

# VALUATION

THIRD  
QUARTER  
2012

INSIGHTS AND PERSPECTIVES FOR REAL ESTATE APPRAISERS

## CLEARING UP THE GREEN AREAS

IT'S NOT EASY TO VALUE  
GREEN RESIDENCES, BUT  
THE MARKET DEMANDS  
THAT APPRAISERS ADAPT



PLUS

### THIS OLD WRITE-OFF

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EASEMENT VALUATIONS

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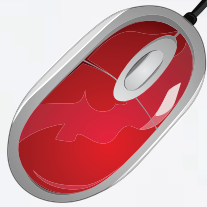
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## ALMOST READY FOR PICKING

Some appraisers are told by lenders to “forget the green stuff” and appraise sustainable residences as if they were regular homes. But that’s a bad practice with negative consequences for appraisers. Read about what’s really happening within this niche market. See the full story on page 14.

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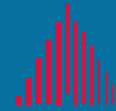
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## BRIGHT SPOTS

Accomplishments that let appraisers, AI shine

By **Jay W. Schneider**,  
executive  
editor

### THE APPRAISAL INSTITUTE ENJOYED

several moments in the spotlight in recent months. AI President Sara W. Stephens, MAI, testified June 28 before the House Financial Services Committee's Subcommittee on Insurance, Housing and Community Opportunity, where she spoke against excessive regulation that the Appraisal Foundation is trying to enact without Congressional authorization. You can read more on how this situation played out on page 6 in President Stephens' column titled "Damage Control."

A group of nearly 100 appraisers gathered May 22–24 in Washington, D.C., for the annual Leadership Development and Advisory Council event, which included lobbying on Capitol Hill. The ideas generated in discussion groups over the course of two days are reported to the Appraisal Institute's Strategic Planning Committee for consideration and possible implementation. See what ideas came out of this year's LDAC event by reading the "Washington Works" article on page 22.

The 2012 Appraisal Institute Annual Meeting drew more than 300 attendees to Coronado, Calif., Aug. 1–3, and featured three exciting speakers, 20 different education sessions, up to 18 hours of continuing education credit, exhibits and networking events. An overview of the event is featured in the "Meeting of the Minds" article on page 12.

Two of the Appraisal Institute's publications received Awards for Publication Excellence in the 2012 APEX Awards, sponsored by publishing, PR and marketing consulting firm Communications Concepts, Inc. Valuation received an Award of Excellence for print magazines and journals greater than 32 pages, a category that drew more than 600 entries.

Appraiser News Online received an Award of Excellence in the email newsletter writing

category, which drew more than 300 entries.

The 24th annual APEX Awards received more than 3,330 entries across 11 major categories.

**ALSO IN THE SPOTLIGHT:** appraisers who tackle the valuations of sustainable residential properties and those who face myriad challenges associated with the valuation of historic preservation easements.

The "Lean Green" article on page 14 delves into the valuations of sustainable residential properties; the valuation of green commercial buildings was addressed in the previous issue of Valuation ("Green Scene," page 20). As it turns out, the markets for sustainable valuations of both property types share many similarities — namely conflicting messages from clients, some of whom care a great deal about sustainable features and others who don't care much at all.

Any conflicting messages about the valuations of historic preservation easements were straightened out by the Internal Revenue Service, which recently clarified its rule about tax deductions, ramped up enforcement efforts and basically froze any interest in this type of appraisal work. See "This Old Write-Off" on page 18 to see why appraisers who take on these assignments not only find themselves in the spotlight, but also in the glare of the IRS.

**ALSO IN THIS ISSUE:** Peter Christensen advises appraisers to prepare for an onslaught of new appraiser liability cases from the FDIC in his Rest Insured column on page 10.

Appraiser Anthony Uzemack, MAI, talks about his passion for valuations and vineyards—including the one he owns in Southern Michigan, where

he produces his own wines and grows grapes for Welch's grape juice. Pop open a cork and read the "Grape Expectations" article on page 30. 🍷

Have a comment, question or concern? Email me at [jschneider@appraisalinstitute.org](mailto:jschneider@appraisalinstitute.org).

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From the desk  
of the president



By **Sara W. Stephens, MAI**

## DAMAGE CONTROL

**AI warns Congress about 'dangerous' new regulation**

### I RECENTLY TESTIFIED ON BEHALF OF APPRAISAL INSTITUTE MEMBERS

and the valuation profession at large before a key congressional committee about "new and excessive" regulation that's about to be enacted without congressional authorization. Such a scheme could significantly damage the valuation profession.

I was honored to represent the Appraisal Institute before the House Committee on Financial Services' Subcommittee on Insurance, Housing and Community Opportunity, telling them that although appraising already is the most heavily regulated activity within the mortgage and real estate sectors, appraiser regulatory agencies are planning to enact additional changes that would threaten to tie the hands of appraisers, curtail innovation and increase regulatory burdens on appraisers and financial institutions.

I told members of Congress that The Appraisal Foundation's creation of a new Appraisal Practices Board delves into appraisal

practices without congressional authorization. Even though the Foundation does not have authority to codify appraisal methods and techniques, it is attempting to issue guidance and opinions that could apply to all disciplines within the appraisal profession.

This is a dangerous and unjustified move that risks hamstringing and jeopardizing the real estate appraisal profession altogether. The regulatory burden for appraisers is on the cusp of being expanded exponentially.

As members of the valuation profession, you know that appraisal methods and techniques require judgment by the appraiser. It is assumed that the appraiser has been thoroughly trained to judge appropriate situations. The choice of methods and techniques is the responsibility of the appraiser in the development of his/her scope of work and not that of the Appraisal Practices Board.

For instance, it is up to an appraiser to determine whether reproduction cost or replacement cost should be used. Additionally, determining

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## The regulatory burden for appraisers is on the cusp of being expanded exponentially.

when and how to adjust for sales concessions is dependent on the actions of the marketplace

and should not be mandated by a body such as the Appraisal Practices Board. I don't need to tell you that real estate property types and markets are extremely diverse; you understand that hard "rules of thumb" do not work within valuation because there always are exceptions to the rules.

To counter the effect that the Appraisal Practices Board potentially could have on the industry, I offered Congress a seven-part legislative proposal on behalf of the Appraisal Institute. The proposal would realign the appraisal regulatory structure to focus oversight and declining enforcement resources where they are most needed, to eliminate or curtail rules that hamstring the appraisal process and to support full consumer disclosure of fees relating to appraisal management processes.

That plan includes the following recommendations:

- Realign the appraisal regulatory structure

with those of other industries in the real estate and mortgage sectors. Specifically, amend

Title XI of FIRREA to utilize the National Mortgage Licensing System, overseen by the Conference of State Bank Supervisors, to assist with information sharing and reduction of red tape.

- Protect the independence of the appraisal standards-setting process and require that appraisal standards for federally related transactions be issued by an entity that does not develop or offer education for appraisers.
- Establish limitations around the Appraisal Practices Board, and establish meaningful oversight over the de facto regulatory actions of the Foundation.
- Reiterate that The Appraisal Foundation does not have legislative authorization in the area of "methods and techniques" and "appraiser education."

- Establish laws that empower state appraisal boards to conduct thorough and fair investigations, and to prosecute meaningful complaints involving appraisers. Ensure that appraiser licensing fees are used by state appraiser regulatory agencies for oversight and enforcement through dedicated funds.

- Authorize Fannie Mae, Freddie Mac and other agencies, such as the Federal Housing Administration and the U.S. Department of Veterans Affairs, to halt the purchase or guarantee of loans in states that maintain deficient appraiser regulatory regimes.

- Ensure that ongoing federal support for Fannie Mae and Freddie Mac — or a future related organization — maintains consistent appraisal rules like FHA and VA.

Stay tuned. The Appraisal Institute will continue to fight on behalf of its members and the profession. 🏠

Read Sara W. Stephens' testimony: [www.appraisalinstitute.org/newsadvocacy/letrs\\_tstimny.aspx#Testimony](http://www.appraisalinstitute.org/newsadvocacy/letrs_tstimny.aspx#Testimony).

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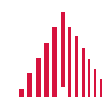
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## NOT-SO-FULL DISCLOSURE

### Revealing AMC fees optional under proposed disclosure forms

#### THE APPRAISAL INSTITUTE EXPRESSED ITS SUPPORT

for the Consumer Financial Protection Bureau's proposed mortgage disclosure forms, but during testimony June 20 before the House Committee on Financial Services' Subcommittee on Insurance, Housing and Community Opportunity, AI asked that the appraisal fee be separated from the appraisal management company fee.

However, when the CFPB released its latest versions of the forms July 9, it was revealed that the proposed five-page closing disclosure

form does not require separate disclosure of the AMC fee and the appraisal fee, but instead only provides the option to do so. It would be up to a closing agent to separate the fees on the form.

The three-page loan estimate form also does not require separate mentions of the AMC fee and appraisal fee.

In a statement to the Appraisal Institute, the CFPB said "Our intention was simply to follow Section 1475 of the Dodd-Frank Act, which makes the [AMC fee] disclosure optional."

The forms already have gone through 10 rounds of testing and tweaking based on thousands of public comments. More changes are possible, with the CFPB asking consumers to comment on the newest versions. The public has until Nov. 6 to review and provide feedback.

View and comment on the proposed disclosure forms at [www.consumerfinance.gov/knowbeforeyouowe/#disclosure](http://www.consumerfinance.gov/knowbeforeyouowe/#disclosure). Read AI's written testimony at [www.appraisalinstitute.org/newsadvocacy/downloads/ltrs\\_tstmony/2012/AI-ASFMRAn-Mortgage-Disclosures-2012.pdf](http://www.appraisalinstitute.org/newsadvocacy/downloads/ltrs_tstmony/2012/AI-ASFMRAn-Mortgage-Disclosures-2012.pdf).

### TO THE HILL AND BACK



During her June 28 visit to Capitol Hill, Appraisal Institute President Sara W. Stephens, MAI, (on right) met with Rep. Judy Biggert, R-Ill., chairwoman, House Committee on Financial Services' Subcommittee on Insurance, Housing and Community Opportunity. President Stephens testified before the committee about a "new and excessive" form of unauthorized regulation. Read the full account on page 6.

## ON CALL

### Appraisal complaint hotline to open this year

The Appraisal Subcommittee, a federal monitor of state bodies responsible for governing valuations, announced July 2 that it will open an appraisal complaint hotline by the end of the year.

The hotline, required by the Dodd-Frank Act, will allow homebuyers, real estate agents, lenders and others in the industry to file complaints about appraisers and appraisal management companies.

"ASC member agencies are currently working to finalize the details for how they will handle the referral of a complaint from the hotline," ASC Executive Director James Park noted in House testimony.

Park reported that a website is in the process of being designed, and an overall process for handling complaints has been drafted.

"The appraiser/client business relationships built on the foundation of knowledge and trust have been shattered over the past few years," the ASC testified.



# LOW RATINGS

## Appraisal associations urge enhanced CMBS rating methodology

An international coalition of valuation associations, including the Appraisal Institute, the American Society of Farm Managers and Rural Appraisers, the Appraisal Institute of Canada and the European Group of Valuers' Associations, sent Standard & Poor's a letter July 16 urging revisions to its ratings methodology for Commercial Mortgage Backed Securities.

The associations were responding to S&P's proposed CMBS Global Property Evaluation Methodology, which was issued June 2.

In their comment letter, the organizations stressed that real estate valuation is local and therefore best performed by appraisers and valuers with market and geographic competency. Consequently, they recommended the use of third-party due diligence firms to supplement ratings information. They noted that such firms employ designated real estate appraisers and valuers who could review loan level data, compliance with underwriting guidelines, property valuation review and originator regulatory compliance.

The associations also recommended the inclusion of a grading system for all portfolios. Such grading systems review controls that support collateral valuation procedures.



Read the joint comment letter at [www.appraisalinstitute.org/newsadvocacy/downloads/ltrs\\_tstmny/2012/sandpcmbmethodology-7-16.pdf](http://www.appraisalinstitute.org/newsadvocacy/downloads/ltrs_tstmny/2012/sandpcmbmethodology-7-16.pdf). See S&P's proposed methodology at [www.standardandpoors.com/spf/upload/Events\\_US/US\\_SF\\_Event\\_reit6129.pdf](http://www.standardandpoors.com/spf/upload/Events_US/US_SF_Event_reit6129.pdf).

# vanishing act

## AI asks HUD to withdraw Section 8 provision eliminating appraisals

**THE APPRAISAL INSTITUTE AND THE AMERICAN SOCIETY OF FARM MANAGERS AND RURAL APPRAISERS** issued a comment letter July 16 in response to the U.S.

Department of Housing and Urban Development's proposed rule on regulatory changes to their Section 8 Voucher Program.

The rule proposes to eliminate an existing requirement that an appraisal be used to determine initial rent contracts to a Section 8 building owner. HUD cited a "lack of availability of state-certified appraisers" and "increased expenses in order to acquire state-certified appraisers" as the reasons for eliminating the appraisal requirement.

In their joint letter, AI and ASFMRA asked HUD to withdraw the provision that would eliminate the requirement for a real estate appraisal, and criticized the agency for claiming that there aren't enough state-certified appraisers without citing any research to support that claim.

Similarly, the letter noted that HUD has not provided any research to support its contention that an alleged shortage of appraisers has led to increased costs or project delays related to appraisals.

Read the comment letter at [www.appraisalinstitute.org/newsadvocacy/downloads/ltrs\\_tstmny/2012/AI-ASFMRA\\_on\\_HUD\\_Section8Vouchers\\_7\\_16\\_Final.pdf](http://www.appraisalinstitute.org/newsadvocacy/downloads/ltrs_tstmny/2012/AI-ASFMRA_on_HUD_Section8Vouchers_7_16_Final.pdf).

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## BLAST FROM THE PAST

### Prepare for an onslaught of FDIC appraiser liability cases

**BETWEEN 1997 AND 2007**, the Federal Deposit Insurance Corporation filed professional liability lawsuits against fewer than 10 appraisers. However, since 2007, the FDIC has become a frightening liability specter, serving hundreds of subpoenas, ramping up suits against appraisers, and identifying hundreds of others as negligent in public court filings.

