2(a) through (d)) illustrated in the table provides the basis for deciding which of the property's characteristics are relevant in the assignment. This information, together with the appraiser's competency (knowledge and expertise) in appraising the specific type of property involved, permits the appraiser to determine whether any extraordinary assumptions or hypothetical conditions are necessary to complete the assignment and to make a reasonable and supportable scope of work decision.

It is important to note here that the appraiser's competency in performing similar assignments is a key factor in the scope of work decision. Without competency, the appraiser is not prepared to correctly interpret the information gathered in response to SR 1-2(a)–(e) or to make well-reasoned decisions based on that information in response to the requirements set forth in SR 1-2(f)–(h). Moreover, without competency, the appraiser is not aware of or capable of understanding how the information gathered in compliance with SR 1-2(a)–(e) and the conclusions formed in compliance with SR 1-2(f) and (g) affect the decision about which of the analyses steps set forth in Standards Rules 1-3 and 1-4 are necessary in an assignment.

Understanding which analyses, methods and techniques are necessary and what data are necessary to correctly complete the analyses is an integral part of the scope of work decision. This decision cannot be made competently without understanding how the "conditions" in a market value definition work together with the other factors identified in compliance with Standards Rule 1-2 to determine what kind of data are relevant and which types of analyses are applicable and necessary in the assignment.

General Comment on Market Value Definitions

Market value appraisals are distinct from appraisals using other types of value because market value appraisals are based on a market perspective and on a normal or typical premise. These criteria are illustrated in the following definition of *Market Value*,¹⁶ provided here only as an example.

"Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

Compliance Corner (AO 22) Continued

The market perspective replaces a user's (e.g., buyer, seller, lender, agent, etc.) perspective that might apply in other appraisals, such as for investment value or insurable value. This market perspective directly affects the scope of work necessary to develop credible opinions and conclusions in market value appraisals. The public's expectation that a market value appraisal reflects only the perspective of the marketplace, and is not affected by such other criteria as an intended user's objectives, is important. Meeting this expectation serves to foster and promote public trust in professional appraisal practice, a fundamental purpose of the *Uniform Standards of Professional Appraisal Practice* and one that applies to all work performed under USPAP.

A market value appraisal is also based on whatever the "normal" or "typical" conditions are in the marketplace for the property appraised in a time frame that is consistent with the date of value in the appraisal. If the definition of value used in an appraisal contains criteria that are different from those that are "normal" or "typical," the use of the term "Market Value," alone, to characterize the assignment result is not appropriate. For example, a value opinion developed to reflect the most probable price in a sale under forced conditions is a forced-sale value and not consistent with the "normal" or "typical" premise to be reflected in a market value appraisal.

Importance of Identifying the Specific Definition of Market Value—The definition of the value to be developed in an appraisal establishes specific conditions. These conditions impose parameters on the appraisal assignment that are necessary to ensure that the results of the assignment are meaningful in the context of that definition of value.

There are many definitions of value, some of which are market value definitions. Other definitions of value appear to be related to market value but are not called market value. For example, it is common practice in appraisals for intended use in employee relocation assignments to use a value definition based on "anticipated sales price" rather than "market value." The "anticipated sales price" definition contains very specific marketing, property condition, and terms of sale requirements that replace normal or typical market conditions. Thus, while the development process under the specific conditions may appear similar to market value assignments, the result is a value to the property user—the relocation company—under that client's specific criteria and is not market value.

Importance of Identifying the Source of a Market Value Definition—Definitions of market value from different sources contain different conditions. Those differences can directly affect the scope of work that is necessary to develop credible assignment results. Each definition is unique, with authority only in a specific jurisdiction or to a specific client group. Therefore, identification of the source for the definition of value to be applied in an assignment is essential.

The source must be consistent with the jurisdiction having authority over the transaction in which the appraisal is to be used. For example, using a definition of market value other than the definition specified in regulations published pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) may invalidate that appraisal for use in a federally related transaction. Likewise, if an appraisal is prepared for use in litigation, using a definition of value other than the definition specified by the court having jurisdiction over the matter being litigated may disqualify that appraisal for use in that court.

