



COALITION OF ARIZONA APPRAISERS

COAA, WHERE ARE WE TODAY?

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Become a member of CoAA by visiting our Website:

www.azcoaa.com

Email us with Questions, Suggestions or to Volunteer:

information@azcoaa.us

We welcome your expertise in the areas of appraisal, finance, real estate or legislation. Please email us if you would like to contribute by writing an article for the CoAA newsletter.

CoAA was established last fall to determine and attempt to implement improvements to the appraisal profession. The Appraisers in Arizona determined that we needed to come together to address certain changes in the profession that were/are adversely affecting our business and the real estate industry.

The Coalition of Arizona Appraiser had **three immediate goals** in mind. **First**, the group decided to lobby for **registration and regulation of AMCs**. This goal we accomplished in only 9 months, with the help of many. CoAA was fortunate to have had the physical and financial help of appraisers across the state of Arizona, appraisers from other states and their coalitions, and from our state professional appraisal organizations (REASA, NAIFA, AI Tucson and AI Phoenix). Lobbying efforts included AAR (AZ Assoc. of Realtors), the AZ Mortgage Brokers Association, and our own lobbying team of LaSota & Peters with the assistance of Elaine Arena, the lobbyist for the AI Phoenix Chapter. The Coalition Legislative team is currently helping and monitoring the AMC Rules process as part of the final leg to implementation of the AMC legislation.

The **second goal** for the Coalition is to **encourage and recommend changes to the Arizona Board of Appraisal**, to help it become a more effective and efficient Board, for not only the public but for the appraisers in Arizona. CoAA currently is, and intends on being, proactive and constructive in helping the Board gather the tools necessary and to set a plan in place for improvement and change. Our new Executive Director, Dan Pietropaulo, has already made significant changes to the office management system and we expect to see more positive changes in the future. Some modifications in policies and procedures may be done by the Executive Director at the Boards authorization, but some changes need to go through the legislative process. That is where CoAA can benefit the appraisers and profession. CoAA has already raised \$5,000 for the fall legislative session, as part of our goal to help the ABOA with necessary legislative changes, and for any AMC modifications that may be needed post Rules and passing of the new Finance Reform Bill. The Appraisal Institute Region VII donated to CoAA for these issues, as it had for Nevada last year. AI believes in helping the states pass legislation that improves the appraisal profession. CoAA appreciates the confidence and support given to us by the professional appraisal organizations and many appraisers across the state.

Goal three, is to **make corrective changes to the ways that BPOs are being used and written in our State**. CoAA has worked on this issue via education and meetings with AAR, but has much more yet to do. Immediate goals include placing pressure on AAR and NAR to require that they follow the current AZ laws, that they discipline agents violating the laws or who are producing fraudulent reports, and to help educate and monitor the AMCs and lenders so they do not use BPOs for "market value estimates". The longer term goal is to correct our current legislation, so that BPOs can only be done as part of a listing service, and not for a fee.

CoAA is alive and well and is still working for you! We thank all the CoAA volunteers, supporters and our supporting professional appraisal organizations for helping to fund the AMC legislative process! If you want to become a CoAA volunteer, please contact us!

Sue S. Miller, SRA
President CoAA

FINANCIAL REFORM BILL

By Ann Susko, IFA,RA

The President has signed HR4173 designed to clean up financial regulations to avoid another economic crisis. Everyone is excited--change is in the wind. I am happy having worked on implementing a positive outcome for appraisers through the efforts of our Joint Government Affairs Committee (representatives from AI, ASA, ASFMRA & NAIFA). Now we enter the next phase of the process about which I am somewhat dubious. This legislation gives the regulators time and latitude to come up with the new rules which will include doing several surveys and studies. Does this offer the banks and financial institutions an opportunity to *influence* the rules that will govern their business practices?

To be created immediately is a ten member Financial Stability Oversight Council consisting of regulators and chaired by the treasury secretary. Their charge is to keep watch over the entire financial system. Next will be the Bureau of Consumer Financial Protection to enforce regulations covering mortgages, credit cards and other financial products. Fed Chairman Bernanke is overhauling his supervision and regulation of banking organizations.