The good news: Court filing data shows that Appraisal Institute members are significantly less likely to be sued by the FDIC than non-members. Here are less sunny facts:

- Since Jan. 1, 2007, the FDIC has named approximately 205 individual appraisers and appraisal firms as defendants in lawsuits alleging professional negligence.
- Most FDIC lawsuits filed against individual appraisers or appraisal firms since 2007 uniformly have alleged that the defendant appraisers inflated valuations.
- In the first six months of 2012, the FDIC sued approximately 40 individual appraisers and appraisal firms — this is the fastest pace, by a slight margin over 2011, at which the FDIC has filed appraiser lawsuits during the current mortgage mess.
- All the appraisals that sparked FDIC action in 2012 were more than five years old at the

time the lawsuit was filed; 2005 and 2006 were the most common years in which the appraisals in question were performed.

- The FDIC has, in suits against bank officers and directors and two national appraisal management companies, identified by name approximately 350 appraisers (beyond those it has sued individually) as having performed allegedly negligent appraisals.
- At least two appraisers share the distinction of having been sued twice by the FDIC.

#### THE PROTOTYPICAL APPRAISER CASE

Most lawsuits filed by the FDIC share similar attributes, and this example filed by the FDIC in November 2011 is typical:

In February 2006, a married couple applied for a \$410,000 refinance loan through a mortgage broker on a residential property in Northern California. The mortgage broker submitted the loan application to Downey Savings & Loan. The application indicated the borrowers had \$3,300 per month in combined social security/disability income and \$4,800 per month in other pension or retirement income. The application also indicated that the borrowers occupied the property as their principal residence. The mortgage broker selected an appraiser from Downey's list of eligible appraisers. In his appraisal report, the appraiser indicated the property had a value of \$550,000. Downey subsequently funded the \$410,000 loan.

According to the FDIC's complaint, the borrowers provided false income information and they also did not live in the home or have any intention to do so — in fact, they were acting as "straw-borrower-owners" for their daughter, who lived in the home but had deeded it to her parents because she could not qualify for a new mortgage due to a recent bankruptcy. When neither the daughter nor her parents made payments, Downey foreclosed on the property in April 2008, making a credit bid of the unpaid mortgage balance and leaving an alleged deficiency of \$220,000.

In November 2008, Downey failed and the FDIC was appointed as its receiver. In this capacity, the FDIC gained the legal right to pursue legal actions that the failed lender could have brought against parties who caused the lender's losses. It is in this receiver capacity that the FDIC principally sues officers and directors of failed banks or professionals who caused harm to the bank, such as accountants, lawyers, brokers and appraisers.

In November 2011 — almost six years since Downey made the loan in question — the FDIC filed a lawsuit for damages against both the mortgage broker and the appraiser. In its case against the appraiser, the FDIC stated (the names of the parties are public but I have not included them here):

"Appraiser X's appraisal report that the mortgage broker submitted to Downey for the borrower's loan violated USPAP. Plaintiff is informed and believes and thereon alleges that at all relevant times alleged herein, appraiser X breached his professional duties,

## Like most current appraisal litigation, FDIC cases concern reports prepared years ago ... the most important take away is to be prepared.

including statutory duties, by submitting to Downey inaccurate, incomplete and/or

misleading information in the appraisal report they rendered regarding the borrower's property in the following particulars: appraiser X's adjustment for the condition of comparables one and two are excessive, and his report states that the property is owner-occupied by the borrowers."

The FDIC demanded \$220,090 in damages in its complaint against the appraiser, together with prejudgment interest.

What makes this case so typical: the FDIC is suing an appraiser about an appraisal performed five to seven years ago\*, the appraisal was for a residential property, the loan was handled by a mortgage broker and the underlying loan suffered from borrower misrepresentation and a high loan-to-value ratio.

Other common facts observed in FDIC cases include appraisal work performed either by lower-license-level appraisers, trainees or subcontractor appraisers working under the supervision of another appraiser. In these cases, it's typical that all parties will be named as defendants. A fair number of FDIC cases have included appraisers who performed deficient review appraisals at the time of loan origination; these review appraisers allegedly failed to catch inflated values in the origination appraisals.

### FDIC'S VIEW ON COMMERCIAL APPRAISERS

Commercial appraisers have not gone untouched by FDIC claims, but the instances are much less common than on the residential side. I attribute this to several factors:

Commercial appraisals appear to have been performed to a relatively higher standard, even during the boom years.

\*The relevant statute of limitations periods have nothing to do with USPAP's five-year recordkeeping requirement and depend in many states on the "discovery rule." In addition, under FIRREA, the FDIC receives a three-year extension for filing negligence claims and a six-year extension for breach of contract claims. For more information on this topic, see [www.appraisalinstitute.org/newsadvocacy/Periodicals/downloads/statutes-of-limitations.pdf](http://www.appraisalinstitute.org/newsadvocacy/Periodicals/downloads/statutes-of-limitations.pdf).

Loans secured by commercial properties were not made to the same extreme

loan-to-value ratios as in residential lending or to borrowers with as poor credit worthiness.

Both LTV and borrower credit quality correlate directly to the likelihood of an appraisal-related claim, whether by the FDIC or any party.

Based on recent subpoenas delivered to commercial appraisers (which usually precede the filing of a lawsuit) and a few recent cases, it appears that the FDIC may begin filing more commercial appraisal suits.

One very recent case is the June 2012 lawsuit filed against a Midwestern appraisal firm. In this case, the firm's appraisers are alleged to have performed four negligent appraisals in 2006 for acquisition-development-construction loans by Founders Bank, a small Illinois institution that failed in 2009. For one loan, the borrower represented to the lender a purchase price of \$3.25 million when, in fact, the full amount was never intended or paid and was concealed by a "shadow closing" at a lower price of \$2.6 million, the FDIC alleged. Showing the higher price to the lender allegedly enabled the borrowers to obtain a higher loan amount and avoid putting in their own money. The other three loans exhibited the same structure. Unfortunately for the appraisal firm, the appraisals consistently valued the subject properties exactly at, or in one transaction, slightly below the higher, false purchase prices. As a result, the appraisal firm is named as a defendant along with the title company in the FDIC lawsuit over defaulted loans with a total principal balance over \$6 million.

### HAS THE FDIC SUED ANY CHIEF APPRAISERS?

Like other bank officers or staff, chief appraisers can be sued. A few were sued by the Resolution Trust Corporation during the S&L crisis. However, the FDIC has not yet sued any chief appraisers during this crisis. In fact, the FDIC actually has blamed a few failed banks' officers and directors for

disregarding advice from their chief appraisers.

An April 2012 case provides such an example. As receiver for First Bank of Beverly Hills, which failed in April 2009, the FDIC determined that the bank's former executives approved many ADC loans and commercial real estate loans "in derogation of their duty to engage in 'safe and sound' banking practices." Accordingly, on April 20, 2012, the FDIC sued 10 former officers and directors of the bank for gross negligence and breaches of fiduciary duty, seeking at least \$100.6 million in damages. The bank's management is alleged to have ignored advice given to them by the chief appraiser. In one of the loan situations, the bank's officers and directors approved a \$20 million participation in a \$28 million CRE loan on a seven-story mixed-use building in Chicago. As receiver, the FDIC later sold this loan participation at a loss of \$11 million. In its lawsuit, the FDIC alleged that the officers and directors responsible for approving the loan ignored the chief appraiser's warnings about information that was missing from an underlying appraisal prepared at the borrowers' direction.

### LEARNING FROM THE FDIC CASES

Like most current appraisal litigation, FDIC cases concern reports prepared years ago, so the most important take away is to be prepared.

Maintain possession of work files for eight or more years, despite the shorter mandatory period for recordkeeping in USPAP. With proper work files, many of these cases are defensible and your work supportable.

Take very seriously any subpoena received from the FDIC. Consult legal counsel before responding.

Check your insurance policies. Some appraiser E&O insurance policies now exclude or do not fully cover claims by the FDIC or other regulatory agencies. 📌

*Peter Christensen is LIA Administrators & Insurance Services' general counsel. A graduate of the University of California, Berkeley's Boalt Hall School of Law, he has been an attorney since 1993 and maintains the blog [www.appraiserlawblog.com](http://www.appraiserlawblog.com). LIA has been offering E&O insurance and loss prevention information to the appraisal profession nationally since 1977.*

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# FRONT lines

Stories and insights from members in the field



By **Brent Roberts**,  
senior manager,  
communications



## MEETING OF THE MINDS

### Members head to Southern California for AI's Annual Meeting

**THE 2012 APPRAISAL INSTITUTE ANNUAL MEETING** drew more than 300 attendees to Coronado, Calif., Aug. 1–3, where they heard from three enlightening speakers, attended 20 different education sessions, received up to 18 hours of continuing education credit, checked out exhibits and attended networking events at the Loews Coronado Bay resort near San Diego.

The slate of speakers included keynote Charles Plumb, a former U.S. Navy Captain and P.O.W., and general session speakers Dylan Taylor, chief executive officer/USA of Colliers International, and Floyd Robinson, assistant general counsel of the Federal Deposit Insurance Corporation's Professional Liability and Financial Crimes Section.

#### WAR STORIES

Plumb shared his personal story with attendees, drawing parallels between his Vietnam experience and the challenges of everyday life.

Appraisal Institute President Sara W. Stephens, MAI, with general session speakers Dylan Taylor (center), chief executive officer/USA of Colliers International, and Floyd Robinson (on right), assistant general counsel of the Federal Deposit Insurance Corporation's Professional Liability and Financial Crimes Section.

He shared insights on how to cope with life's difficulties and embrace its opportunities, saying that his nearly six years in

captivity in an 8-foot-square cell taught him how to handle adversity.

He encouraged appraisers to become "parachute packers," meaning they should help others face life's challenges.

Taylor told attendees that the global valuation profession is not one-size-fits-all, and that appraisers around the world need to pay close attention to myriad regulations nationally, yet remain aware of the varied standards internationally.

He also said that challenges facing global valuation include regulation, deliverables, focus on valuation, fragmented business, information and technology, and licensing and accreditation.

Taylor complimented the Appraisal Institute for its role in designating appraisers. He said that the roadmap to global valuation involves devoting resources to localized technology, developing on-the-ground research capabilities and enhancing accounting skills while following the International Standards of Accounting.

Robinson discussed professional liability as it relates to the appraisal profession, key components of the Dodd-Frank Act that impact



AI President Sara W. Stephens, MAI, with honorees, including (from left) AI Chief Executive Officer Frederick H. Grubbe, CAE, who accepted the President's Award on behalf of AI staff; George Opelka, who accepted the Lifetime Achievement Award on behalf of his father F. Gregory Opelka, MAI, SREA, SRPA, SRA; and past AI President Jim Amarin, MAI, SRA, who received the President's Award.

appraisers, recent enforcement actions against appraisers and the important work that valuation professionals perform for the FDIC.

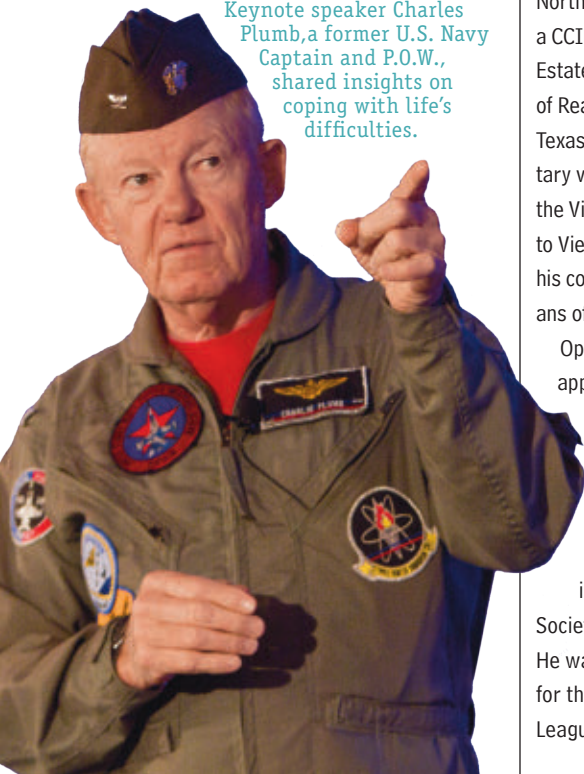
He cautioned appraisers to never bend the rules just to secure a fee, and told the audience that appraisers who have had enforcement action taken against them generally are well-trained; they simply chose to break the rules.

## AWARD NIGHT

Six individuals were honored during an awards dinner Aug. 3; two members received the Lifetime Achievement Award and four others received the President's Award.

Jay M. Massey, MAI, SRA, of Dallas and F. Gregory Opelka, MAI, SREA, SRPA, SRA, of Glenview, Ill., received the Lifetime Achievement Award. President's Award recipients were Jim Amarin, MAI, SRA, of Austin, Texas; Leslie P. Sellers, MAI, SRA, of Clinton, Tenn.; John P. Wintrol, Esq. of Washington, D.C.; and the Appraisal Institute staff.

Keynote speaker Charles Plumb, a former U.S. Navy Captain and P.O.W., shared insights on coping with life's difficulties.



The Lifetime Achievement Award is presented to Appraisal Institute members who demonstrate high ethical standards; have volunteered several years of service and contributed to the Appraisal Institute on the international, national, regional and/or chapter level; have served his or her community; and have contributed to the appraisal profession for at least 20 years.

Massey has been involved in the valuation profession for more than two decades, including teaching courses and seminars for the Appraisal Institute. He has served on the Board of Directors and Commercial Property Network Committee of the North Texas Commercial Association of Realtors; as a CCIM member of the Commercial Investment Real Estate Institute; as a CRE member of the Counselors of Real Estate; and as a member of the Society of Texas A&M Real Estate Professionals. He is a military veteran who served in the Special Forces during the Vietnam War, and in recent years has returned to Vietnam as an Appraisal Institute instructor. In his community, he has been a member of the Veterans of Foreign Wars for many years.

Opelka, known for his efforts in creating appraisal report standards, has served the valuation profession for more than a half century. He was executive vice president, director and chief appraiser of Fairfield Savings Bank from 1954 to 2002, and he served as the 1980

international president of the Society of Real Estate Appraisers. He was an appraisal consultant for the U.S. Savings and Loan League from 1960 to 1993, and

he authored more than 380 consecutive monthly articles for the Savings and Loan News. The F. Gregory Opelka Award was created by the Chicago Chapter of the Appraisal Institute in his honor. He has served as a mentor to thousands of valuation professionals, including his sons: George Opelka and the late Chris Opelka.

