



President's Message

*by Allen Safer, MAI
Seattle Chapter President*

Involvement Leads to Success

The Seattle Chapter has a variety of areas that require more volunteers. The social networks created by volunteering have played a key role in my professional development by enhancing my sense of community within the profession. You don't have to volunteer to be a committee chair or run for an elected position to be recognized. There are many opportunities to participate at a level that is appropriate for you.

Membership Recruitment

One of the most exciting initiatives requiring volunteers revolves around new member recruitment and retention. John Gordon, MAI has accepted appointment as Chairman of a newly formed task force to coordinate the development of the systems needed for effective marketing of memberships. He is currently seeking an interested residential member to Co-Chair this initiative. The Marketing Task Force will be developing new member solicitation and related marketing materials and will work with staff to update our licensed appraisers database. In addition, the Task Force will be coordinating with the Member Admissions Development and Retention Committee, chaired by Mike Lamb, MAI, to reach out to potential new members to invite them to join our Chapter. This is a great area to be involved, and the results of your efforts will very likely result in new connections.

Hospitality

We have dedicated members heading up our Hospitality Committee, co-chaired by Matt Bacon and Diane Hayes, SRA. We are in need of additional volunteers to meet and greet our guests and new members. When a new member comes to their first few meetings, we can enhance their experience by assigning an existing member to make introductions and invite them to sit at their table. We require a greater pool of volunteers for this important task of making prospective members feel welcomed.

External Relations and Public Relations

External Relations, chaired by Rick Hawkins and Public Relations, chaired by Chris Gibeault, are involved with promoting our chapter and helping us to be more recognized. This involves working to get our chapter and its members quoted in the press and to create opportunities for our members to be part of a Speaker's Bureau and attend meetings of other professional organizations.

Fall Conference

Finally, the planning for our first annual Fall Conference is well underway, scheduled for November 2, 2007 at the Washington State Convention & Trade Center. There are many opportunities to participate as a volunteer in the planning and implementation of this event.

Please Notify the Chapter Office if You're Interested in Volunteering.

Allen N. Safer, MAI
Seattle Chapter President

In this Newsreal...

Chapter Calendar.....	Page 2
Chapter Meeting.....	Page 3
Chapter News.....	Page 4
National News.....	Page 6
Government Affairs.....	Page 9

Submission date for April Newsreal: Friday, March 23, 2007

Upcoming Courses

Standards of Professional Practice (USPAP)

March 22-23, 2007

Using the National USPAP Course material developed by the sponsoring organizations of The Appraisal Foundation, this two-day course covers basic rules for ethical behavior and competent performance.

15 hours of Qualifying Education
Hawthorn Suites, Kent

Instructor

Anthony J. Wren, MAI, SRA
Reno, NV

Residential Market Analysis and Highest & Best Use

April 5-6, 2007

Learn how to read and map a market area for a subject property and discover the essential links between market analysis, highest and best use analysis, and the three approaches to value (cost, sales comparison, and income capitalization). Gain practical experience by solving highest and best use problems similar to problems you might encounter in the real world.

15 hours of Qualifying & Continuing Education
Hawthorn Suites, Kent

Instructors

Marc Campos, MAI, SRA & Randy Gilliam, MAI

To register or to find out more about other courses being offered, go online to www.ai-seattle.org.
For more information, please contact: Jessica Larson at (206) 622-8425 or by email: aisea@qwest.net

Chapter Calendar

DATE	EVENT	LOCATION/TIME	CE HOURS
March 9	Residential Appraising – Planning for Success	Shoreline Conference Center, 18560 1st Ave NE, Shoreline	7 hr CE
March 12-17	Basic Income Capitalization	Hawthorne Suites, 6329 S 212th St, Kent	39 hr CE
March 13	Finance Committee	9:30 AM teleconference	
March 21	Board Meeting	9:30 AM Integra Realty Resources 600 University Street, Ste 310, Seattle	
March 22-23	USPAP	Hawthorne Suites, 6329 S 212th St, Kent	15 hr QE
March 23	Newsreal Deadline		
April 5-6	Residential Market Analysis and Highest & Best Use	Hawthorne Suites, 6329 S 212th St, Kent	15 hr CE

* All Chapter members are welcome to attend Board Meetings. Call the Chapter office for directions.