Compliance Corner (AO 22) Continued

How the “Conditions” in a Market Value Definition Affect the Scope of Work Decision

Market Value is defined in USPAP as a general concept. But in an appraisal assignment, *Market Value* is defined by a specific jurisdiction (e.g., a court, a regulatory body or public agency with legal authority), or by a client group (e.g., Fannie Mae or Freddie Mac).

In a market value appraisal, the appraiser’s conclusions about how best to analyze the market and what data are necessary for the development of credible results must be consistent with the conditions set forth in the specific definition of market value applicable in the assignment. The definition of *market value* included in this Advisory Opinion as an example illustrates the type of conditions that might be part of a specific market value definition used in an assignment.

Market value always presumes the transfer of a property as of a certain date, under specific conditions. The “Conditions” stated in market value definitions generally fall into three categories:

1. the relationship, knowledge, and motivation of the parties (i.e., seller and buyer);
2. the terms of sale (e.g., cash, cash equivalent, or other terms); and
3. the conditions of sale (e.g., exposure in a competitive market for a reasonable time prior to sale).

Market value appraisals focus on understanding how buyers and sellers are most likely to respond to a subject property under the conditions stated in a specific value definition. Not all market value definitions contain the same conditions, though most contain a common subset of elements. Experienced appraisers understand the nuances in the various definitions and develop their assignments using data and analyses that match the conditions required by the specific definition used in an appraisal.

The “knowledge” referred to in a market value definition is knowledge about the property appraised, about the market for that property, and about alternatives available in the marketplace that the appraiser concludes are reasonable competition for the property appraised.

An appraiser is expected to be at least as knowledgeable as the typical market participant is about the market for the type of property to be appraised. By completing research and verification steps while performing the assignment, the appraiser is expected to become as knowledgeable about the subject property and its comparables as the typical market participants.

Knowledge of the Subject Property—Of the three areas typical market participants are presumed to be knowledgeable about (subject, market, and competition), the first area that the appraiser must address is knowledge of the subject property, which is accomplished by gathering and verifying information about the subject property. This action step may or may not require a personal inspection.

In a market value assignment, the relevant characteristics (SR 1-2(e)) are those that have a significant impact on the property’s marketability. These features include legal, economic and physical characteristics. The decision as to which characteristics are relevant cannot be made without knowledge of the market in which the property is sold. This is why competency in appraising a specific type of property and knowledge of the subject property’s market are essential in an assignment.

Compliance Corner (AO 22) Continued

Knowing the property's relevant characteristics also provides the basis for deciding the applicability of an approach to value.

Knowledge of the Market—The scope of work necessary to ensure an adequate knowledge of the market for the subject property may range from very little (in addition to what the appraiser already knows) to extensive new research. If the subject property is of a type frequently appraised and in a locality where the appraiser regularly provides services, there may be little need for extensive market research beyond confirmation that the data available for analysis is current, adequate, relevant, and credible.

However, if the property involved is not of a type regularly appraised by the appraiser or if the market area is not familiar to the appraiser, the extent of research needs to be sufficient for the appraiser to acquire competency.

As stated in the COMPETENCY RULE, this can be achieved in several ways (self-study, association with a locally knowledgeable and competent appraiser, etc.).

The critically important aspect of this factor in the scope of work decision is to recognize when additional research is necessary. A competent, professional appraiser will not assume knowledge merely for the sake of convenience. Even though the appraiser might be actively involved in appraising a particular type of property in a given locality, self imposed professional discipline will prompt that individual to ensure that the scope of work includes verification that the market data used in the analyses is credible, relevant, appropriate, adequate, and as current as possible.

This is consistent with the requirement stated in SR 1-1(b), which is designed to ensure that the scope of work completed in an appraisal is sufficient to produce credible opinions and conclusions, given the intended use of the appraisal.

Knowledge of Alternatives—An understanding of market behavior requires a scope of work that includes research and analyses that is sufficient to ensure competent knowledge of the supply and demand relationships that are relevant to the time frame and the type of property involved in the appraisal. In a market value appraisal, this means gathering, verifying, and evaluating data about sales, listings, and failed efforts to sell "competitive" property, as well as more generalized market data.