The President's Award is presented to Appraisal Institute members who are committed to the organization, currently engaged in its activities, effective spokespeople, representatives at all times, and in touch with both the needs of other members and the changes that the organization must help its members to meet.

Amarin was president of the Appraisal Institute in 2009, and a developer and instructor of its Capstone program, helping to designate nearly 300 members in 2011. Sellers, president of the Appraisal Institute in 2010, has been a member of the organization for more than three decades and has dedicated countless hours to updating its "Fundamentals of Separating Real and Intangible Property" course. Wintrol served the Appraisal Institute and one of its predecessors as legal counsel for more than 30 years, guiding the organization and its leaders through the major events and challenges in its history. The Appraisal Institute's staff was recognized for its efforts in serving the needs of the organization's members. 🏆

The 2013 Appraisal Institute Annual Meeting will be held July 23-25 in Indianapolis. Look for details soon.

Brent Roberts is the senior manager, communications, at the Appraisal Institute and a staff writer for Valuation magazine and AI's weekly e-newsletter, Appraiser News Online. He can be reached at [broberts@appraisalinstitute.org](mailto:broberts@appraisalinstitute.org).

# LEAN

# GREEN

By **Steve Bergsman**

**PETER B. FINNERTY,  
MAI, LIKENS HIMSELF  
TO THE MAYTAG MAN.**

Finnerty is the president of Pacific Real Estate Consultants in Newport Beach, Calif., and one of Southern California's only MAI appraisers with LEED accreditation. You would think that combo would keep him busy performing valuations of sustainable residences — especially with the Golden State's green cred. Instead, like the iconic repairman, Finnerty waits and waits ...

What's to blame for the lack of green residential real estate appraisals? A down economy that's decimated the homebuilding industry. Regional preferences for sustainability. Lenders

who don't see the value in green. Realtors who don't sell the value of green. And appraisers who aren't as familiar with green elements as, perhaps, they should be.

Finnerty, when not acting the part of the appliance guy, teaches sustainability courses for the Appraisal Institute, and he notes a general lack of interest in the offerings. "We could hardly get enough people in the classes," he says.

"Only about 3 percent of all the licensed appraisers have taken any of the AI's courses on green," says Sandra Adomatis, SRA, a Punta Gorda, Fla., appraiser who has developed Appraisal Institute green education courses. "That's really a low number."

However, Taylor Watkins, a certified residential appraiser and president of Portland-based Watkins & Associates, as well as an Appraisal Institute instructor, says that "a certain segment of the appraising community feels the market is not significant enough for them to concentrate on specialized education. But, on average, there is more interest in green buildings in the appraisal community right now than in the past," he says.

It's not just the appraisal industry where interest in green hasn't bloomed. Adomatis points out that the realtor community is no better, with only 2 percent of realtors taking the green courses offered by the National Association of Realtors.





## Multiple factors have slowed demand for valuations of sustainable residences

And don't even get anyone started on lenders who don't understand the potential value in sustainable building methods and green features.

"I have appraisers call me from all over the United States," Adomatis says. "They say lenders indicate their guidelines won't allow adjustments for energy efficiency. Some appraisers have been told by lenders that they don't care about the green stuff, telling them to 'just appraise it as you would a normal house and forget the green stuff,'" she says. "But the Uniform Standards of Professional Appraisal Practice says if there is value, we have to recognize it. If a lender or appraisal management company is telling us to just ignore that, it's poor practices on their part and consequential for the appraiser."

And then, of course, there's the economy and its effect on new home construction. "A lot of the country has not seen much in the way of the green movement due to the decline in new construction," Adomatis says. "It seems to be centralized around California, Utah, Nevada, Arizona, Hawaii, Texas, Iowa, Oregon and the Northeast." Even in those areas, however, green appraisals can be sporadic.

Nevertheless, there is a silver (or green) lining that has its roots in the homebuilding industry and should eventually prove to be an incentive for appraisers.

### GREEN HOUSE

The U.S. Green Building Council announced in June that more than 20,000 homes across the nation

have earned certification through its LEED for Homes program. However, the largest certification program is the Environmental Protection Agency's Energy Star. Alan Simmons, SRPA, LEED AP, in Colorado Springs, Colo., reports that in 2010, about 25 percent of new homes nationally were Energy Star-certified, and in some states (Arizona, Hawaii, Nevada and Ohio) they exceeded 50 percent of new housing starts.

Oregon is another state where green has firmly taken root in the residential market despite the state's economic malaise.

"In the Portland area, there was a very large reduction in new home construction over the last four years due to the recession, but during that

time, the market share of green-certified new residential construction has grown,” Watkins says.

One of the problems often cited with green appraisals is the lack of comparables, but Watkins dismisses that concern. “I always say there is a lack of comps for almost any property you are going to value, green or not, because the market in general hasn’t been very good,” he says.

The principles of valuation haven’t changed, Watkins says. “What’s changed is the way new homes are being built, and appraisers need to understand the difference in the way a high-performance home is put together, so they can apply what they know about real estate to those differences,” he says. “Appraisers see more national news about energy efficiency, and all those different movements lead them to become more interested in the topic.”

The Appraisal Institute is doing its part to help appraisers sort out the various shades of green coloring new building standards. Over the last couple of years, AI launched the Valuation of Sustainable Buildings Professional Development Program ([www.appraisalinstitute.org/education/green/default.aspx](http://www.appraisalinstitute.org/education/green/default.aspx)), contributed to the Green MLS Tool Kit ([www.greenthemls.org](http://www.greenthemls.org)), expressed its support for a new tool developed by Solar Power Electric and Sandia National Laboratories that helps appraisers establish the value of solar-powered features ([http://energy.sandia.gov/?page\\_id=8047](http://energy.sandia.gov/?page_id=8047)) and developed

a form (optional addendum to Fannie Mae Form 1004) intended to help describe and analyze values of energy-efficient home features ([www.appraisalinstitute.org/education/downloads/AI\\_82003\\_ReslGreenEnergyEffAddendum.pdf](http://www.appraisalinstitute.org/education/downloads/AI_82003_ReslGreenEnergyEffAddendum.pdf)).

“The Appraisal Institute is dedicated to helping appraisers and others find, understand and use available information on energy performance in buildings,” AI President Sara W. Stephens, MAI, says about the initiatives. “As green and energy-

## GREEN GIANTS

It pays to know the green marketplace.



Sandra Adomatis, SRA



Alan Simmons, SRPA, LEED AP



Don Davis

efficient features play larger roles in the real estate industry, it’s increasingly important that appraisers know how to value those properties,” she says.

Simmons asserts that, “Sustainability isn’t going away and you are only going to see a bigger percentage of homes that are going green. You need to be knowledgeable and if you are not, you shouldn’t undertake the assignment.”

Simmons’s assertion is spot on. A McGraw-Hill Construction study titled “New and Remodeled Green Homes: Transforming the Residential Marketplace” (2012) reported that the construction of green single-family homes increased from 8 percent in 2008 to 17 percent in 2011. Additionally, the study noted that a five-fold increase is expected through 2016, when green residential construction will comprise 29 to 38 percent of the market.

## SPENDING GREEN TO BECOME GREEN

If homebuilders are starting to get the message about green, and increasingly, appraisers too, then what about lenders?

The answer: penetration in that sector of the industry is equally unpredictable. There have been many horror stories about banks expecting appraisals fast, concise and without anything extraneous, such as green features, but some appraisers have had better experiences.

“I haven’t had a lender discount things I have said about a property, whether it was conventional or green-built,” Watkins says. “When the lender cared whether the property is high-performance, the lender has stated so on the appraisal order and they have done so because their representative, whether it is an in-house loan officer or mortgage broker, has indicated it is an important feature of the property.”

Don Davis, president of Capital City Bank in Gainesville, Fla., is one lender with a strong interest in green — he even put a solar photovoltaic system

## RIGHT HOME, WRONG CLIENT

Appraiser Peter Finnerty, MAI, experienced the green conundrum firsthand in May.

Like so many other homeowners, he was refinancing his Southern California home to reduce his monthly mortgage payment. His lender retained an appraiser who contacted Finnerty, and at the time of the initial contact, Finnerty indicated that his home had solar panels. He provided additional information showing that not only does he not receive an electric bill, he receives a check from his electrical utility because his panels create more electricity than he used.

When the appraiser asked Finnerty if he owned the panels, he responded in the

affirmative and told the appraiser the cost, the size of the system and when the panels were installed. Finnerty also indicated he had a reflective roof installed at the same time as the solar panels.

The appraiser explained that “because of so many different programs for solar panels, where the property owner doesn’t own the panels but leases them, it is difficult to know what to do.”

Finnerty also mentioned the green addendum for residential appraisals developed by the Appraisal Institute.

When Finnerty received a copy of the appraisal from the lender, he was taken



Peter Finnerty, MAI

aback. The valuation section of the report had no mention of the solar panels and no impact on the value of his home, according to the opinion of the appraiser.

While the solar panels were noted in the narrative, there was no noted benefit to the property value. Even though the refinancing transaction was not impacted by the appraisal, the lender relied upon it to close the transaction.

Finnerty sent an email complaint to the lender, who said he would pass it along. Nothing was ever heard again from the lender or the particular appraiser.

## go big green

The easiest thing to measure is energy efficiency, even if it's just comparing the energy bills of a green home to those of a traditional home in the neighborhood.

You may have to do something other than find comps. For example, a thorough cost approach may help. Also, an income approach that capitalizes rent differences may prove instructive.

AI's addendum to Fannie Mae Form 1004 is a good checklist if appraisers find themselves in a green home. The addendum also helps appraisers identify elements of green.

- Know the general theory behind green buildings and understand the construction differences. If you don't know how elements of the home are different, it will be very difficult to determine if there is value to those differences.
- Try doing a market analysis, asking such questions as: Are there any green certifications in the area? Any green buildings constructed recently? Has the number of green buildings increased? What are the energy costs in the area?
- The two top elements that add value to a green home are: anything that shows an actual return and anything that equates to energy efficiency.
- Don't assume the underwriter reading your report will be green knowledgeable, so go overboard in explanations.



on his own home. As he sees it, much of the intransigence in the green residential movement resides with the appraisers.

"A couple of years ago, when builders in Gainesville started to develop net-zero homes,

I got a call from a realtor saying the appraiser told him he couldn't justify the value of the solar photovoltaics," he recalls.

Davis thought this odd because it actually is the easiest green feature to justify. The electricity produced by the photovoltaic system creates an income stream that either is being paid under a power purchase agreement or there is a utility savings income stream. All that can be converted to net present value.

That experience led Davis to suggest that green feature fields be added to MLS listing software so realtors can gather this important data and share it with appraisers. In Gainesville, the Gainesville-Alachua County Association of Realtors did just that. Davis expects the local database of homes with green features "will now start to grow in a meaningful way."

Adomatis isn't completely surprised by the realtor's experience conveyed to Davis. She concedes that while not all appraisers are on board with green, this is a time of transition.

Adomatis says she has encountered the belief "that if it's not in my market, I don't need to know about it." But she says that the appraisal industry is starting to realize the consequences of inspecting green homes without knowing about sustainability. "That's when it becomes an error of omission, which is an issue appraisers have to constantly guard against," she says. ■

*Steve Bergsman is a Mesa, Ariz.-based freelance writer and author of several books. His latest is "Growing Up Levittown: In a Time of Conformity, Controversy and Cultural Crisis." He authored Valuation's second quarter 2012 article "Green Scene" on commercial green appraisals.*

See the Appraisal Institute's multiple green course offerings at [www.appraisalinstitute.org/education/green/classroom.aspx](http://www.appraisalinstitute.org/education/green/classroom.aspx).


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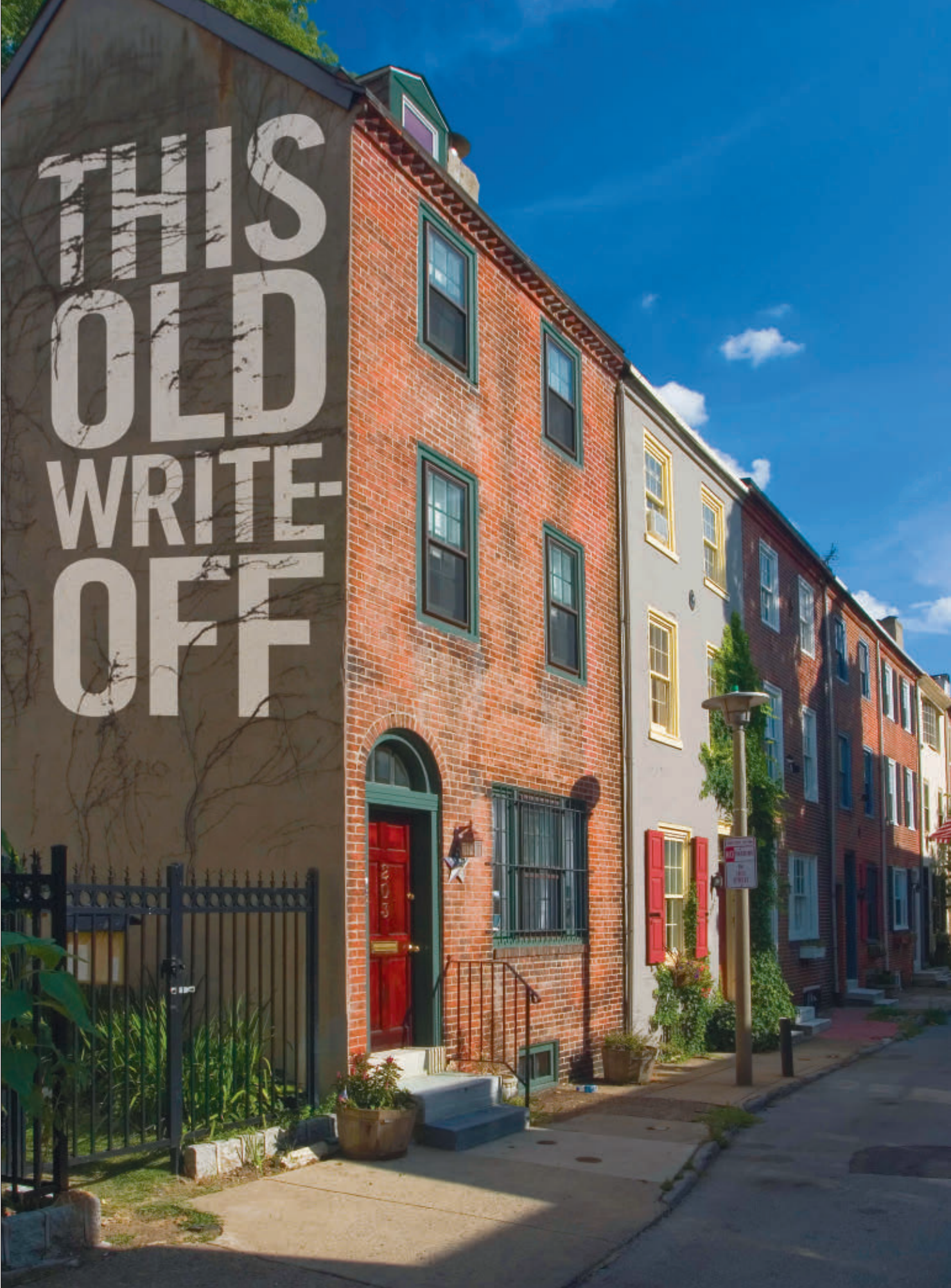


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# THIS OLD WRITE- OFF



**When it comes to valuations for historic preservation easements, are the rewards worth the risks?**



By **Deborah R. Huso**

**WHILE THE VALUATION OF PROPERTIES WITH HISTORIC PRESERVATION**

**EASEMENTS** can be a professionally fulfilling and lucrative area of work, fewer and fewer appraisers are tackling this field because they're skittish about increased Internal Revenue Service audits. Owners of historic properties are spooked, too, and with good reason. An IRS official told Valuation magazine that there currently are some 200 cases over disputed tax deductions related to historic preservation and conservation easements in the United States Tax Court.