The Appraisal Activities section has a positive outlook for our profession including:

- In order for a creditor to extend credit in the form of a subprime mortgage, the property must be appraised with a physical interior property visit followed by a written appraisal report by a licensed/certified appraiser in accordance with USPAP.
- Appraisal Independence: No coercion, attempts to bribe, extort, intimidate, withhold appraisal fees, mischaracterize the appraised value or property, no influencing to a target value. Big fines will be levied against those who violate this provision.
- Any mortgage lender, broker, banker, AMC, etc. who believes an appraiser is failing to comply with USPAP shall refer the matter to the applicable state appraiser certifying and licensing agency.
- Regulations will be put in place concerning portability of appraisal reports including between lenders.
- Lenders and their agents shall compensate fee appraisers at a rate that is customary and reasonable for appraisal services preformed in the market area of the property being appraised. Evidence for such fees may be established by objective third-party information, such as government agency fee schedules (VA), academic studies, and independent private sector surveys (a la mode). ***Fee studies shall exclude assignments ordered by known appraisal management companies.***
- The Appraisal Subcommittee has been given more enforcement power over state appraisal boards. They are also required to set up a National Registry for AMCs.
- Appraisal Management Companies must register and be subject to supervision by all state appraiser certifying and licensing agency. Requirements are very similar to those in the Arizona AMC law.
- Professional Designations: Lender approval may include education achieved, experience, sample appraisals and references from prior clients. Membership in a nationally recognized professional appraisal organization may be a criteria considered, though lack of membership therein shall not be the sole bar against consideration for an assignment under these criteria.
- After one year of the date of enactment of this law, the Appraisal Subcommittee determines no national hotline exists to receive complaints of non-compliance with appraisal independence standards and USPAP, they shall establish and operate such a national hotline with a toll free number.
- In conjunction with the purchase of a consumer's principal dwelling, **broker price opinions** may not be used as the primary basis to determine the value of a piece of property for the purpose of a loan origination of a residential mortgage loan secured by such piece of property.

These are some of the highlights of the 2,500 page law.

If you crave more in-depth knowledge, www.thomas.loc.gov will provide the entire bill.

COALITION OF ARIZONA APPRAISERS

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AMC NEWS

By Ann Susko, IFA,RA

Under Subtitle F--Appraisal Activities of the Financial Reform Bill, there is a requirement for all states to put in place under their Appraisal Board a process to register and regulate Appraisal Management Companies. Approximately 25 states saw the need prior to passage of HR4173 and have already implemented AMC laws. Thanks to the efforts of CoAA (the Coalition of Arizona Appraisers), Arizona is among those ground breaking states. We are ahead of the curve as our AMC law takes affect July 29, 2010.

The AMC registration forms are on the Appraisal Board's website. If you are working with an AMC, I would suggest you contact them immediately. If they are not registered by July 29, they cannot do business in Arizona. The ABOA will have a list of those who have registered on the website. It is incumbent upon the appraiser to make sure the AMC is registered prior to accepting an assignment.

Representatives of CoAA are working with ABOA to construct rules for enforcing the AMC law. This is a long tedious process which we all want to do correctly to avoid "do-overs". We are also revisiting the AMC law to see if any revisions are necessary for the 2011 legislative session.

CoAA's purpose in proposing the AMC legislation was to establish a vehicle to protect the appraisers and the public. If the controlling entities of the AMC cannot pass the FBI background check, AZ does not want them. Employees or those working on behalf of an AMC must be appropriately trained to understand the guidelines which appraisers must follow (particularly geographical or property type competency). The AMC must have a system in place to review the quality of appraisals it provides to its client. The AMC may not prohibit the appraiser from reporting the fee paid to that appraiser. An AMC may not influence an appraiser through coercion, extortion, inducement, intimidation, etc. However, the AMC may request from the appraiser additional supporting documentation to support a value and/or correct objective factual errors in the report. Most important is appraisers and the public will now have place to file a complaint against an AMC at the Arizona Board of Appraisal who can adjudicate disputes.

ARIZONA BOARD OF APPRAISAL - ARE WE READY TO TALK ABOUT CHANGE?

By Arizona Board of Appraisal Committee

As most appraisers in Arizona are aware, the Arizona Board of Appraisal is in need of a face lift. There are different opinions among appraisers on how extensive the face lift should be. The new ABOA Executive Director has already implemented many changes to the operations of the Board office, but additional changes are necessary and need to be discussed. CoAAs ABOA committee has developed a list of topics to discuss, including changes that would require legislation.

Recommendations for "change" are intended to help the Board put in place a more efficient and effective system of educating, licensing, monitoring, and disciplining appraisers in Arizona.