For More Information

For more information on the Seattle Chapter of the Appraisal Institute's upcoming events, contact (206) 622-8425, or via email at aisea@qwest.net. Information can also be located at the Seattle Chapter website at www.ai-seattle.org.

Chapter News

March 2007

There will be no Chapter Meeting this month.

April 18, 2007 Chapter Meeting “Treat Your Associates”

Broadmoor Golf Club

5:00-6:00PM Residential Associate Members Meeting: Measuring property and completing a property inspection to finish an appraisal report.

5:00-5:45PM General Associate Member Meeting: Round table discussion about the process of getting through the demo, comp exam and experience requirements.

5:30-6:30PM Chapter Social

6:30-8:30PM Chapter Dinner Meeting

Special price of \$15 for Associate Members, appraisal related trainees who are in your office, AND state certified appraisers that are sponsored by a member. The usual price of \$40 will apply for Designated Members. A member may reserve a table or half a table for their company.

Raffle! Associate Members, visiting trainees, and sponsored appraisers will be able to drop their business cards into a fish bowl to win one of three \$100 vouchers for Seattle Chapter education.

Speaker: Bryon Ziegler, Development Consultant, Williams Marketing

Topic: “Seattle - We’re just getting started”

Seattle’s is a toddler in the lifecycle of cities. This generation is setting a new course for the downtown, which will have ripple effects through the region. We’ll put Seattle in perspective by exploring its evolution, its trajectory, and the many dynamics that will define our City and region for the next generation such as who is buying here and why.

May 16, 2007 Golf Tournament, Chapter Meeting

Willows Run, Redmond

1:00-5:00PM Tournament

5:00-6:15PM Chapter Social

6:15-8:30PM Chapter Dinner Meeting

Topic & Speaker details to come.

Sponsorships are available! Contact Marty Van Engelen, SRPA at (206) 282-3570.



WE'VE GOT A LONG WAY TO GO, BABY

By Michael B. Lamb, MAI, SRA
Chair, Member Admissions, Development and Retention Committee

In the 1930's, in the depths of the depression, knowledgeable, intelligent, farsighted men organized what would become the two strongest, best known, and most professional appraisal organizations: The Society of Real Estate Appraisers and The American Institute of Real Estate Appraisers. When they were organized there was no intent, in my opinion, that they would become competitors, or that either group would seek to become the largest or more important professional appraisal organization. The men who give birth to both of these excellent societies were genuinely and idealistically motivated to simply provide the very best professional appraisal service to the American public.

In the years immediately following, several other prestigious groups were formed, notably the American Society of Appraisers, the American Right of Way Association, the Independent Fee Appraisers, the Organization of Governmental Appraisers and others. All of these groups had various goals to achieve, but their primary aim was the same: To make real estate appraising a profession and all of their members true professionals.

Now let's have the courage to call an obvious fact a fact. A whole passel of so-called appraisers licensed and certified have sprung up over the years, to a point where the public is overwhelmed and confused not knowing whose the most qualified because they all present themselves to be able to appraise or analyze all types of properties and real estate investments, whether competent or not.

I don't know why we can't say what the problem is, because the public, our judges, attorneys, clients, lenders and knowledgeable laity, are saying it out loud repeatedly, writing letters about appraisers, the actions of appraisers, and reporting fraudulent, unethical and incompetent activities in ever-increasing numbers. And just what is it they are saying? The ones who only have a cursory knowledge of real estate and real estate appraising simply state that, based on their experiences, the letter designations don't seem to mean a thing. The public does not seem to recognize the difference between a Designation and a State licensed or certified appraiser. They report that one seems to be just as bad as any other, and none of them seem to be real professionals. But the people who have a bit more sophistication, which include the courts, attorneys, lenders, and today the majority of the buying and selling public, are more articulate and more specific. They will mince no words and tell you that they know why most of the so-called appraisers came into existence during the past 15 years: These johnny-come-latelies passed State exams with a minimal amount of training and dubious course work and have grown because it is relatively easy to get.