A historic preservation easement is a voluntary legal agreement that enables property owners to establish certain preservation restrictions while retaining possession and use of the property. The benefit to donating a historic preservation easement comes from the owner's ability to qualify for a (sometimes very significant) tax deduction.

However, it's that tax deduction and the IRS's increased vigilance that has not just cooled but practically frozen interest in this type of appraisal work.

**AGAINST THE RULES**

Richard Roddewig, MAI, president and co-founder of Clarion Associates, Inc., in Chicago, says there was a burst of activity in taking historic preservation easements from the late 1990s through the early 2000s. That's because many nonprofit organizations that received donations of easements were pushing homeowners with historic properties to take façade easements and claiming, in many cases, they could just follow the IRS rule and claim a 10 to 15 percent property value loss on their taxes.

Unfortunately, there was no such IRS rule.

"There was a complete disconnect between preservation organizations and what was actually happening with property values," Roddewig says.

That disconnect came from a misunderstanding about IRS guidance on diminution of value that routinely and incorrectly was interpreted as a rule.

Once the IRS began commissioning market studies of easement properties in major cities like Chicago, New York and Washington, D.C., the agency discovered that such easements rarely result in a substantial difference between 'before

and after' property values. The findings revealed that reduction in values might drop 3 to 5 percent, but certainly not 10 to 15 percent.

"There has absolutely been an increase in audits as a result of this misinterpretation," Roddewig adds. "One of the difficulties is that many of the appraisers who accepted those assignments did not understand the work involved." The result was they did not bid the jobs properly, did not allow enough time to do their homework and come up with independent data and often provided inaccurate appraisals based on the IRS's misunderstood 10 to 15 percent guidance.

Appraising historic preservation easements is a process that James Donnelly, SRA, of J. Lee Donnelly & Son, Inc., in Bethesda, Md., calls full of "extraordinary requirements." Donnelly was involved in the high-profile court case of Internal Revenue Service vs. Dorothy Simmons (see 'The Case that Started it All,' p. 21) that finally, definitively clarified that the guidance for taking 10 to 15 percent off a property's value due to an easement was just that — *guidance* and not a *rule*.

He says appraisers should definitely “expect and anticipate a challenge” from the IRS.

Following the landmark Simmons case, “there should be no confusion about the ‘10 to 15 percent guidance,’” Donnelly says. “It simply is not allowed. By now, any knowledgeable real estate appraiser involved in appraising historic easements should not be confused.”

He strongly recommends that appraisers steer clear of work related to historic preservation easement valuations until they have taken the Appraisal Institute course Appraising Historic Preservation Easements ([www.appraisalinstitute.org/education/course\\_descrb/Default.aspx?prgrm\\_nbr=805&key\\_type=C](http://www.appraisalinstitute.org/education/course_descrb/Default.aspx?prgrm_nbr=805&key_type=C)).

This is not to say appraisers should avoid historic preservation easement valuation work altogether. Even the IRS official who talked to Valuation conceded that the agency tends to go after taxpayers with obvious issues on their Form 8283 for Noncash Charitable Contributions. The official said audits occur “when the return has obvious questionable entries.” Some of the surprisingly simple errors taxpayers make include failing to attach qualified appraisals and deducting extremely high amounts compared to the cost basis of recent sales. “Our first strategy,” said the IRS official, “is to make sure the taxpayer has complied with all requirements.

## HISTORY BUFFS

Are historic easements going out of fashion?



Richard Rodewig, MAI



Tamara Papas, SRA



Randal Dawson, MAI

If we challenge a valuation, that’s more costly and difficult,” she says. “We start with the easy stuff.”

In other words, do your homework and do it right.

## RISK AND REWARDS

Tamara Papas, SRA, of Pinnacle Performance, Inc., in Washington, D.C., says she really enjoys the challenge of historic preservation easement valuation work. “I take a look at maybe five properties a year to determine if they qualify,” she says. “I’m averaging maybe two a year where I go to full reporting.”

Papas says in some cases an easement can actually add value to a property. “For the IRS, you have to prove your case if there is any increase or diminution of value,” she adds. “It’s not the way it used to be. You need four to five comps on both sides.” Papas says the work can be labor intensive, but she likes the challenge and the greater

remuneration it brings. “It’s exciting, but my heart skips a beat every time I do one of these. If I don’t have a case, I back out.”

Randal Dawson, MAI, senior vice president at CBRE Valuation and Advisory Services in Chicago, says he has averaged only about two historic preservation easement valuations per year for the last decade. “Because of the IRS rules and oversight, the number of historic preservation easements has significantly decreased over the last five years.”

That’s a shame, he says, because “fewer buildings are being preserved because of the potential penalties that can be assessed on the property owner and the appraiser.” That penalty can be as much as 125 percent of the gross income received from preparation of the appraisal.

“From my perspective, it appears the IRS is enjoying the moment,” Donnelly says. However, “if an appraiser completes his or her work according to current requirements, there should be no worry about an IRS audit,” he says.

Still, there seems to be lingering concern. “I spoke to the president of a local leading nonprofit organization (in Washington, D.C.), specializing in preservation easements,” Donnelly says. “He told me they have had only one easement donation in the past year and a half.”

*Deborah R. Huso is a Blue Grass, Va.-based freelance writer.*

## evasive actions

Appraiser James Donnelly, SRA, says the best way to avoid an audit of an appraisal of a historic preservation easement is “to prepare a perfect ‘qualified’ appraisal that conforms to every requirement with overwhelming market evidence and agent or broker testimonials regarding the impact of the easement.” Sound like a big job? It is, but it also can be a great professional challenge and financially rewarding if you follow these best practices:

- Tamara Papas, SRA, says the biggest thing is to leave your preconceived notions at the door, and do not assume your appraisal will result in a diminution of value. “Be upfront with clients,” she advises, “and find out what their expectations are.”
- Do some preliminary investigative research to see what the valuation looks like. “Actually research the market of previously encumbered properties that had historic



preservation easements put on them,” advises Richard Rodewig, MAI. Clients may not be willing to spend the money if the potential end result is only a 2 to 3 percent deduction.

- Make sure you have comparables. This is essential. You must have proof for both the property’s fair market value before the easement and for its FMV after the easement. Papas advises having four to five good comps on both sides.
- Compare the easement restrictions with any current restrictions already in place in the subject property’s historic district, James Donnelly, SRA, advises. An easement may be duplicating something that’s already there.
- An IRS official says the agency typically goes after “low-hanging fruit,” which means they target those who have not properly filled out forms with documentation attached. Carefully follow the guidelines in Form 8283, IRC 170(h), and

Treas. Reg. 1.170A-13(c) “Sloppiness invites scrutiny,” an IRS official told Valuation. “Don’t try to cut corners.”

## THE CASE THAT STARTED IT ALL: INTERNAL REVENUE SERVICE VS. SIMMONS

The landmark case that led to the IRS confirming and clarifying for appraisers that there was no 10 to 15 percent rule for determining diminution of value in historic preservation easement properties began when property owner Dorothy Simmons granted façade easements on two historic row houses in

Washington, D.C., to a local nonprofit that holds conservation easements. James Donnelly, SRA, determined a decrease in value of \$162,500 on one property and \$93,000 on the other as a result of the easements, and Simmons deducted those amounts on her taxes.

The IRS denied Simmons' deductions in 2006, arguing the façade easements had no conservation purpose and contending that the appraisals on the properties were not "qualified." The issue went to court. "The significant issue," Donnelly says, "was whether or not the appraisal was qualified." The U.S. Tax Court did not render its decision

Row houses in Washington, D.C.'s Logan Square, site of one of Dorothy Simmons' two properties.

until 2009, and ultimately "split the baby," Donnelly says. The court ruled that there was a loss in value as a result

of the easements but only a 5 percent loss, which entitled Simmons to deductions of \$56,250 and \$42,250, respectively. The court accepted Donnelly's valuation of the properties without easements, but considered his post-easement valuations too low.

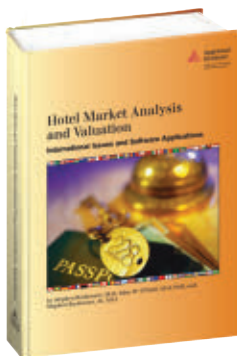
"As a result of the Simmons case, many changes occurred in the program," Donnelly notes. "The court affirmed there is no '10 to 15 percent' rule and that all documented data must be included within the appraisal to prove market conditions."

Donnelly says the Simmons case, and many that have followed, have made homeowners reluctant to seek deductions for historic preservation easements and less likely to even donate easements. "It appears the public is skeptical of the program," he says, "and may be intimidated by the process and its history."

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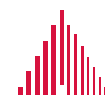
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Nearly 100 appraisers attended the 2012 Leadership Development Advisory Council session May 22–24 in Washington, D.C.



By **Jay W. Schneider**,  
executive editor

**“COMMON SENSE, A GREAT WORK ETHIC AND CURIOSITY”** are the three most important traits an

appraiser can possess, Joe Woods, SRA, chair of the 2012 Leadership Development Advisory Council, told participants gathered in Washington, D.C., May 22–24 for this year’s event, which included an afternoon of lobbying on Capitol Hill.

Woods, 2012 Vice Chair Robin Amorin, MAI, and the four discussion leaders encouraged the nearly 100 participants to draw on those traits when debating their topics and developing relevant and influential ideas that are reported to the Appraisal Institute’s Strategic Planning Committee for consideration.

Highlights from this year’s reports include:

### YOUTHFUL ENDEAVORS

“The appraisal industry is at a crossroads,” says Justin Slack, SRA, associate vice president and senior commercial review appraiser at Home-Street Bank in Seattle. “The age of appraisers keeps rising and the population of appraisers is falling.” Slack challenged participants to brainstorm ways in which the appraisal industry could attract new and younger professionals.

Each of his four discussion groups was

remarkably consistent, with most participants saying they think increased promotion and outreach efforts are critical.

Slack says that participants want to see the Appraisal Institute target college and university students (and maybe even those in high school) by expanding partnerships with higher education facilities, developing and supporting an internship program and creating a recruitment campaign targeting students.

Additional suggestions for boosting the younger ranks include reaching out to the U.S. Department of Veterans Affairs to recruit military personnel returning to the workforce and — one that definitely demonstrated outside-the-box thinking — creating a reality show (perhaps a Web-based series) focused on appraisers. And why not? “There are multiple shows that currently showcase real estate agents and home inspectors,” Slack says.

Justin Slack’s report can be viewed in its entirety at [www.appraisalinstitute.org/myappraisalinstitute/CmteMbrsDwnld/BOD/downloads/2012/LDACSummary2012Slack.pdf](http://www.appraisalinstitute.org/myappraisalinstitute/CmteMbrsDwnld/BOD/downloads/2012/LDACSummary2012Slack.pdf).

**“I very much enjoyed observing participants beginning to think big picture about the Appraisal Institute and finding their voices as they offered solutions to the issues being discussed.”**

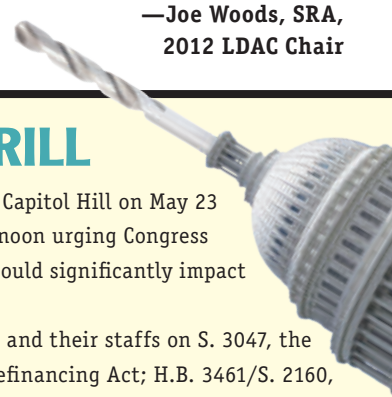
—Joe Woods, SRA,  
2012 LDAC Chair

## THE HILL DRILL

LDAC attendees headed to Capitol Hill on May 23 where they spent an afternoon urging Congress to act on three bills that could significantly impact the valuation profession.

They lobbied lawmakers and their staffs on S. 3047, the Expanding Homeowners Refinancing Act; H.B. 3461/S. 2160, the Financial Institutions Examination Fairness and Reform Act; and S. 3085, the Responsible Homeowner Refinancing Act of 2012.

S. 3047 builds on President Obama’s proposal that home loans not funded by the government-sponsored enterprises be financed through the Federal Housing Administration







# WASHINGTON WORKS

Appraisers network, debate and lobby during 2012 LDAC

## COMPETITIVE ADVANTAGE

Eric Garfield, MAI, expected that discussions on distinguishing Appraisal Institute member work from that of non-member work would be controversial and he wasn't disappointed. Garfield, director at WTAS in Los Angeles, reminded participants that some competitors do very good work, so it's critical that their work stands out.

Some of the reasons why reports from AI members allegedly are falling short include the following:

- The cost approach is excluded too frequently without explanation,
- Marginal support is provided for CAP rates,
- Market analysis isn't always relevant, and
- Conclusions are made without explanation.