Conditions of Sale—A market value appraisal requires research and analysis of market data sufficient to develop a reasonable opinion of exposure time (see the Comment to SR 1-2(c) and Advisory Opinion 35) with the property marketed in whatever manner is typical for that type of property in its locality. An appraiser working in different market areas should guard against presuming that a marketing process common in one area is typical in all areas. For example, in some markets, property is customarily sold through an auction arrangement, while in others professional brokerage is the norm, and in still others so called "for sale by owner" is the typical process. Each process, in a given time period and locality for the type of property involved, can be "normal." The identification of the marketing process and exposure time requires an understanding of the subject's market.

Market value definitions imply a sale of the property wherein the buyer and seller are "typically motivated." This condition requires that the level of research in a market value assignment is sufficient to understand the motivations of the buyers and sellers for the sales used in the approaches to value. The motivations that lead to a sale play a critical

Compliance Corner (AO 22) Continued

role in establishing the relevancy or irrelevancy of a sale as a comparable one in an assignment.

Analysis of sales data can yield numeric results, but the numbers lack real meaning without an understanding of the market conditions that generated the sales involved. Without an understanding of what the market conditions were at the time of a sale, as well as the conditions of a particular sale, an appraiser cannot reasonably conclude that the sale price, or any element of comparison based on that price, is a reliable indicator of market value.

Subject's Marketing and Sale History, and Reconciliation

The appraiser's scope of work decision in a market value appraisal needs to recognize the research and analyses steps that are necessary to comply with the requirements stated in SR 1-5 and SR 1-6. Those requirements have two objectives, both of which are especially important in a market value appraisal.

The first is to ensure that the appraiser makes the effort to obtain relevant information about current and recent market activity involving the subject property (SR 1-5(a) and (b)). This due diligence effort is consistent with the requirement stated in Standards Rule 1-1(b). It also serves as a safeguard against confusing the price in a contract (agreement of sale or option) or an offering with market value and as a safeguard against the appraiser being inadvertently involved in an effort to conceal the facts in regard to one or more recent sale transactions.

The second is to ensure that the appraiser reconciles the indications of value resulting from the various approaches utilized to arrive at the value conclusion (SR 1-6).

SUMMARY:

The scope of work decision is a critical step in any appraisal. That decision must result in a match between the extent of the research and analyses completed in an assignment with the conditions specified in the definition of value used in that assignment.

In a market value appraisal, the appraiser's scope of work decision carries a burden of proof to support the appraiser's conclusion about how he or she addresses each "condition" in the market value definition used in the appraisal.

The definition includes conditions that often require a high degree of knowledge, competency, and judgment, which are necessary to effectively develop the appraisal process. An appraiser cannot meet his or her obligations in a market value assignment without having competently identified and then completed a scope of work that enables development of credible opinions and conclusions.

AO-22 is published by the Appraisal Standards Board of The Appraisal Foundation.

Interview With The Board

In an attempt to allow the public to get to know the Board a bit better, the Board was recently interviewed. They were all asked the same questions and you can find their responses below. The Board consists of Fred Greder, Chair; Teresa Selberg, Vice Chair; Bob Felderman; James Pooley; Dan Fuhrmeister; Tracy Crimmins; and Mark Kapfer.

Are you a lifelong Iowan? If not, where are your roots?

Greder: Yes.

Selberg: Yes, I am. Lived in Waverly, IA and did live in Woodbury, MN for 9 years and then came back.

Felderman: Born in Iowa, lived all over the USA and the world (Japan, Italy) following my father's U.S. Navy career. Myself, I served over 35 years in the military, primarily in the National Guard in Iowa and Florida, but finished my career on active duty in Colorado, which had me traveling the world 15 days a month for 6 years. Retired as a Brigadier General, qualified in infantry, armor, cavalry, aviation, and medical service corps.

Pooley: Lifelong Iowan.

Fuhrmeister: I am a life long Iowan. Grew up on the farm just outside of Iowa City.

Crimmins: I have been in Iowa for 26 years now. I moved here with my husband at the time and our 2-year-old son from Washington, D.C. I am originally from Peru, Indiana growing up there for the first 23 years of my life.