They have the minimum education requirements with very little work review, simply send in a log showing you have taken some courses and take a simple test; send in your money and you'll be granted a License or Certification. This plus the minimum continuing education courses of study are far below the rigid requirements that have made the Institute and like organizations strong, progressive, viable sources, and centers of professional growth and knowledge. The various designations of the Institute

continuously demand hard work, dedication, additional study and a willingness to subscribe to a set of professional ethics and standards. Not the minimum standards found in licenses, certifications or designations COD by return mail.

CONGRATULATIONS TO JIM MCGOWAN NAMED APPRAISER OF THE YEAR FOR 2006!

Seattle, WA— The Seattle Chapter of the Appraisal Institute is proud to announce the selection of Jim McGowan, President of McGowan Appraisal Services, in Tacoma, Washington, as the Appraiser of the Year for 2006. The Seattle Chapter of the Appraisal Institute presented Mr. McGowan with the Appraiser of the Year plaque at their February 21, 2006 Chapter Lunch Meeting. This award has been given in recognition of Mr. McGowan's years of service and dedication to furthering the professionalism and high standards of the Appraisal Institute in the Puget Sound region.

Mr. McGowan has been an Associate Member of the Appraisal Institute since 1986. For 75 years, the Appraisal Institute has been the world's leading organization of professional real estate appraisers. Members of the Appraisal Institute are known around the world for their knowledge and experience as well as their unbiased and objective approach to real property appraisal and analysis.

Mr. McGowan has been providing real estate appraisal and consulting services since 1986. In 1995, Mr. McGowan formed McGowan Appraisal Services. Mr. McGowan received his BA from the University of Southern California where he majored in Politics and Economics. Mr. McGowan served as the first Chairman of the South Sound Branch of the Seattle Chapter of the Appraisal Institute, which was formed in 2006.

The membership of the Seattle Chapter of the Appraisal Institute would like to extend their thanks and congratulations to Jim for his selection as Appraiser of the Year.



Pictured above: Jim McGowan (left), Doyle Dean, MAI (center), Allen Safer, MAI (right)

A NOTE FROM YOUR ASSOCIATE MEMBER LIAISONS

As your Associate Member Liaisons for 2007, we would like to take this chance to introduce ourselves and let you know about our duties and goals for this year.

- We attend all of the Chapter Board meetings and represent the concerns of all of our General Associate, Residential Associate, and Affiliate Members.

If you have any questions or concerns about anything related to the Seattle Chapter that need to be addressed at the Chapter Board Meetings, let us know. We represent you.

- We can help you work on your path toward your MAI or SRA designation and/or State Certification.

We are both currently State Certified and working towards designations, with a personal understanding of the process.

- We serve as your point of contact for opportunities to volunteer for our chapter's events, serve on committees, and hold positions within the Chapter.

If you are looking for ways to get involved, let us know and we will get you in touch with the right person and allow you to get involved in a way that fits in with your busy schedule.

- We are also trying to generate new ideas from Associate Members for activities, events, and education. This may include informal social events (picnics, Mariner's Games, Architectural Tours), Residential specific educational offerings, Associate Member Guidance Seminars, mentor programs, Designation Information, area specific events (Everett, Tacoma, Bellevue), etc.

If there are any events, activities or educational offerings that you would like to see in the future, please let us know.

Again, if you have any questions or thoughts about education, designations, events, getting involved, or anything else, please get in contact with us. Our goal is to be your voice at the Board Meetings and help provide you with additional benefits for being a member of the Seattle Chapter. We are here as your resource with the Seattle Chapter in 2007.