Please take a minute to review the list of topics for discussion on page 4, and bring your ideas to the next CoAA Membership meeting planned for your area:

Phoenix 8/13, Tucson 8/17 and Flagstaff 8/20.

Continued on page 4.

ARIZONA BOARD OF APPRAISAL - ARE WE READY TO TALK ABOUT CHANGE?

Continuation from page 3

Appraisal Board Issues/Changes for Consideration:

- 1) Do you believe that the AZ Board of Appraisal should have the authority to govern an appraiser for not conducting his business ethically? (Not all appraisal businesses are owned or run by licensed appraisers. Ethically as defined by the Better Business Bureau)
- 2) Do you believe that the Board should have the authority to discipline an appraiser that files frivolous complaints against other licensed/certified appraisers, without good evidence of violations of USPAP or State Statutes?
- 3) Do you believe the Board should allow the Executive Director, or an assignee, to “screen” all complaints, for the purpose of establishing if there is a sufficient basis for the alleged complaint?
- 4) Are you in favor of the Board hiring “staff” investigators that are geographically and product competent?
- 5) Are you in favor of a “staff” investigator to act as a “screener” * of complaints for the Board?
* Screener would look at complaints prior to the full Board to determine if the complaint has validity.
- 6) Do you believe that the Board should have disciplinary authority over “trainees” performing appraisal functions, but not licensed/certified appraisers?
- 7) Do you believe that the Board should have disciplinary authority over anyone performing real estate appraisal functions in Arizona that has a suspended or revoked license/certification from Arizona or any other state?
- 8) Do you believe that a licensed/certified appraiser that is the process of disciplinary stages* by the Board, but has not completed the necessary hearings for the Board to complete their findings, or signed a consent agreement, be allowed to leave the state of Arizona, go to another state, receive a license/certification to perform appraisals in that state without our Board completing the necessary stages?
*Disciplinary stage is defined as a complaint that has been filed, the appraiser has been notified by the Board, and the appraiser responds to the Board, or fails to respond to the Board.
- 9) Do you believe that the Board should be able to accept anonymous complaints?
- 10) Do you believe that the Board should be able to assess fines for any violations?
- 11) Do you believe that the Board should be able to assess fines for only Level 4 or Level 5 violations, for the cost of any investigations?
- 12) Are you in favor of increasing the number of real estate appraisers on the Board?
- 13) Are you in support of the Board raising licensing fees/dues temporarily, if necessary, to ensure they can continue to operate effectively?
- 14) Should the Reciprocity rule include a clause that would require an appraiser moving to Arizona have to work with a mentor for some period of time to gain area competency?
- 15) Do you believe it is the authority of the Arizona Board of Appraisal to handle BPO complaints rather than the Dept of Real Estate?

Feel free to send in your constructive comments and recommendations to: info@azcoaa.com.
But better yet, come to the meeting scheduled for your area!

APPRAISERS VENTURING INTO THE UNKNOWN

By Janine Rowland, Tucson Licensed Appraiser

Since the inception of the HVCC, complaints about the lack of geographical competency are becoming a hot button issue. Stories of appraisers crossing lines are increasing, damaging the credibility of a vocation that has already been hit hard by public distrust brought on by the housing melt down.

These are difficult times for all appraisers, surviving a declining economic market, navigating through the HVCC, BPO's, and of course, accepting lower fees. Many appraisers have elected to relinquish their license or certification in order to take a job with regular nine to five hours, more stability and a paycheck every other Friday. The Arizona Board of Appraisal reports the loss of 217 active appraisers since June 2009. Most appraisers I see and talk to, report that the number of assignments that cross their desks is a fraction of what they used to see. New requirements imposed by regulation no longer willing to accept sub prime anything, is causing longer working hours, resulting in cut wages. As assignments drop, some appraisers have renewed their marketing and networking skills, some have found work elsewhere and some have expanded the parameters of their geographic competency and are venturing into the unknown.

Speak with an appraiser or Realtor today and you may come away with a story of an "out of town" appraiser who did an appraisal with disastrous results. Now, if you are an appraiser, listening to a Realtor tell you that story you would quickly realize the deal has gone south. The appraisal may have been well researched and accurate, however if the appraiser has an office in Mesa and the subject property resides in Prescott, the appraisal has suddenly become a problem, a potential liability. The report may end up in the hands of the Arizona Board of Appraisal. A complaint has been filed and the appraisal is open to investigation. You are confident in your research, your reporting, and your value. You take the time to locate your work file making the appropriate copies, sending the letter of explanation and then you wait and hope for a favorable outcome. Have a Board of Appraisal complaint, Google your name; it will come up in the Board minutes for years, even if your case was dismissed.