Spirited debate focused on discussions of peer reviews, and whether or not the reviews should be mandatory or voluntary. Most participants say they favor peer reviews, but were split over whether they should be mandatory or voluntary.

Other suggestions for raising the reporting bar include more comprehensive education that

emphasizes real-life lessons to augment the text book curriculum and forging an alliance with chief appraisers and review critics. The creation of a template designed to streamline appraisal reports and provide support in critical areas was another suggestion; participants say they would welcome AI-sanctioned software products.

Eric Garfield's report can be viewed in its entirety at [www.appraisalinstitute.org/myappraisalinstitute/CmteMbrsDwnld/BOD/downloads/2012/LDACSummary2012Garfield.pdf](http://www.appraisalinstitute.org/myappraisalinstitute/CmteMbrsDwnld/BOD/downloads/2012/LDACSummary2012Garfield.pdf).

without appraisals. Such a move would involve "new risk" to FHA and would run counter to existing appraisal requirements. As introduced by Sen. Diane Feinstein, D-Calif., the bill would implement parts of the president's proposal but retain an FHA appraisal requirement.

AI members also expressed their concerns about H.R. 3461/S. 2160, and urged Congress to amend the proposed bill in order to make it consistent with federal regulations.

Introduced by Rep. Shelley Capito, R-W.Va., and Sens. Jerry Moran, R-Kan., and Joe Manchin, D-W.Va., H.R. 3461/S. 2160 is intended to promote consistency of bank examinations and due process and to enhance consistency in the interpretation and understanding of bank examination guidelines and regulations. While the Appraisal

Institute supports the bill's intent, AI members expressed concern about Sec. 1013(a)(3), which would prohibit any reappraisal of a performing loan even if examiners identified safety and soundness concerns. Bank examiners currently have the right to order new appraisals to protect safety and soundness.

While on the Hill, appraisers also lobbied Congress on S. 3085, stressing the importance of allowing the government-sponsored enterprises to order appraisals as necessary, a provision that could be eliminated through legislation introduced by Sens. Robert Menendez, D-N.J., and Barbara Boxer, D-Calif. As introduced, the bill would waive appraisals for GSE refinancing and instead encourage use of automated valuation models.

## HIGH-TECH QUEST

Melissa Calloway, SRA, owner of Calloway Appraisal Services in Florence, Ala., took on the high-tech topic "Technology: Moving at the Speed of Light," and she led participants in discussions on utilizing the latest technology and what challenges they encounter in doing so.

"The primary obstacle is finding a way to get the information to our members," Calloway says. "In each of the four discussion groups, the discussion shifted to how to find the latest technology and how to educate members on practical applications."

Some of the solutions that participants say they want include Appraisal Institute courses and webinars focused on new technologies and how they can be implemented into appraisal

## first-timer award

Trevor C. Hubbard, MAI, SRA, an appraiser and consultant with Jones, Roach & Caringella, Inc. in San Diego and an Appraisal Institute member since 2006, received the William T. Anglyn Award at the Leadership Development and Advisory Council on May 24 in Washington, D.C.

"The highlight was clearly having the opportunity to meet such fantastic people," Hubbard says. As for winning the award: "Surprise is an understatement."

The Anglyn Award is presented on the last day of each year's LDAC to a first-year participant who exhibited exemplary leadership, integrity and outstanding contributions to that year's LDAC. The award was developed in 2000 in recognition of efforts by Ted Anglyn, MAI, to promote LDAC.



## LDAC 2013

"Each year I am further impressed with the quality of the participants, and their willingness to roll up their sleeves and tackle the tough issues facing the profession," says 2013 Chair Robin Amorin, MAI. Her goals for next year include continuing the legacy of providing the Strategic Planning Committee with meaningful feedback, supporting appraisers with their lobbying efforts and developing future Appraisal Institute leaders. Helping her in this endeavor is Justin Slack, SRA, who was elected 2013 vice chair.

practices; chapter-level technology symposiums; a dedicated technology page added to the AI website; and a peer-to-peer forum where appraisers can exchange information on the good, the bad and the ugly in existing technologies.

Melissa Calloway's report can be viewed in its entirety at [www.appraisalinstitute.org/myappraisalinstitute/CmteMbrsDwnld/BOD/downloads/2012/LDACSummary2012Calloway.pdf](http://www.appraisalinstitute.org/myappraisalinstitute/CmteMbrsDwnld/BOD/downloads/2012/LDACSummary2012Calloway.pdf).

The 2012 Leadership Development Advisory Council operated under the direction of several AI members, including four discussion leaders: (standing, from left) Eric Garfield, MAI; Melissa Calloway, SRA; Brian Tinjum, MAI; and Justin Slack, SRA; and (seated, from left) Vice Chair Robin Amorin, MAI; Chair Joe Woods, SRA; and Chair of AI's Strategic Planning Committee, M. Lance Coyle, MAI, SRA.

## SRA ALL THE WAY

What can the Appraisal Institute do to help diversify the practices of SRA and residential members, Brian Tinjum, MAI, asked participants. Tinjum, senior real property appraiser at Tinjum Appraisal Company, Inc., in Detroit Lakes, Minn., notes that responses fell into three categories: promotion, education and modification.

Participants say they want specific promotion of the SRA designation and promotion of the distinctions between SRA and MAI designations. They suggest creating boilerplate materials that SRA-Designated members can include in their appraisal reports to promote the designation, as well as the creation of other promotional materials. They also want to see AI create a networking forum where SRA members can share best practices.

Tinjum notes that participants expressed an interest in expanding educational offerings focusing on SRA member concerns and creating a seminar designed to educate clients on the benefits of using SRA members.

Participants also want to see AI take a leadership role in revising the current residential appraisal forms.

Brian Tinjum's report can be viewed in its entirety at [www.appraisalinstitute.org/myappraisalinstitute/CmteMbrsDwnld/BOD/downloads/2012/LDACSummary2012Tinjum.pdf](http://www.appraisalinstitute.org/myappraisalinstitute/CmteMbrsDwnld/BOD/downloads/2012/LDACSummary2012Tinjum.pdf). ▀

Appraisal Institute members interested in next year's LDAC scheduled for May 21-23 can learn more about the program at [www.appraisalinstitute.org/membership/LDAC\\_apply.aspx](http://www.appraisalinstitute.org/membership/LDAC_apply.aspx).

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**This iPad cover serves as a Bluetooth wireless keyboard**

The Logitech Ultrathin Keyboard Cover for iPad 2 and iPad (third generation) combines iPad protection with enhanced mobile usability. What appears at first glance to be a slim (8 mm thick) and sleek aluminum iPad cover actually is a portable Bluetooth wireless keyboard, handy for appraisers who need to type while on the go.

Using this external Bluetooth wireless keyboard for your iPad will not only free up some screen space, but also will increase efficiency by allowing keyboard shortcuts. There's no need to select the common functions of copy, paste or

undo from a menu — just use the familiar keyboard commands you already know from working on a desktop.

The Logitech Ultrathin Keyboard Cover can make your iPad seem like an ultralight and compact laptop. The cover's magnetic hinge securely attaches to your iPad when you're finished using the keyboard, blending seamlessly into the design of the tablet. A groove in the 15.8-ounce cover acts as a stand that can hold your iPad in either the portrait or landscape position.

Other notable features of the keyboard cover include its instant on/off capabilities,

which automatically wake or sleep your iPad when you open or close the cover. Rubber bumpers at the corners of the keyboard prevent keys from scratching the iPad screen.

To charge the keyboard, simply plug in the USB charging cable to any power source. But don't worry about needing to refuel the battery frequently — you can get up to 360 hours of keyboard power on a full charge, according to the manufacturer.

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# maps&comps

Website offers easy access to mapping tools and other resources

By John Cirincione, SRA



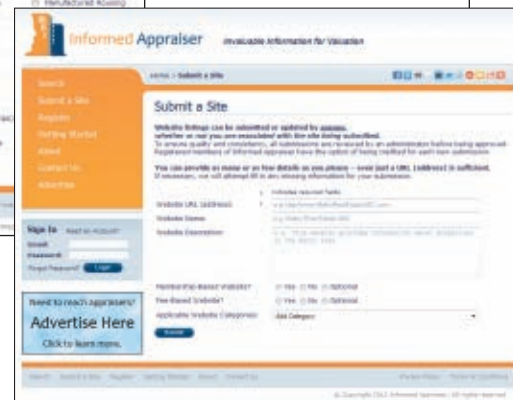
Informed Appraiser includes more than 40 categories, from affordable housing to socioeconomic and demographic info (left). The site is populated by user-submitted content; appraisers can suggest sites (below) and, if approved, the links are added to the database.

**THE TOOLBAR, FAVORITE BAR AND HISTORY TABS** of an appraiser's computer typically are overrun by website lists and links that have grown too large and too cumbersome to be of any practical use.

That was the situation Marc Kushner, Associate member, found with his computer. Kushner, a commercial appraiser and senior associate at Miller Cicero LLC in New York, developed Informed Appraiser ([www.informedappraiser.com](http://www.informedappraiser.com)) as a way to organize important websites. The result: an easy-to-navigate, specialized database where appraisers and other real estate professionals can find relevant online sources for market data and other information.

The site has more than 40 categories for such resources as maps, mapping and GIS; cap rates; market reports, statistics, analysis and commentary; rental information; and sales listings and transactions. Each category typically contains multiple sources; maps, mapping and GIS, for example, currently lists more than 35 websites under subcategories, including aerial imagery, street maps, historical maps, flood maps and parcel maps, among others.

Informed Appraiser also identifies whether referring websites require a membership or a



fee, so there's no wasted time hunting for the fine print.

Once a user specifies their location, search results are returned with four categories for each site:

- Link to site.
- Site description.
- Membership requirements, if any.
- Fee requirements, if applicable.

Users also have the ability to submit site recommendations that, once approved, are added to the database. In fact, that's how the site continues to grow. Informed Appraiser went live in 2009 as an empty vessel that quickly was populated by user-submitted content.

Check out Informed Appraiser to see how useful a tool it can be. The site is free, but registration is required. 📌

*John Cirincione, SRA, is the Appraisal Institute's representative to MISMO for residential data standards, and serves as director of business development for JVI Appraisal Divisions, LLC in Lake Mary, Fla. He can be reached by email at [jcirincione@jvisolutions.com](mailto:jcirincione@jvisolutions.com).*

## Mapping app helps appraisers note, list and locate comparable properties

By **R. Wayne Pugh, MAI**



**EVERY APPRAISAL ANALYSIS INCLUDES A DUE DILIGENCE PROCESS** where comparable sales, rentals and listings are viewed and mapped, and the new MapMyComps app (for iPads, iPhones and iPod Touch devices) is designed to help appraisers quickly and efficiently accomplish these tasks.

To illustrate how MapMyComps can be used by appraisers, I used my iPad to mock up an appraisal form for the valuation of a marina in Newport Beach, Calif.



### UPLOAD PROPERTY LOCATIONS AND NOTES

My research uncovered 12 marinas in the Newport Beach area, and uploading the data to MapMyComps was fast and easy using either CSV or TXT formats. If a user's data provider does not allow comparable data to be exported to one of these file formats, the user can enter data directly into MapMyComps. When dealing with a large number of comparable properties, users can enter data into an Excel spreadsheet and export it to a supported file format.

I added a blank column and two additional "notes" columns to my Excel spreadsheet. These columns appear within the "notes" field, and the information can be very useful when viewing each property.

I emailed the CSV file as an attachment, and when I opened the message, I clicked on the attached file icon, which opened a dialog box that gave me the option to "Open in MapMyComps." I did, and the data was imported and identified as

a new master list; the data will always be displayed at the top of the master list.

### MAP PROPERTIES

When opening the Newport Marinas master list, my comparable properties were mapped and numbered in the order they appeared in my Excel spreadsheet.

Multiple lists can be imported. For example, I organized the 12 marinas into two sub-lists, one with large marina projects and another with small marina projects. With the larger marinas already mapped, I imported the list of smaller ones the same way, and I was able to view or hide individual marinas in

Marina data organized into sub-lists (left). Record notes during field visits with audio feature (below).



the master list. Merging the two lists can save time when traveling from property to property.

Once the listed properties are posted to the map, it's time for a field trip. The app's GPS locator can be a real advantage when tracking locations, especially when viewing multiple properties. Once an appraiser arrives at a property, the GPS locator can confirm the location, which helps ensure the property is not misidentified.

An icon allows each comp on a user's list to be checked off once the property is visited, which is an invaluable feature when you're running around viewing, say, 12 marinas.

An audio recording feature allows notes to be recorded during field reviews to help recall details from each visit.

### ANNOTATE THE MAP ON THE GO

If users come across a parcel in the field that they want to refer to later as a listing, they can type in its address and a new data point will be posted to the map. If the property's address is unknown, the app allows users to locate the parcel on the map and then drop a pin on that parcel; pins can be adjusted to target the exact location. Use either the audio or notes features to record the listing agent's phone number and any other important information regarding the property.

### CREATE MAPS FOR REPORTS

MapMyComps can be used to create location maps for appraisal reports. Once the final comparable sales are selected — and the ones not being used are deleted — reorder them and resize the map and pins so they can be better viewed, and then simply print and insert the appropriate maps into the reports.

### AVAILABILITY

MapMyComps is available on iTunes, and at \$9.99, it's a good value. However, while the app worked well on my iPad, it might be a bit difficult to use on smaller devices such as an iPhone or iPod Touch. Devices must be running iOS 5.0 or later to support the app.

**COST:** \$9.99

**DOWNLOAD:** [itunes.apple.com/us/app/mapmycomps/id497617219?ls=1&mt=8](https://itunes.apple.com/us/app/mapmycomps/id497617219?ls=1&mt=8)

R. Wayne Pugh, MAI, is a past president of the Appraisal Institute and the current CEO of R. Wayne Pugh and Co., a real estate consulting and appraisal firm he founded in 1975 in Baton Rouge, La. He also heads Software for Real Estate Professionals Inc. and Real Estate Data Services. For information on his Appraisal Institute Cool Tools seminars, visit [www.appraisalinstitute.org/education/seminar\\_descrb/Default.aspx?seminar=0L-COOL&key\\_type=00S](http://www.appraisalinstitute.org/education/seminar_descrb/Default.aspx?seminar=0L-COOL&key_type=00S).

I want to hear from you, so send me product recommendations. I love being able to share exciting new products submitted by real Cool Tools experts. Email your suggestions to [wayne@laappraisal.com](mailto:wayne@laappraisal.com).