Michael L. Lamb, Residential Associate Member Liaison
206-436-1171
mllamb@irr.com

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253-564-3230
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NO MORE MR. NICE GUY

by Chuck Munson, MAI

During the open forum, several (!) residential appraisers stood and, sometimes bitterly, complained about appraisal fraud committed by certain repeat offenders "over and over again," even though complaints had been submitted to the state more than once. Ralph Birkedahl, Real Estate Appraiser Program Manager, Washington State DOL, responded in effect that he was very aware of the problem, and that things were going to change.

Mr. Birkedahl's responses to questions and statements made during the meeting's public forum indicated that the Dept. of Licensing and the State Attorney General's Office are beginning to build momentum in the prosecution of appraisers committing appraisal fraud. For example, during the past few months, Mr. Birkedahl said, many individuals have had their licenses suspended or have received fines and education requirement stipulations, and, again, the momentum appears to be building on a monthly basis.

There are presently 126 specific cases being pursued, and more to come, Birkedahl added. Statements by Mr. Birkedahl and Assistant Attorney General Jody Lee Campbell, in attendance at the head table, indicated that neither the Dept. of Licensing nor the Attorney General's Office would be "sitting on" any of these 126 cases, and that the intent was to expedite the process and gradually reduce the present backlog until new complaints could eventually be investigated shortly after being received. The backlog reduction, however, will be gradual. Rapid, immediate consideration of new complaints will not happen for some time due to present backlog. However, statements by both Ms. Campbell and Mr. Birkedahl indicated that the goals of backlog reduction and, in the future, immediate complaint consideration, are attainable.

Commissioners Cheri Farivar and Dean Potter both indicated that they believed the appraisal fraud investigator hired relatively recently, Michelle Yoder, was doing an excellent job, efficiently working at a pace twice that of her predecessor.

Mr. Birkedahl stated that the Dept. of Licensing had the funds to hire a second fraud investigator, and was presently interviewing candidates for that position.

In summary, the meeting resulted in several important considerations being made public: on one hand, 1) throughout the state, honest, legitimate residential appraisers are completely fed-up with a) fraudulent practices by dishonest residential appraisers together with b) in the past, the apparent lack of prosecutorial effort by Olympia; but, on the other hand, 2) in Olympia a) the backlog of offending appraisers/appraisals cases will be gradually reduced, b) the extent to which the Dept of Licensing and the Attorney General's Office is able to handle individual cases should gradually accelerate, and c) ultimately, submitted complaints will be handled shortly after having been received.

GREENFIELD ADVISORS' DR. BILL MUNDY NAMED ONE OF NINE MOST INFLUENTIAL CONTRIBUTORS OF THE LAST THREE QUARTERS CENTURY!

Seattle, WA, February 21, 2007

Celebrating their 75th anniversary of publication, the esteemed Appraisal Journal, announced this month, the selection of Dr. Bill Mundy's, Ph.D. MAI:

The Impact of Hazardous Materials on Property Value (April 1992), as one of the most critical and influential articles in their organization's history. The review of Mundy's piece titled, "Nine Big Ideas," written by David Lennhoff, MAI, SRA, explains that, "of the more than 4000 submissions written for their annual text," regarding: The Appraisal of Real Estate, now in its Twelfth Edition, "only a select few have had the ingredients to make them both well written and essential to the valuation of property for the 21st century."

Of the nine submissions chosen, Mundy tells the story of three critical factors regarding contaminated property, also known as "Brownfields." He noticed over the course of his 30+ years in Brownfield Litigation, there needed to be a more adequate theory of how contamination affects property values; secondly, that the severity and persistence of contamination are not necessarily related, and thirdly, there was a need for a more accurate model of statistical analysis.

Mundy's work has assisted hundreds of highly complex valuations from his expert testimony on the Exxon Valdez oil spill to the valuation of the Hearst Ranch at San Simeon. His firm, Greenfield Advisors, formerly Mundy and Associates, was founded in 1976 amidst a burgeoning demand for better economic analysis and more comprehensive property valuation. Now headed by Dr. John Kilpatrick, Ph.D. MRICS, Greenfield Advisors is home to some of the nations leading experts on Brownfield Litigation, Value Appraisal, and Asset Management and consults on some of the most high profile cases in the country.