Most of us practicing appraisers review reports now and then. Some of us have reviewed a report where it becomes immediately obvious that the appraiser lacks the knowledge and the resources to provide a credible report. Doing our own research we come up with recent comparable sales in the area. Why weren't these comparables used? You realize that the comparables the appraiser utilized don't have MLS numbers, the neighborhood descriptions, vague or boiler plate. You check out the appraisers name and address. It may be an out of town appraiser, or an appraiser with an in town PO Box and an out of town phone number, a cut and dry case of geographic incompetence.

Most residential appraisers are currently working for at least one Appraisal Management Company . The majority of AMC's at least the larger more reputable ones, have their own geographic competency requirements. One requires that the appraiser prove three years of residency in an area, prior to accepting assignments. Personally, I think this is excessive. It is equal to the residency requirement of most medical school graduates. However, it does drive home the point that this issue is a major concern for everyone in the appraisal industry.

What can an appraiser do to successfully navigate their way through this quagmire?

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APPRAISERS VENTURING INTO THE UNKNOWN

Continuation from page 5.

First of all, make sure you are in full compliance with USPAP. Following is USPAP's statement on geographic competency.

USPAP does not prohibit an appraiser from accepting an assignment in unknown territory. The competency rule states; **Prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently; or alternatively, must:**

- 1. disclose the lack of knowledge and/or experience to the client before accepting the assignment;**
- 2. take all steps necessary or appropriate to complete the assignment competently; and**
- 3. describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report.**

A comment is then issued to directly address the issue of competency.

Comment: Competency applies to factors such as, but not limited to, an appraiser's familiarity with a specific type of property, a market, a geographic area, or an analytical method. If such a factor is necessary for an appraiser to develop credible assignment results, the appraiser is responsible for having the competency to address that factor or for following the steps outlined above to satisfy this COMPETENCY RULE.

Understand supplemental guidelines for FNMA, FHA and VA, regarding geographic competency. Hopefully most appraisers' keep up with USPAP requirements as it is mandated we do so, but how many appraisers keep up with FNMA guidelines and changes?

Fannie Mae does not allow "USPAP flexibility", it requires that appraisers are competent in the area and have the requisite data sources prior to taking on an assignment. In the FNMA Lender announcement dated 06/30/2010, lenders are again reminded that the use of appraisers not having the prerequisite knowledge is not allowed.

Years ago, I maintained a membership in three separate multiple listing services, now I have one membership. To this day I receive business cards proudly stating that the appraiser covers four separate counties. The appraiser is a one person shop, geographic competency as defined by today's expectations, is simply not possible.

If you have a business card that states you cover four counties and you are a one man/woman shop, please invest in new cards. Go one step further and take off any reference to "fast", "speedy", or "quick turn around". As an appraiser you will find new respect and the Arizona Board of Appraisal will thank you.

If you work for an AMC that tells you, you must accept an assignment 90 miles east, and you haven't even set foot in this county for four years, decline the order and find another AMC. I know it's not easy, every one is hungry for work these days, but it beats sitting down at a hearing with the Arizona Board of Appraisal and facing a possible suspension.

Appraisers that work in unpopulated areas of the state often travel long distances covering a wide territory. If this is the case, expand your narrative, your scope of work, and explain in detail your knowledge of the area, your resources, describe and disclose. Remember, signing the appraisal certifies to your client that you are geographically competent. If you are not, you are misleading the intended user and you are in violation.

In covering this story, I spoke to appraisers and realtors in seven different counties. Horror stories of gross incompetence and negligence were routine. One realtor noted that she had heard that lenders were bussing in appraisers from out of state to perform reports quickly and cheaply, I sighed and ended the call quickly. However there is no denying that appraisers are accepting assignments that they should not. Taking work from those who know the area and have worked for years establishing a knowledge base and developing a partnership of trust.

My personal observations are that geographic incompetence has always been an issue. I am not convinced that this is a problem that is out of control and increasing. I am however assured that more is expected from an appraisal today, a necessary component in a financial process that ensures that the value is there. Competency is a key factor as to whether an appraiser is held in a position of respect or not. The days of appraiser's routinely traveling long distances for their clients has come to an end.