## PUT IT ON PAPER

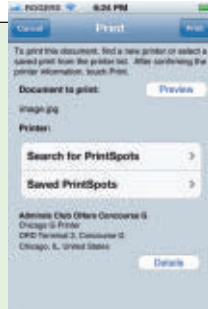
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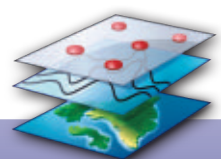
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- And much, much more!



Anthony Uzemack, MAI, and son Anthony Jr., Associate member, at their Bridgman, Mich., vineyard enjoying a bottle of their own 2010 cabernet sauvignon.



**Appraiser Anthony Uzemack, MAI, pours his passion into vineyards and valuations**

By **James Sobiesczyk**

**ANTHONY UZEMACK, MAI,** drives

around in a black Lexus with a license plate that reads GEWURTZ. The president of Appraisal Systems LLC, in Park Ridge, Ill., is a wine lover and a dry Gewürztraminer is among his favorites. Of course, almost all varietals rank at the top of his list: chenin blanc, zinfandel, petite syrah, sangiovese and cabernet, to name just a few.

# GRAPE EXPECTATIONS



But Uzemack is quick to point out that he's a wine enthusiast, not a wine snob. "I don't collect wine, I drink wine," he says.

How much of an enthusiast? In addition to having combined his passion and his profession by performing several vineyard valuations, he started producing wine at home in 1971, and 20 years later he purchased a farm with a 22-acre vineyard in Bridgman, Mich., about 100 miles from his Chicago-area office.

### GROWING INTEREST

"My interest in wine began with my friends," Uzemack says. "I started buying frozen grapes from California, Washington, Oregon, Michigan and Ohio and created my own homemade blends, varietals ... and surprises," Uzemack says of his early efforts at making small quantities of wine at home.

Although his home-based hobby allowed Uzemack to experiment with different grapes and techniques, his passion outgrew the confines of his garage, so with some experience under his belt and a desire to produce wines on a grander scale, Uzemack took the plunge and purchased the Michigan vineyard in 1991.

"I had no idea what I was getting into at the time, unfortunately," Uzemack says. "I bought this old vineyard from a retired farmer, and he had run the vineyard into the ground and left it in disrepair with the grapes barely alive when I purchased it."

Uzemack was undeterred and the property was ideal for growing fruit. Many think Michigan is too cold for grape growing, but the state lies on the 45th parallel just like the famed wine regions of Bordeaux, Burgundy and Alsace in France. Additionally, the property's proximity to Lake Michigan provides it with a microclimate that extends the growing season both in the spring and the fall.

Over the years, Uzemack says he "evolved from being thrown into growing grapes with no experience to — through trial and error, hard work, determination and luck — learning about pruning, weed control, fertilization, proper mold and mildew

control and how to monitor sugar levels to arrive at the perfect specification for ripe fruit that will produce good wines."

His education evolution has led him to seek out the best grapes for his region so he can reproduce some of the classic wines of the world. The property's sandy loam soil and region's hot summer days and cool nights during the growing season are ideal for producing grapes for white wines, specifically chardonnay and riesling.

"We enjoy company, drinking our mistakes and sharing with our guests some of the finest wines that we produce in one of the loveliest areas in the Midwest," Uzemack says. "My entire family has helped with the vineyard since the day it was purchased. Ideally, my children will continue to nurture and grow the vineyard to its full potential and keep it in the family for years to come."

### BOTTLE BUSINESS

During its heyday, about 7.5 acres of Uzemack's vineyard was planted with premium chancellor noir

grapes and his biggest crop in 1995 produced approximately 600 gallons of wine — equivalent to about 3,000 bottles. For 15 years, the grapes were sold to a few local winemakers, including Round Barn Winery and Fenn Valley Vineyards.

The remaining 14.5 acres were planted with Niagara and Concord juice grapes that produce up to 100 tons of grapes per year (although they average 70–75 tons), which are sold to Welch's and turned into the juice available at your local grocery store.

By comparison, commercial growers in Uzemack's region average 500 to 850 acres in both wine and juice grapes. Uzemack says his vineyard suits his needs. "Anything larger requires much more equipment and added costs, and is a serious undertaking," he says.

Uzemack's vineyard decreased in size in 2005 as the result of a massive drain tile failure that wiped

**"Having the knowledge that comes with owning a vineyard for 22 years helps immeasurably in understanding the care, maturity and potential of a vineyard as it relates to the market."**

— Anthony Uzemack, MAI



# FACE VALUE



Uzemack's family and friends, including fellow winemaker Ken Bratt (foreground) and son-in-law Chad Meade, help harvest. Here they're picking malvasia grapes.

replanted the vineyard with a variety of wine grapes, including cabernet, zinfandel, bianca and merlot. Today, the vineyard produces roughly 125 gallons per year — equivalent to about 600–650 bottles of wine — which is reserved exclusively for personal use.

The juice grapes remain a cash crop, however. But Uzemack says that profit margins for the juice grapes are getting slimmer and slimmer as fuel and chemical prices continue to increase.

out all but one acre of the chancellor noir grapes. Fortunately, the Niagara and Concord juice grapes were spared.

Once again Uzemack persevered in his winemaking efforts and

“It’s a balancing act between the cost of spraying and maintenance, and your year-end profit,” he says. “In the end, it’s all dependent on Mother Nature. If you buy a small vineyard, don’t quit your day job!”

## VALUATIONS AND VINEYARDS

Uzemack has made the most of his day job, founding Appraisal Systems LLC in 1979, earning his MAI in 1987 and serving as the president of the Appraisal Institute’s Chicago Chapter in 2003. Over the years, he also has been the instructor for several AI courses, including ones focused on the Uniform Standards of Professional Appraisal Practice, basic appraisal principles, industrial appraisals and business practices and ethics.

Two of Uzemack’s three children have followed in his appraiser footsteps. His daughter, Alexandra,

received her MAI designation in 2011, while his son, Anthony Jr., is an Associate member working toward his MAI.

“I have the ability to work with my children and bring them into the business that has provided for us for the past 30 years,” Uzemack says with pride. “That is a reward.”

Another reward: the opportunity to appraise vineyards — including Round Barn Winery, where he once sold his grapes. Uzemack says that owning a vineyard has given him valuable insight into this specialty niche.

“Having the knowledge that comes with owning a vineyard for 22 years helps immeasurably in understanding the care, maturity and potential of a vineyard as it relates to the market,” Uzemack says. “The location of the vineyard, types of grapes and soil, care, drainage, orientation to the sun,



The wood and white basket is an air bladder press that extracts juice from crushed grapes. The Uzemack cellar holds 500 bottles plus barrel storage for 300 gallons.

lack of neighboring hazards, hilly terrain and history of production are incredibly important.”

For example, Uzemack points out that a vineyard situated on flat land is not ideal unless it has a dependable drain tile system, while a hilly vineyard situated next to a forest is prone to frost every spring. Moreover, the wrong exposure to the sun can make a significant difference in quality between a premium, award-winning wine and a basic table wine. The age of the plants also can affect the quality and aging potential of the wine.

In terms of the challenges and business considerations that come along with appraising vineyards, Uzemack says that banks often shy away from financing new vineyards. However, an established vineyard with a proven performance record stands a better chance of obtaining a loan.

Aside from worrying about a bank loan, newcomers to the wine industry encounter other roadblocks, Uzemack says. Someone entering the industry will quickly learn that vineyards are very expensive to build and that a major portion of a loan goes to the value of the land, not to the construction of the actual vineyard.

“Establishing a winery is a whole different study economically. As a rough example, the land might cost \$10,000 an acre, but it costs about \$15,000 an acre, on top of the \$10,000 for the land, to establish the vineyard,” Uzemack says. “With this in mind, bankers are resistant to forwarding cash for the vineyard and instead focus more on the value of the land.”

Fortunately for Uzemack, his vineyard is well established and he’s able to drink in his success and focus not on land value or bank loans, but on family.

“I want to live long enough to teach my grandchildren how to make wine, as well as hand down my appraisal practice to the greatest friends in my life, my kids,” he says. 🍷

*James Sobiesczyk is a former communications coordinator and staff writer for the Appraisal Institute.*

# Are You **STUCK** In A Rut?



## **If You’ve Ever Thought...**

- “I Don’t Know How To Earn More Money.”
- “I Am Losing Business.”
- “I Don’t Know How To Expand.”
- “I Don’t Know How Other Appraiser’s Are Making More Money Than Me And Having More Fun.”
- “I Am Tired Of The Liability.”
- “I Am Tired Of The Competition!”

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# TRAFFIC PATTERNS

## 8 tips for improving your website, increasing traffic and generating new leads

By **Donna Shryer**

**IF YOU HAVE ANY REMAINING DOUBTS** as to

why your appraisal firm needs to maintain a strong Web presence, then consider these statistics from the Pew Internet & American Life Project: 78 percent of Internet users conduct their search for services and products online.

Your website is the front door to your business, serving the fact-finding needs of potential clients who are more likely to bookmark your site address than reference your business card.

Improving your Web presence is paramount, and the following eight tips can help you deliver the most important facts, figures and information.

### 1. PLAN OF ACTION

According to Usability.gov, the government source for information on usability and user-centered design, a website needs to define your company's needs, goals and objectives. To clarify these points, ask yourself:

What are your company's primary business objectives? Do you want to attract residential lenders? Commercial clients? Do you want to distinguish yourself from the competition by touting

valuations of special-purpose properties?

Who visits your website and what information do they need? If you know that customers routinely seek a particular service or have a specific goal, then one of your objectives should be marketing these services and goals! In other words, your answers to question #2 should mirror responses to question #1. If they don't, something's wrong.

In what form do your website visitors want information delivered? Do they typically prefer blogs, online customer reviews or relevant bullet points? While you may have clues about your customers' preferences, asking them is the best way to go.

### 2. LOADING ZONE

The online analytics firm KISSmetrics states that 47 percent of consumers expect a Web page to load in two seconds or less, and 40 percent will abandon websites that take more than three seconds to load. Slow load times often indicate too many images. To speed up your loading time, steer clear of slow-loading pictures and aim for a clean, simple site design. Select just enough images to enhance your message, but not so many that your site gradually inches onto the monitor.

After selecting final images, optimize them for the Web by converting to a gif or jpg format with a reduced file size of around 72 dpi. Many design programs have a command to "optimize for Web."



# SITE-BUILDING 101

Place your site's main navigation near the top left corner of your website. Even though your visitors will be using different browsers in different screen resolutions, the content in the upper left corner will always appear first.

Make sure your potential customers can easily reach you. Consider using multiple means of contact, even within the same page.

Consider using drop-down menus in your navigation to keep your home page from becoming cluttered with too many buttons or menu items.

Be sure to use industry-specific keywords within the descriptive text on your website. This will help search engines find your site and elevate your rankings within search results.

Be social! If you're active on social media channels, allow your visitors to directly connect to your other pages.

And be relevant. Make sure your site is updated frequently with useful information. Give your visitors a reason to come back.

Also, avoid Flash, which is a multimedia platform that adds animation, video or interactivity to Web pages — it devours load time. Instead, use small, simply designed icons to add pops of color and interest.

### 3. FLASH BACK

If you've hired a Web master or site designer who's pushing for Flash, here are two more reasons to resist the urge. Over-the-top razzle-dazzle

distracts the eye and makes it difficult to navigate your site. For example, a dancing clipboard asking users to click for more information could easily eclipse your far more important call-to-action.

Perhaps even more important: Search engines like Google can't see Flash as they search the Internet looking for key words to produce search results. If "Poughkeepsie's top real estate appraiser" is embedded in that dancing clipboard, the words are invisible to search engines,

which could significantly lower your ranking in search results.

### 4. HOT BUTTON

While clean, uncomplicated Web design speeds up load time, it also promotes easier navigation around your site, a point that is particularly important for your home page, also called a landing page. "Anyone looking for information wants the process to move quickly," says

# MARKET PLACE

Breena Fain, a public relations and marketing specialist at Formstack, an Indianapolis-based HTML Form Builder. “You want calls-to-action — like ‘Get more information’ or ‘Order an appraisal’ — to either be clickable text or to sit right next to its button, so clicking is intuitive. At the same time, go easy on the buttons and links,” Fain advises. “Asking people to choose between too many buttons is like work: You’ll overwhelm visitors.”

Rather than a preponderance of buttons, build additional information into tabs with drop-down menus. For example, you might have a tab for News & Events or Helpful Tips, which links to relevant Appraisal Institute consumer tip sheets and brochures ([www.appraisalinstitute.org/newsadvocacy/FactSheets.aspx](http://www.appraisalinstitute.org/newsadvocacy/FactSheets.aspx)) and other media. This gives

your visitors control; they can choose to seek out more information — or not.

## 5. PLACE SETTING

Text, button and call-to-action placement are important. According to Poynter Institute’s Eyetrack III study, which examined how people read news websites, “The eyes most often fixated first in the upper left of the page, then hovered in that area before going left to right. Only after perusing the top portion of the page for some time did their eyes explore further down the page.”

Translated into simple design terms, place your most important message in a page’s upper left quadrant. An alternative, favored by Amazon.com, is to center your key headline or image at the top of the page and create importance by surrounding it with ample white space.

## 6. AT FIRST SIGHT

You want to keep important information “above the fold,” which means in the area within the visible screen when your site first loads. “The visitor shouldn’t need to scroll down to read important messaging,” says Fain. “So much of the Web experience is based on speed-reading, and people looking for information often have a short attention span.”

## 7. IN A WORD

Choose your site words wisely, keeping the text brief and concise, and avoid too much industry jargon that can confuse people not familiar with all the insider terms.

You also want plenty of keywords in your site copy, which are words that potential customers might type into search engines in order to find an appraiser with a specific skill set. This introduces search engine optimization, or SEO, which involves steps that nudge search engines to see your site sooner and puts you on that coveted first page of search results.

In addition to service-related keywords, Catherine Gazzolo, owner of Radiant Website Design, Ltd., suggests using geographic keywords in your site copy. “Potential customers want a local appraiser, so they’re typing your town or city into the search box. You want to make sure that search engines see your city’s name in your website copy,” she says.