For more information, please call
Bennett Marks @ Greenfield Advisors
206-623-2935 x206 www.GreenfieldAdvisors.com

APPRAISAL FOUNDATION USPAP INSTRUCTOR TRAINING

May 4-6, 2007 Instructor Certification Course - Dallas, TX
Registration available at:

http://www.appraisalfoundation.org/s_appraisal/doc.asp?CID=190&DID=982

APPRAISAL INSTITUTE INSTRUCTOR TRAINING

The Instructor Training Conference will take place in Orlando, FL on August 16-19, 2007. Only those holding either an MAI or SRPA designation may attend.

New instructors may gain approval to teach these courses:
General Appraiser Income Approach, Parts 1 and 2
General Appraiser Sales Comparison Approach
General Appraiser Site Valuation and Cost Approach

Existing Appraisal Institute instructors may gain approval to teach these courses:

General Appraiser Income Approach, Parts 1 and 2
General Appraiser Sales Comparison Approach
General Appraiser Site Valuation and Cost Approach
General Market Analysis and Highest and Best Use
General Appraiser Report Writing and Case Studies

National is planning another conference later in the year, possibly in December in Chicago. This conference will likely cover the same material. More information to come soon!

FROM YOUR REGION 1 OFFICERS: MARC CAMPOS, JOHN HILLAS, AND PAT ASAY

The Appraisal Institute Board of Directors met in Indian Wells, CA on February 18th, 19th and 20th. It was a historic event. All of your representatives from Region 1 (the northwest United States) were present: John (Pat) Asay Region 1 Director, John Hillas Region 1 Vice Chair, and Marc Campos Region 1 Chair.

The first day (Sunday) was a Board member training session. We were provided an update of various projects through reports by President Terry Dunkin, President Elect Wayne Pugh, and Vice President Jim Amarin. We had a lengthy report from Acting CEO Jeff Liskar, as well as from Immediate Past President Dick Powers and Past President Brian Glanville.

Some of the topics covered included updates on technology work groups, Site to do Business, Shared Interest Groups, responsibilities of regions, certification programs for designated members, allied efforts, streamlining education, and a margin value model being developed to gauge effectiveness of our programs and activities.

Brian Glanville spoke about the need for unity of the valuation profession in his talk covering value for financial reporting (VFR), international valuation standards committee (IVSC) and World Association of Valuation Organizations (WAVO). Jeff Liskar, our Deputy CEO, talked about staff restructure issues.

After lunch we had a guest speaker talk about decision making. Sharon Jenks from The Jenks Group explained the following model: 1. Define the issue, 2. What is the objective, 3. Collect the facts, 4. Brainstorm for solutions, 5. Benchmark for success, and 6. Measure and communicate. We had a discussion on one of our motions using the model.

The Board meeting started on the second day. One of the more important topics covered this day was a report from Jim Amarin and Lisa Wasserman regarding the 2006 financials.

We had a forecasted loss of \$624,778 but will end up with a gain of approximately \$100,000. Carl Schultz chairs the Professionalism Project Team and spoke about a survey done of lenders which showed Appraisal Institute members are well respected and had high ratings. His top two recommendations were to enforce standards at the state level and to concentrate the appraisal profession so we can speak with one voice. There were many other suggestions in his 18 page report. Jeff Grendysa chairs the Membership & Expansion Retention & Growth Project Team (MERG). He spoke about their research and recommendations on what it would take to add value to membership at all levels. Many changes and/or ideas were discussed, all directed to make membership more meaningful and enjoyable for current and future members.

Dues were discussed, as was the number "2.71." It takes 2.71 associate members to equal one designated member with regards to dues collection.

The Appraisal Institute sponsored the lunch at the American Bankers Association convention at a nearby hotel. We joined the 1,200± ABA members for lunch and represented you. There was a card on every table letting the bankers know the Appraisal Institute had sponsored their lunch. We left each banker a CD-ROM containing a directory of Appraisal Institute members (really a link to our national online directory) and a small flash drive with the AI logo on it. While walking through the ABA vendor booths, the majority were consultants who said their company could increase profitability and efficiency for lenders. There were no AVM companies there. Fannie Mae, Freddie Mac, Farmer Mac, Ginnie Mae, OTS and FDIC were all there. The Appraisal Institute was the only appraisal organization with a booth at this convention.