Kapfer: Yes, I was born and raised in Denison and, except for 15 years, have lived in Iowa.

What did/do you do for a living?

Greder: About two thirds of the office income is farm appraising and the rest is farm brokering, farm property management, etc.

Selberg: Appraiser/Owner REsource Appraisal Services, 30 years. Prior to that, worked in banking.

Felderman: Continental Realty and Felderman Appraisals since 1984. Also, professional photographer and commercial drone pilot with General Bob Photography.

Pooley: I have been a staff appraiser for Farm Credit Services of America since December 2013. Prior to that, I was an independent residential fee appraiser for many years.

Fuhrmeister: I have worked in the appraisal field since college. Been appraising for eighteen years. Started my own appraisal business five years ago. I am the owner of Fuhrmeister Appraisal, LLC. I also farm.

Crimmins: I have been in the financial services and life insurance industries for the last 11 years. I am an independent agent and financial advisor with offices in Fort Dodge, Humboldt, and Madison. I am an Investment Advisor Representative holding S6 and S65 FINRA designations. My current broker/dealer is Signature Investors, Inc.

Kapfer: My last job was at Eastern Iowa Community College in Davenport. I retired as the Executive Director of Economic Development in 2015. Prior to that I worked for the Iowa Department of Economic Development in Des Moines and led chambers of commerce in Nebraska, Missouri, and Fort Dodge.

What is your education?

Greder: B.S. from Iowa State University. Major – Farm Operations

Selberg: Drake University BA Liberal Arts-Science emphasis

Felderman Bachelors in Aviation Management and Flight Operations from University of Dubuque; Masters in National Security from National Defense University in Washington, D.C.; Certified Legislative Liaison from Georgetown University, Washington, D.C.

Pooley: Simpson College, Indianola, IA with a BA in Business Management

Fuhrmeister: I attended Kirkwood and the University of Iowa.

Crimmins: I have an MBA obtained from Upper Iowa University. I have a Bachelor's of Business Administration from Buena Vista University.

Kapfer: I have a B.A. degree from the University of South Dakota and a M.S. degree from Western Illinois University.

Interview With The Board Continued

What are some of your hobbies or interests?

Greder: Lifelong Cyclone athlete's basketball. Bucket list – learn how to play the guitar.

Selberg: Working out, boating.

Felderman: Travel, grandchildren in Florida and Colorado, fitness.

Pooley: Fishing, Woodworking.

Fuhrmeister: My hobbies include anything farm related, trapshooting, bee keeping, collecting old marbles and bottles, gardening, evenings at the Masonic Lodge, and spending as much free time as possible with my family and friends.

Crimmins: I enjoy gardening in my flower garden, home projects, outside exercise of any kind, traveling when possible, visiting friends and spending as much time as I can with my two adorable grandsons.

Kapfer: I enjoy golf with a group of friends. My wife and I do a lot of flower gardening and during the winter months especially I read a variety of books. We greatly enjoy traveling especially in Europe. In addition, we follow the many activities of our grandchildren as much as possible.

Is there anything personal you wish to provide?

Greder: Married to Marty for almost 45 years. Married while in college at ISU. 36 year old daughter is almost a PhD candidate. 34 year old son has his PhD.

Selberg: Single -3 children-empty nester-Blind and deaf cocka-poo.

Felderman: Married to Nancy for 32 years. I was a single parent at the time we married. We now have both children married with two kids each, two girls in Florida and two boys in Colorado.

Pooley: Grew up in Cedar Rapids, Iowa. Married and have one daughter in college.

Crimmins: My greatest accomplishment is my three now grown children. My two sons are married and working in their industrial tech professions. My oldest son has two sons of his own. My daughter is attending graduate school at UNI to become a speech pathologist. I am unmarried and live in a 100+-year-old house in Fort Dodge which gives lots of opportunity for home projects. I am a practicing Catholic.

Kapfer: My wife Becky and I met in the doorway of Montgomery Ward (this ages me) in Denison the day after Thanksgiving 1971 and married on May 13, 1972. We have two daughters, Sarah, who along with her husband Josh have two children and live in Cedar Rapids and Quynn who along with husband Sean also has two children and lives in Eden Prairie, MN.