## 8. TEST THE WATERS

The best thing you can do to improve your Web presence is to test your site — at least weekly. Time the site’s loading speed. Is it under three seconds? Click every button and tab to make certain there are no broken links. Check to see if your company’s primary services are immediately visible when the site loads. How much scrolling is required before arriving at the vital information? Make sure everything shows up quickly and correctly. If not, tweak the site until it’s right. 📌

*Donna Shryer is a Chicago-based freelance writer and a frequent contributor to Valuation magazine.*

## ON THE MOVE

From your customer’s perspective, opening a browser window, such as Explorer, Chrome, Firefox or Safari, and clicking into a website should always feel the same, regardless of whether the device being used is a laptop, desktop, tablet or smartphone. But in fact, the experiences are very different. Mobile devices have significantly smaller screens, pages typically take longer to load and on-the-go convenience is imperative. For all these reasons, it’s wise to consider having two websites: one meant to load on computers with a larger screen and a powerful operating system that can handle rich data, and another for mobile devices.

Without a designated mobile website, your site will still load on handheld devices, but results will be sluggish and show miniaturized images and text. Researching a product or service takes an inordinate amount of scrolling, pinching, zooming and more scrolling. However, a site designed for mobile devices is intentionally simplified, so more information is visible on the tiny screen.

## Web-friendly checklist

Quick tips for a user-friendly website:

- Define your website’s goals.
- Make sure your website loads in three seconds or less.
- Avoid too much Flash, which decreases load speed, distracts visitors and is invisible to search engines.
  - Aim for a simple, clean site design to enhance intuitive navigation.
  - Place your most important information at the top of the site page.
  - Use simple, concise text and avoid too much professional jargon.
  - Routinely test your site for speed, readability and ease of navigation.

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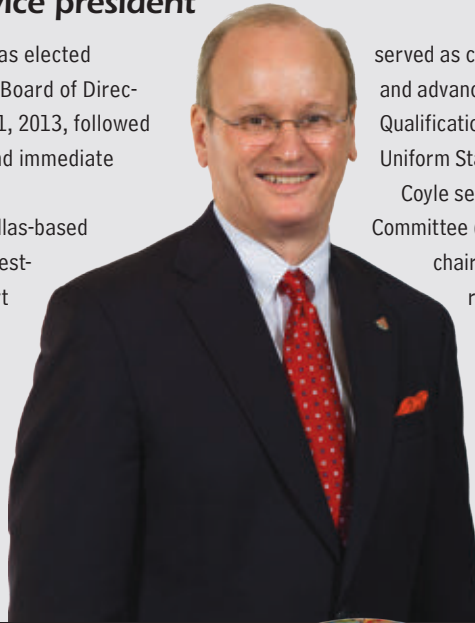
## VOTED IN

### Lance Coyle elected 2013 AI vice president

**M. LANCE COYLE, MAI, SRA**, of Dallas was elected 2013 Appraisal Institute vice president by the AI Board of Directors on Aug. 4. His one-year term will begin Jan. 1, 2013, followed by one year each as president-elect, president and immediate past president.

Coyle is principal of Coyle Realty Advisors, a Dallas-based real estate services firm engaged in fee-based investment property valuation, analysis, research, expert witness testimony and counseling. He has been engaged in valuation and counseling of investment real estate since 1985.

Coyle served as president of the North Texas Chapter of the Appraisal Institute (2000) and was a member of the Region VIII Committee for multiple years. He was a member of the national Board of Directors (2003-05) and



served as chair of Region VIII (2005). He teaches AI qualifying and advanced education courses, and is certified by the Appraiser Qualifications Board of The Appraisal Foundation to teach the Uniform Standards of Professional Appraisal Practice.

Coyle served as chair of the Appraisal Institute's Education Committee (2009-10) and until his election as vice president was chair of AI's Strategic Planning Committee. He was a reviewer of two Appraisal Institute books—"Market Analysis for Real Estate" and "Real Estate Damages"—and was part of the development team for the Advanced Concepts course.

Coyle has held the MAI designation since 1990 and is a member of the CCIM Institute, holding that organization's CCIM designation since 1997. Coyle is a Texas-certified general real estate appraiser and has a Texas real estate broker's license.

## newly minted

### The Appraisal Institute designates 133 new members

During the second quarter of 2012, the Appraisal Institute designated 133 members, including 117 who received their MAI designation and 16 who received their SRA designation. International members accounted for 30 of the second quarter's MAI designations.

Designated members make a commitment to advanced education and defined ethical requirements. The MAI designation is held by appraisers who are experienced in the valuation and evaluation of commercial, industrial, residential and other types of properties, and who advise clients on real estate investment decisions. The SRA designation is held by appraisers who are experienced in the analysis and valuation of residential real property.

Find more information on designations at [www.appraisalinstitute.org/membership/designated\\_mem.aspx](http://www.appraisalinstitute.org/membership/designated_mem.aspx). See the full list of AI members who received designations this year at [www.appraisalinstitute.org/membership/designated\\_new\\_designees.aspx](http://www.appraisalinstitute.org/membership/designated_new_designees.aspx).



## MAKING NEWS

### AI media coverage potentially seen 1.3 billion times so far in 2012

#### MEDIA COVERAGE OF THE APPRAISAL INSTITUTE

and its members was potentially seen, read or heard by an audience of more than 1.3 billion in the first half of 2012, resulting in a publicity value of nearly \$1 million. The total exceeds the publicity value for all of 2011.

During the first half of 2012, the Appraisal Institute and its members appeared in 2,115 stories in 899 newspapers (including The New York Times, The Wall Street Journal and The Washington Post), magazines (including Money and SmartMoney), television and radio stations (including NBC's "Today Show" and C-SPAN2) and online media outlets (including Bloomberg and Fox Business).

View a five-minute highlights video of the Appraisal Institute's media coverage at <https://appraisalinstitute.box.com/s/d8226b2253a7ba7752ac>. Download the video, which can be shown at chapter meetings, at <https://appraisalinstitute.box.com/s/e01e66a0be9fac90e43f>.



# flying high

AI president featured on Delta, US Airways in-flight radio

Appraisal Institute President Sara W. Stephens, MAI, was featured on Delta Air Lines and US Airways in-flight radio programming during July and August.

Her message, which reached a potential 12 million travelers on approximately 44,300 flights, focused on how some in the real estate industry have tried to blame the market's distressed condition on appraisers, saying that appraisers are at fault for developing opinions of value that don't match a home's listing or contract price. Stephens explained in the two-minute interview that appraisers are undertaking the same thorough research and thoughtful analysis that they always have in order to continue producing reliable, credible opinions of value.

Listen to the complete interview at <https://appraisalinstitute2.box.com/s/0aac7d6357e75071bb05>.



## ANALYZE THIS

Guidance helps appraisers analyze real estate market trends

### THE APPRAISAL INSTITUTE PUBLISHED

"Guide Note 12: Analyzing Market Trends" on June 4 to help appraisers analyze both current and anticipated market conditions, a practice that is more complicated — and even more critical — when a market is rapidly changing.

Market values are forward-looking, so while appraisers generally analyze historical data such as comparable sales in the valuation process, they know the value of a property is dependent on the future benefits it will bring its owner. The new guidance, therefore, is designed to help appraisers make such determinations by addressing the extent to which they are responsible

for recognizing changes in market conditions and which steps they must complete to properly analyze the data before determining highest and best use.

Guide Note 12 covers such topics as the Uniform Standards of Professional Appraisal Practice, due diligence and market trends analysis, reconciling the quality and quantity of available data (which is especially critical when markets lack current, good-quality data),

observing and understanding the symptoms affecting market trends, and determining when a bust market has started to improve and when a bubble market has started to decline.

Download "Guide Note 12: Analyzing Market Trends" at [www.appraisalinstitute.org/ppc/downloads/guide-note-12.pdf](http://www.appraisalinstitute.org/ppc/downloads/guide-note-12.pdf).

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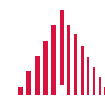
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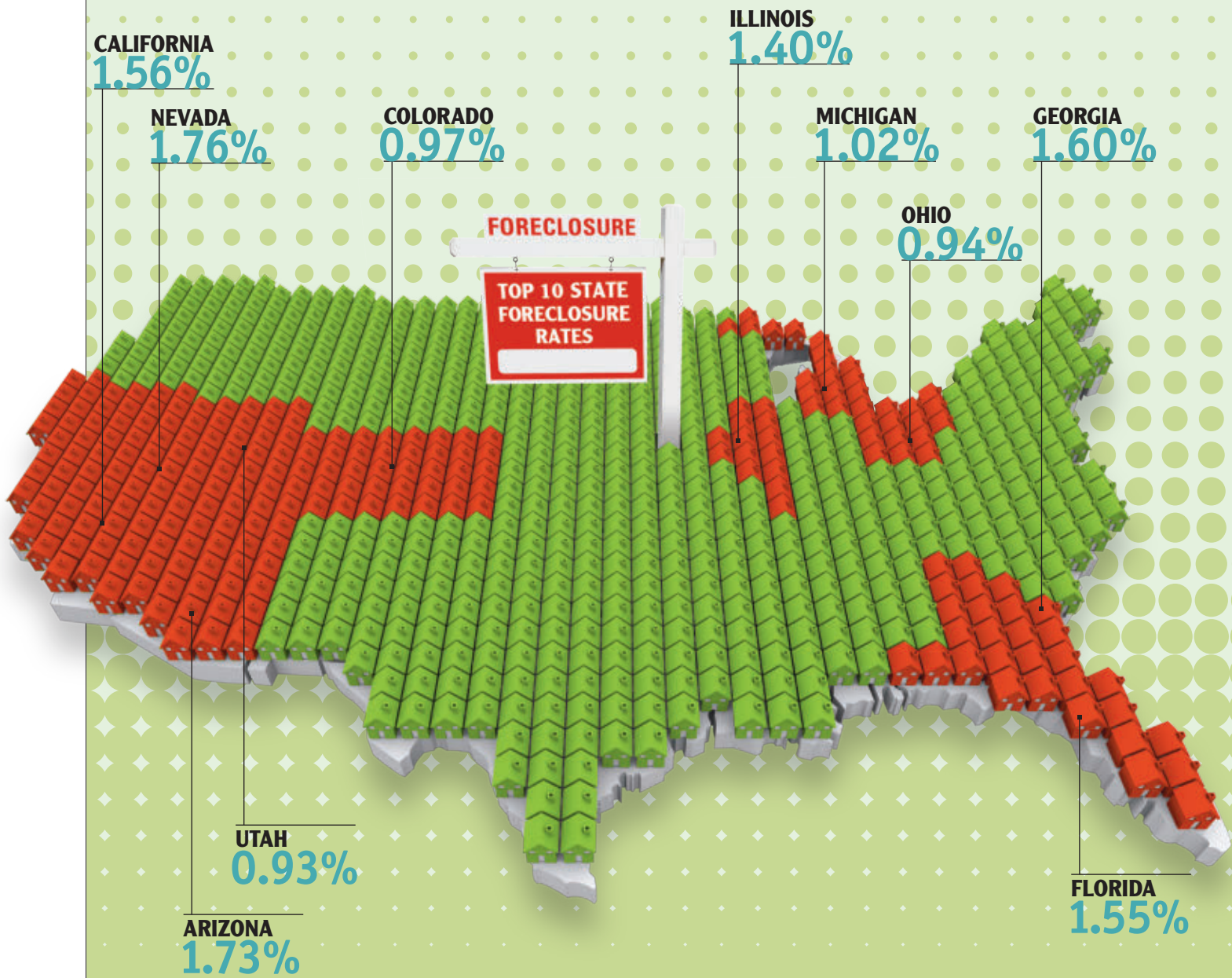
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# CLEARING HOUSES

The number of U.S. homes with foreclosure-related filings during the first six months of the year decreased nearly 11 percent from the same period a year ago to 1.05 million properties. Midway through the year, 1 in every 126 housing units received a foreclosure filing, RealtyTrac reported July 12.

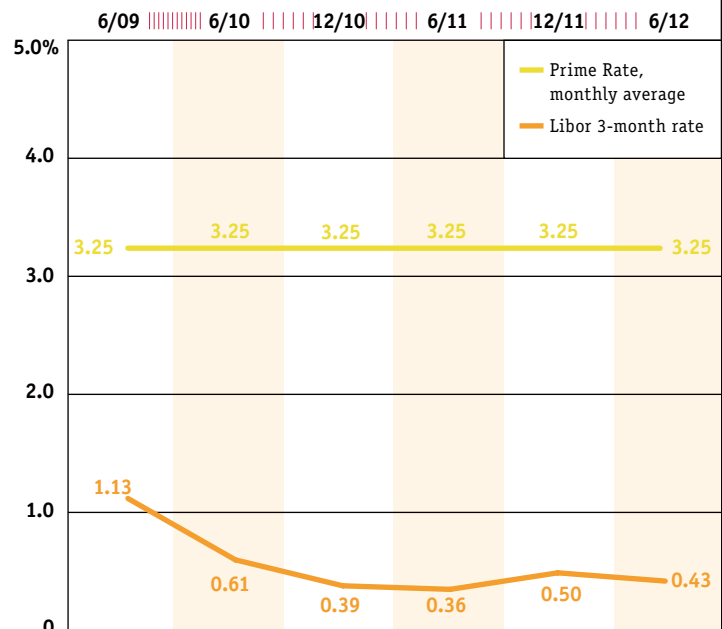
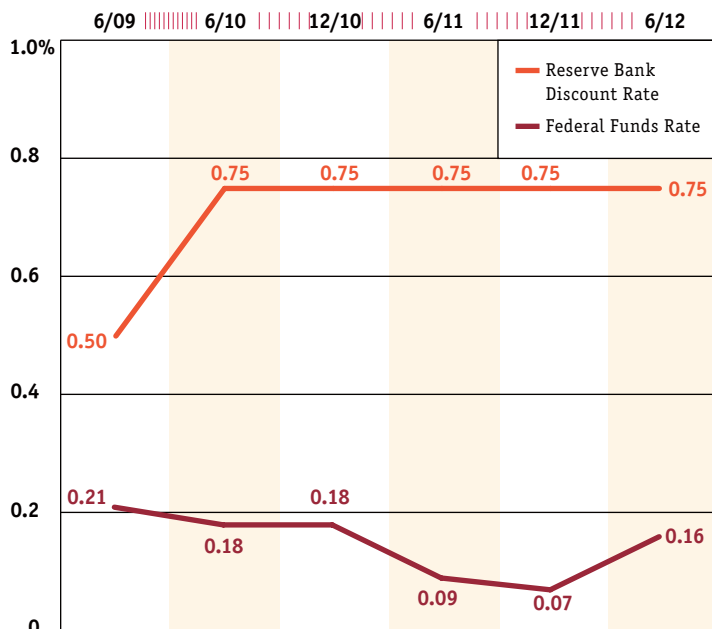


The PwC Real Estate Investor Survey (formerly Korpacz) is only available to Appraisal Institute members and those who subscribe to the print version of Valuation magazine.