In the afternoon session of the BOD meeting we heard from executive members from both the ASA and the ASFMRA. Mike Evans and Jim Brown from the ASA discussed their designation requirements (which are similar to ours), their five valuation divisions, and their membership figures.

Paul Bierschwale and Steve Runyan from the ASFMRA talked about their designation requirements (which are similar to ours), their three divisions, and their membership figures. The leaders of both of these organizations have voted to unify the appraisal profession and want to start this process by unifying with the Appraisal Institute.

The Appraisal Institute sponsored a hospitality suite in the evening back at the ABA hotel. We again want to represent you at this event. Guests at the suite said that the Appraisal Institute had presented a good image at the ABA convention. This is why our meetings were held in Indian Wells.

On the third day we started with the Chapter National Region (CNR) Project Team report. Les Sellers is the chair and he, along with Sharon Kneebone (staff), talked about where we are with regards to serving our members through our chapters. There was a large difference noted between chapters with paid executive staff and those with all volunteer staff.

Recommendations were made to rewrite the chapter bylaws to a minimal level and then provide a best practices policy to show what should be strived for. National now has a team to support chapters in fulfilling the best practices ideas. Region functions were also discussed. We have at least one region that is so successful with their program that members campaign to be elected to serve as region reps.

Continuing with the third day we heard from Tom Dorsey, chair of the Diversity Committee. He spoke about the history of the organization and its attempts to diversify. Statistics were cited about the composition of the United States becoming more ethnically diverse. We need to continue to serve all of our members in order to survive as an organization. John Ross gave a talk on where he sees the appraisal industry as a whole: past, present and future. He is preparing a more detailed report for the Board's use to be delivered soon. Bud Kunkel and Ruth Kelton gave a report on the 75th anniversary events and sponsorships. Our 75th anniversary celebrations are ongoing throughout the country, and all is on schedule for Las Vegas in July. Alan Hummel and Rick Donahue spoke about allied efforts. Then we voted on the 45 day material.

The first item dealing with changes to the eligibility to serve on the Audit Committee passed. The second item dealing with changes to the college degree requirement for the MAI designation failed. John Hillas gave a thorough list of reasons why allowing this change would water down the education requirement too far. The consensus of the group was that an alternative to the college degree needs to exist but the one being offered was not strong enough.

One of the other motions relating to the MERG project team failed (it would have allowed chapter presidents & national presidents to be non-designated); another motion was withdrawn for further study. One of the three motions from the CNR project team passed with an amendment; the other two were withdrawn for further study.

The one other motion that passed was a unanimous vote to unify the appraisal profession. This will entail continuing talks with the ASA and ASFMRA in the short term and talks with other appraisal organizations in the long run.

Vice President Jim Amarin gave us the forecasted 2007 budget and noted it would be a deficit of about \$1,000,000 to be funded from reserves. It was decided last December that a deficit this year was an investment in the future. We finished with a farewell dinner (roast) for John Ross on Tuesday night.

Submitted by: Marc Campos, MAI, SRA

APPRAISING RESIDENTIAL PROPERTIES, FOURTH EDITION, NOW AVAILABLE

The residential real estate market is changing fast and real estate practitioners must adapt and change with it. To succeed in an uncertain future, residential appraisers need the expert guidance provided by *Appraising Residential Properties*, fourth edition. The classic textbook on residential valuation has been reinvented to meet the needs of a new generation of practitioners, who are more tech-friendly, more sophisticated, and more than ready to meet the challenges that lie ahead.