What are some of your great accomplishments, awards received, or unique experiences?

Greder: Past President of the State Chapter of the American Society of Farm Managers & Rural Appraisers. Past President of Trinity Lutheran Church, Mason City, Iowa.

Selberg: State of Iowa Volunteer Award, AQB Instructor.

Felderman: Award winning photographer and writer. Interviewed by Rolling Stone Magazine and Wall Street Journal. Commander American Legion Dubuque Post #6. Multiple philanthropic endeavors (Boy Scouts, Ancient Order of Hibernians, Irish Hooley Music Festival, Dubuque Museum of Art) and adviser to international and national policy boards, coalitions, and committees.

Pooley: SRA designation with the Appraisal Institute.

Crimmins: I have had many experiences throughout my life and grateful for them all. Nothing overly exciting but very blessed.

What is your favorite book, movie or food?

Greder: Author – Michael Perry, Wisconsin; Food – BLT WITH a runny egg!

Selberg: Book- Pillars of the Earth-Movie- Dances with Wolves-Food-Lobster

Interview With The Board Continued

Felderman: Movie - Aloha (watched it over 100 times in past 5 years), lobster for food.

Pooley: Animal House.

Crimmins: I don't read many novels. Most of my leisurely reading is personal/professional growth. One of my favorite books; however, is *The Shack*. One of my favorite movies is *The Ultimate Gift* and *Remember the Titans*. I enjoy many types of cuisine and enjoy trying different kinds of food when traveling. I especially love seafood and fish but also enjoy a good steak every now and then.

What made you decide to apply to be on the Board? What's it like and how long was the process?

Greder: My turn to give back to the industry. Besides, service on this Board is like most volunteer opportunities, you get more out of it than you put in.

Selberg: I don't know what possessed me, it's like a part-time job, but very interesting and lets me know how we are rated nationally (which btw we are top notch). Process is easy (we need more people to apply)!

Felderman: Giving back some of my 34 years experience in real estate, appraisals, and banking working review appraisals. It's not what was expected, lots of reading appraisals, but can't do any research on our own only rely on the hired reviewers. First time process was to fill a vacated position, and it took short time to fill out the application and was accepted almost immediately by Governor Branstad.

Pooley: The appraisal profession has been good to me for more than 20 years, and I wanted to give back to the profession. I am learning a lot reviewing other people's work, as well as how the laws and rule changes are made from the ASC, AQB, US-PAP, etc.

Fuhrmeister: I decided to apply to the Appraisal Board as a way to give back to my profession and to help others. The board feels like family. In my short time on the board I have noticed that they all will go out of their way to help someone else. The process joining the board was simple.

Crimmins: I feel it is important to give back to our communities and state in this case. I have a good friend who was appointed by the Governor to serve as a Director. I thought this would give me an opportunity to be involved in supporting my state without any political affiliation.

Kapfer: I really love being an Iowan and like to do whatever I can to make it the best state possible. Prior to the REAP Board I served on the Enhance Iowa Board. I think the REAP Board has an essential task to insure integrity among the professionals and to work to increase Iowa's role as a leader in the appraisal field. There is a great degree of respect among the Board members for everyone's opinion and all are invested in doing what we can to move the profession forward.

Apply To Be A Board or Commission Member

Want to be on the Real Estate Appraiser Examining Board? No? Well, there are other Boards that are in need of members. Submit an application on the Governor's website for Boards and Commissions at: <https://openup.iowa.gov/>.

The application is online or via paper. Some of the open vacancies include the Commission of Veterans Affairs, Public Employment Relations Board, Real Estate Commission, Interior Design Board, Commission of Native American Affairs, Prevention of Disabilities Policy Council, Clear Air Act Compliance Advisory Panel and the Board of Athletic Training. There are approximately 55 Boards or Commissions with openings.

State law requires most boards and commissions be balanced according to gender and political affiliation. Geographical location and diversity is also considered. Appointments are made to most boards and commissions annually. All applications are kept on file as public information.