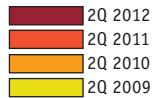
If you are an Appraisal Institute member, please log in with your username and password to view the latest indicators: [http://www.appraisalinstitute.org/myappraisalinstitute/downloads/National\\_Market\\_Indicators.pdf](http://www.appraisalinstitute.org/myappraisalinstitute/downloads/National_Market_Indicators.pdf).

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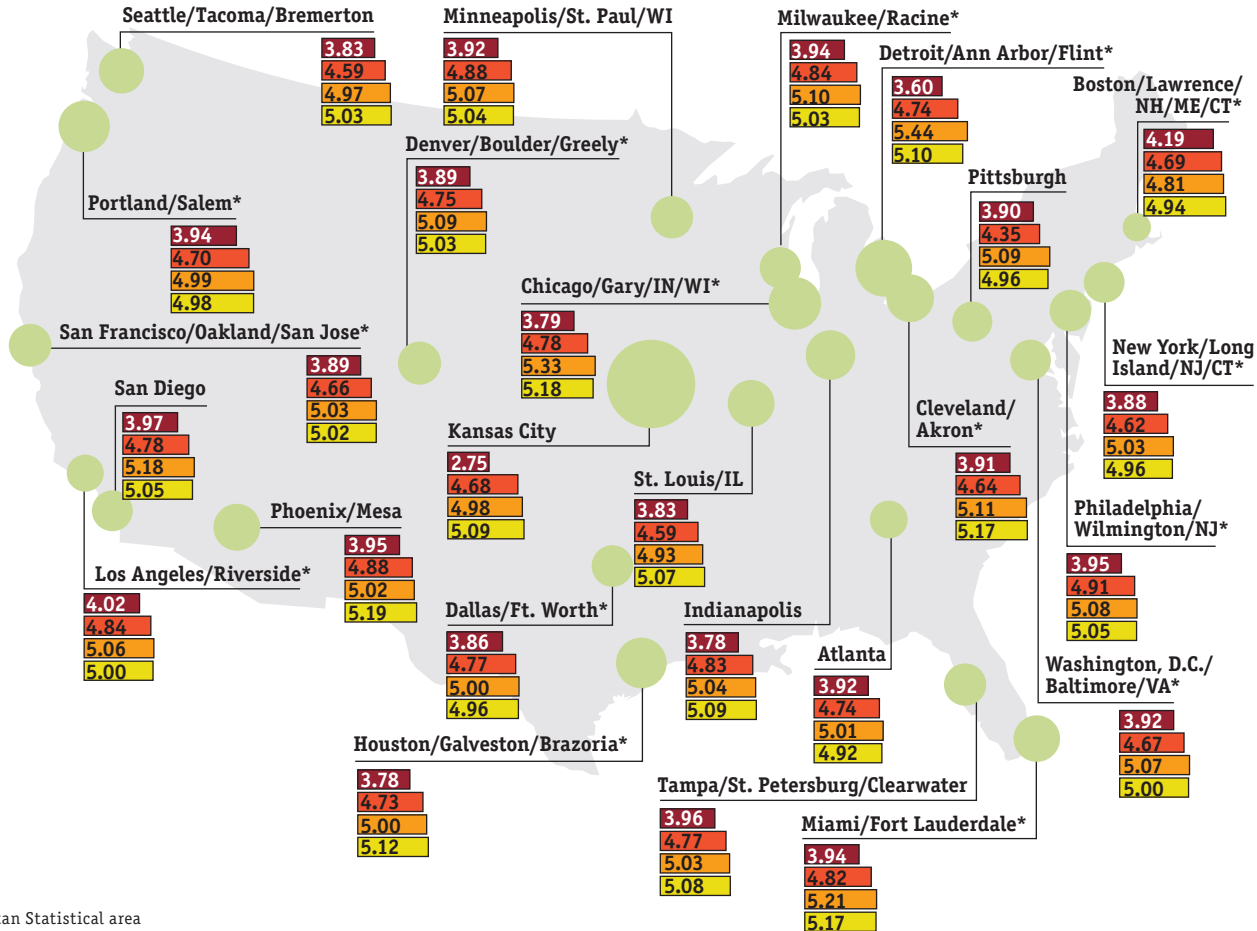
## Market Rates



## Conventional Home Mortgage Rates by Metropolitan Area

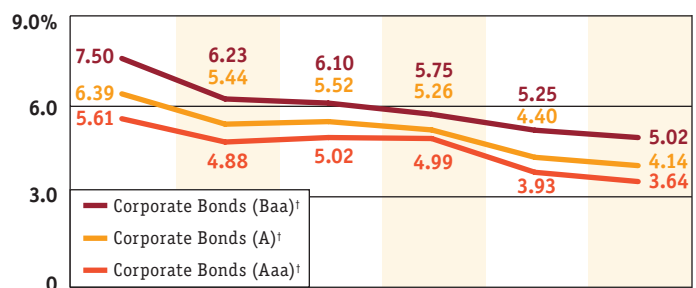
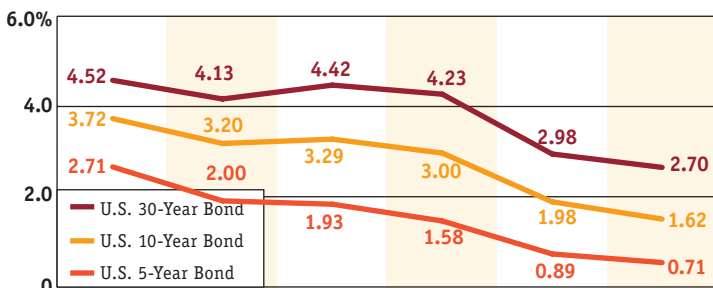
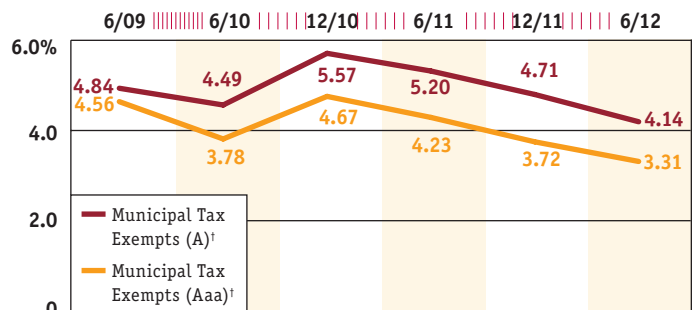
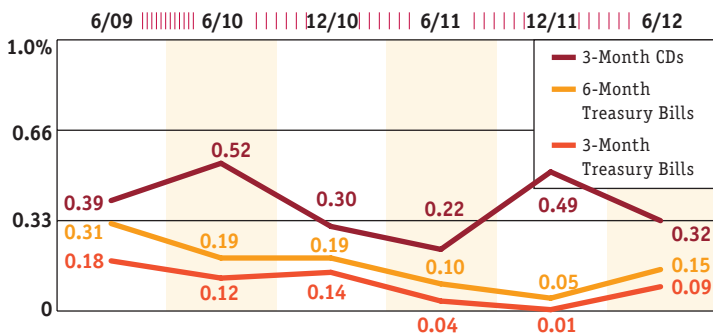


Conventional mortgage rates decreased in each of the major U.S. metropolitan areas between the second quarter 2009 and the second quarter 2012. The larger the green dot, the larger the decrease.



\* Consolidated Metropolitan Statistical area

## Market Rates and Bond Yields

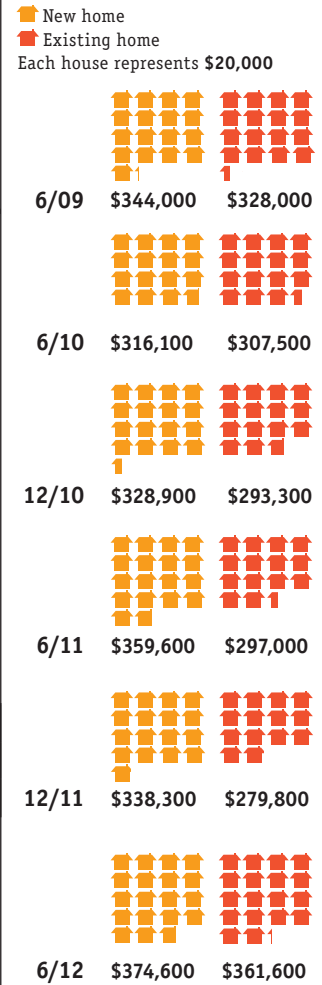


<sup>†</sup>Source: Moody's Bond Record.

## Conventional Home Mortgage Terms

	Average U.S. interest rate		Average U.S. term (years)		Average U.S. loan ratio	
	New homes	Existing homes	New homes	Existing homes	New homes	Existing homes
6/09	5.17	5.16	29.0	28.4	72.9%	74.6%
6/10	5.00	5.02	28.2	27.5	73.1%	74.7%
12/10	4.26	4.54	28.2	28.0	73.2%	75.4%
6/11	4.61	4.75	28.0	28.2	73.7%	76.5%
12/11	4.18	4.27	28.7	28.9	79.0%	78.5%
6/12	3.80	3.81	28.6	27.4	75.3%	75.6%

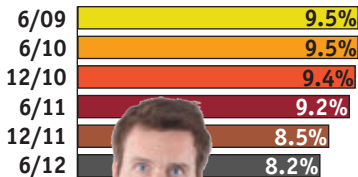
### Price of the average U.S. mortgage loan



## Other Benchmarks

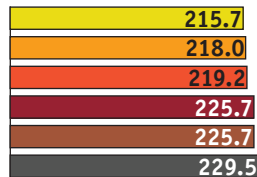
### Unemployment Rate

The unemployment rate was 8.2% at the end of June. After falling from its year-ago level, the rate has remained above 8% in recent months.



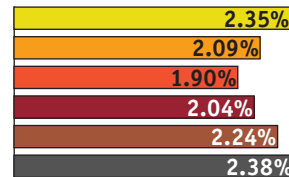
### Consumer Price Index

Over the 12 months ending June 2012, the all items index (CPI-U) increased 1.7 percent before seasonal adjustment.



### Stock Dividend Yields

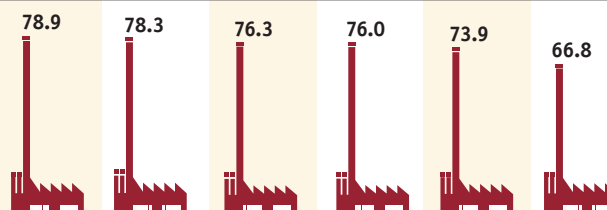
Dividend net increases were \$12.0 billion in the second quarter of 2012, setting a new record dividend payout.



### Monetary Aggregates, daily avg., \$-billions, seasonally adjusted

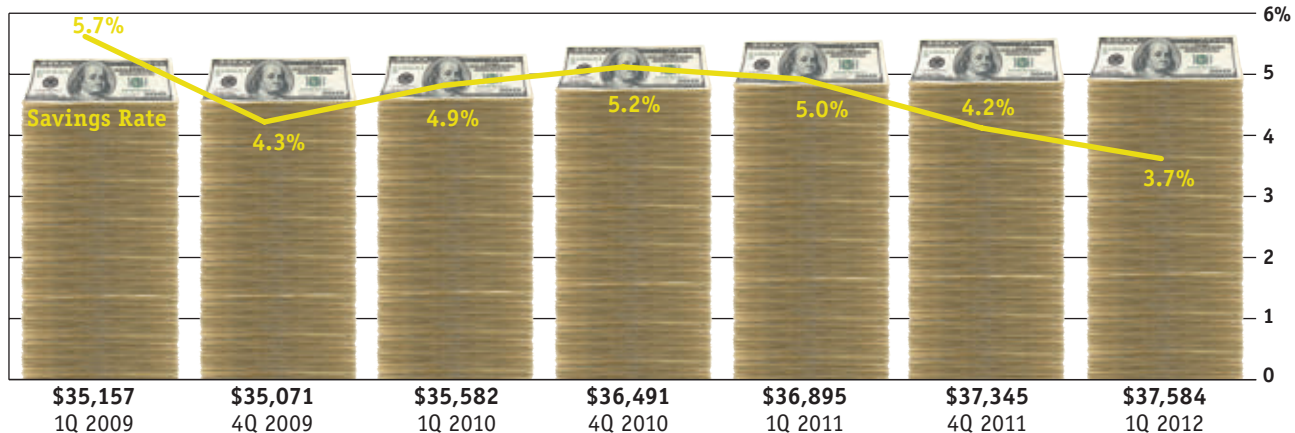
	6/12	12/11	6/11	12/10	6/10	6/09
M1	2,256.2 <sup>†</sup>	2,168.7 <sup>†</sup>	1,945.1 <sup>†</sup>	1,840.2 <sup>†</sup>	1,722.9	1,651.7
M2	9,943.9 <sup>†</sup>	9,618.3 <sup>†</sup>	9,095.0 <sup>†</sup>	8,766.3 <sup>†</sup>	8,592.8	8,452.8

### Industrial Production Index\*



## Per Capita Personal Disposable Income<sup>†</sup>

In the first quarter of 2012, disposable personal income was up just 4.7% from four years ago. The savings rate has dropped substantially from a year ago.



\* On June 25, 2010, the Federal Reserve Board advanced to 2007 the base year for the indexes of industrial production, capacity and electric power use. This follows the November 7, 2005, change to a 2002 baseline, from the previous 1997 baseline. Historical data has also been updated. <sup>†</sup>Revised figures used.

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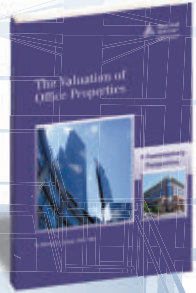


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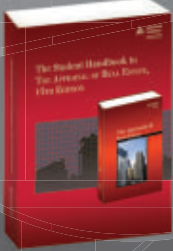



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