Appraising Residential Properties, fourth edition, has everything a residential appraiser needs to perform residential appraisal assignments competently plus new information that reflects

- Recent changes in USPAP
- The new requirements of the 2005 residential appraisal forms
- Ongoing developments in residential real estate markets and practices

Written in response to the new AQB requirements for licensed and certified appraisers, the fourth edition also includes

- A new chapter on the use of statistics in real estate appraisal
- Updated information on residential appraisal specialties
- More discussion of automated valuation models (AVMs)
- A new emphasis on the scope of work decision in the valuation process
- A new appendix containing the ANSI/NAHB standard for measuring the size of houses
- Basic instructions on the use of financial calculators

New data sources are highlighted throughout the text and the discussion of residential property design and building construction has been significantly reorganized and updated.

Don't be left out in the cold. Pick up your copy of *Appraising Residential Properties*, fourth edition, and open the door to a new era in residential real estate appraisal. **Special introductory member price for a single copy through April 15, 2007 is \$48.** The regular member price is \$60; nonmember price is \$70. To order, call 800-504-7440 and request stock number 0702M, or go online at www.appraisalinstitute.org/ecom/publications.

USPAP Q&A

Vol. 9, No. 2 February 2007

This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. The ASB USPAP Q&A is issued to inform appraisers, regulators, and users of appraisal services of the ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the Uniform Standards of Professional Appraisal Practice (USPAP) in specific situations; and to offer advice from the ASB for the resolution of appraisal issues and problems.

Appraisal versus Appraisal Consulting Assignment

Question:

What is the difference between an appraisal assignment and an appraisal consulting assignment?

Response:

Appraisal assignments are those where the purpose is to provide an opinion of value.

Appraisal consulting assignments are those where the purpose is to provide an analysis, recommendation or opinion to solve a problem where an opinion of value is a component of the analysis. USPAP defines appraisal consulting as:

the act or process of developing an analysis, recommendation, or opinion to solve a problem, where an opinion of value is a component of the analysis leading to the assignment results.

Comment: An appraisal consulting assignment involves an opinion of value but does not have an appraisal or an appraisal review as its primary purpose.

Also, the Comment to STANDARD 4 (Real Property Appraisal Consulting, Development) states, in part:

...the purpose of an assignment under this Standard is always to develop, without advocacy, an analysis, recommendation, or opinion where at least one opinion of value is a component of the analysis leading to the assignment results.

...An opinion of value or an opinion as to the quality of another appraiser's work cannot be the purpose of an appraisal consulting assignment. Developing an assignment for those purposes is an appraisal or an appraisal review assignment, respectively.

An example of a real property appraisal consulting assignment is a feasibility study where the client is seeking advice regarding most profitable development strategies. In the feasibility study, opinions of value would be used to test different scenarios. Those opinions of value may be provided by the appraiser doing the consulting assignment (feasibility study) or by another appraiser.

Market Rent Opinion

Question:

I was asked by a client to provide an opinion of the market rental rate for a commercial property. Is such an assignment considered an appraisal?

Response:

Yes. USPAP defines an appraisal as "an opinion of value," and market rent is an expression of value for the right to use a property. Therefore, to comply with USPAP in this assignment, an appraiser would have to follow STANDARD 1 to develop the opinion of the market rent, and STANDARD 2 to report the assignment results.

Income and Expense Analyses

Question:

I was asked by a client to prepare a five-year market-based forecast of income and expenses for a specific commercial property. Is such a request an appraisal assignment or an appraisal consulting assignment?

Response:

The request is an appraisal consulting assignment, which includes an appraisal. The market-based income and expense forecast is an *analysis* by the appraiser that includes an opinion of market rent, which is an opinion of value. The process of developing an opinion of market rent *to be used* in the analysis is an appraisal, since USPAP defines an appraisal as "an opinion of value." Therefore, to comply with USPAP an appraiser would have to follow STANDARD 1 to develop the opinion of the market rent (value), and STANDARD 4 to develop the income and expense analysis. The appraisal consulting report would have to comply with STANDARD 5.

USPAP Q&A

Vol. 9, No. 3 March 2007

Sales or Financing Concessions

Question:

The real estate market I appraise in has slowed down over the last 12 to 18 months, and it is now extremely common to see seller concessions as part of a purchase transaction. What are the USPAP requirements regarding proper treatment of sales/financing concessions?

Response:

Sales or financing concessions may have an effect on the price paid for a property. As such, it is important for the appraiser to recognize this and analyze their impact.

Sales or financing concessions should be considered in light of the type and definition of value used in an assignment. If the value opinion to be developed in a real property appraisal assignment is market value, then Standards Rule 1-2(c) requires the appraiser to ascertain whether the value is to be the most probable price:

- (i) in terms of cash; or
- (ii) in terms of financial arrangements equivalent to cash; or
- (iii) in other precisely defined terms; and
- (iv) **if the opinion of value is to be based on non-market financing or financing with unusual conditions or incentives, the terms of such financing must be clearly identified and the appraiser's opinion of their contributions to or negative influence on value must be developed by analysis of relevant market data;** (Bold added for emphasis)

It should be noted that some client groups, such as Fannie Mae, specify how sales or financing concessions are to be addressed in assignments that are subject to their guidelines. Appraisers performing assignments of this type should become familiar with all applicable guidelines in order to satisfy the requirements of the COMPETENCY RULE.

The following two USPAP Q&As appear in our 2006 Frequently Asked Questions publication. They have been reprinted here because they are questions which continue to be asked on a regular basis. Additional questions may be reprinted in future months.

Obligation to Analyze Prior Listings of Subject Property

Question:

I know that Standards Rule 1-5(a) requires an appraiser to analyze all current listings of the subject property. Does it also require analysis of *prior* listings of the subject property?

Response:

No. Similar to sales history requirements for comparable sales, this Standards Rule does not require an appraiser to analyze a prior listing history for the subject property. However, in the development of an appraisal, an appraiser is required under Standards Rule 1-1(b), to *not commit a substantial error of omission or commission that significantly affects an appraisal. If information about a prior listing is known by the appraiser, and that information is relevant to the appraisal problem, it must be considered.*

An analysis of the subject's prior listing history may be required by applicable supplemental standards in some assignments.

Obligation to Analyze Withdrawn or Expired Listings

Question:

I was asked to appraise a single-family residence for refinancing. I am aware that the property had been previously listed but did not sell. During my data investigation and analysis, I noted that the owner's "estimate of value" was \$375,000. When I looked up the listing history, I found it had been withdrawn from the market at the asking price of \$325,000. What are my obligations under USPAP regarding a withdrawn or expired listing of the subject property?

Response:

Standards Rule 1-5(a) states:

When the value opinion to be developed is market value,

an appraiser must, if such information is available to the appraiser in the normal course of business:

- (a) *analyze all agreements of sale, options, or listings of the subject property current as of the effective date of the appraisal.*

Therefore, there is not a specific requirement in Standards Rule 1-5(a) to consider and analyze a withdrawn or expired listing of the subject property, prior to the date of the appraisal.

However, any prior listing of the subject property (as of the effective date of the appraisal) might be significant in that it indicates the property's availability in the market and the market reaction to that availability. Likewise, agreements of sale and options are generally significant to the appraisal problem in that they involve a "meeting of the minds," relating to the property's value, of the potential buyer and seller.

In the development of an appraisal, an appraiser is required under Standards Rule 1-1(b), to *not commit a substantial error of omission or commission that significantly affects an appraisal. If information about a withdrawn or expired listing is known by the appraiser and that information is relevant to the appraisal problem, it must be considered.*

Each year the ASB compiles the monthly USPAP Q&A into a publication entitled Frequently Asked Questions, or FAQ's. In addition to compiling the new FAQ's for the year, all of the FAQ's in the publication are reviewed and updated, if necessary, to ensure they represent the most recent guidance from the Board. Frequently Asked Questions is published as an adjunct to each edition of USPAP, and has become a valuable reference for appraisers, users of appraisal services, and regulators. The Frequently Asked Questions publication can be purchased for \$20.00 by visiting the "Foundation Store" page on The Appraisal Foundation website (<https://commerce.appraisalfoundation.org>).

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