

ICAP DIRECTOR ATTENDS APPRAISAL PRACTICES BOARD MEETING

As a practicing real estate appraiser I have always understood it was my responsibility to stay on top of industry regulations to ensure compliance with state and federal regulations as well as the best practices of my peers. What was once a continuing education class or two and seven hours of USPAP every two years now seems to have become an alphabet soup of acronyms: AMC, HVCC, UAD, XML, ERC, ASB, AQB, and so on and so on. Although organizations such as ICAP do their best to keep their membership informed of industry changes, it is sometimes hard to keep up. It was with this in mind that I recently attended the first public meeting of the Appraisal Practices Board.

According to their webpage, which can be found as a link on the website www.appraisalfoundation.org, the Appraisal Practices Board (APB) was founded on July 1, 2010 and has been charged with “the responsibility of identifying and issuing opinions of Recognized Valuation Methods and Techniques (and)...will offer voluntary guidance in topic areas which appraisers and users of appraisal services feel are the most pressing.” The APB is the third arm of the Appraisal Foundation, with a defined purpose different from the other facets of the Foundation: the Appraisal Qualifications Board (AQB) and the Appraisal Standards Board (ASB). The Appraisal Practices Board consists of seven board members as well as individual panels of Subject Matter Experts (SMEs), which are individuals with expertise in the specific areas under consideration. These panels, as well as the board members, are tasked with researching and vetting the pressing issues, allowing for public comments, ultimately resulting in the adoption of “guidance that may include more than one recognized method or technique that addresses the specific topic.” On the website as well as at the meeting, it has been stressed that compliance with the guidance issued by the APB is “entirely voluntary.”

True to their efforts to address those issues which are most pressing, included on the agenda at the first meeting of the Appraisal Practices Board meeting were the issues of “Adjusting Comparable Sales for Seller Paid Concessions” and “Residential Appraising in a Declining Market.” Both issues are hot button topics for appraisers practicing in the current market. At what point are concessions the norm in the market place? Exactly how should they be considered in adjusting comparable sales? What is a declining market? What criteria should be considered? The First Exposure Draft Adjusting Comparable Sales for Seller Paid Concessions (118 pages, including public comments) can be found here: <https://appraisalfoundation.sharefile.com/download.aspx?id=seb1923e99be47968#>. The First Exposure Draft Residential Appraising in a Declining Market (109 pages) can be found here: <https://appraisalfoundation.sharefile.com/download.aspx?id=seb1923e99be47968#>. After reviewing both drafts, I was left with the impression that they offer real world insight on how practicing appraisers can (and should) address these issues. While USPAP Advisory Opinions offer guidance, the APB has taken it a step further and offers actual guidance with real world examples. Page 19 of the Declining Market draft, for instance, contains an example of how to complete a paired sales analysis. Remedial for those that have been practicing for a while, but a helpful tool none the less. The second exposure draft of these topics will be released in January, 2012 and will have a 30 day exposure period.

Although the opportunity for public comment was available at the meeting of the Appraisal Practices Board, the discussion was focused more on the function and goals of the APB rather than the details of the specific topics being considered. Given the complexity of the exposure drafts, this was fitting. The primary focus of the public comment period was the lack of a uniform standard to determine whether licensed appraisers are performing valuations based on industry wide standards. What may be grounds for discipline in one state may not be in another state due to the lack of defined standards. Although guidance offered by the APB is voluntary, the hope was expressed that those standards established by the APB would be adopted by individual states in determining whether or not individual licensees are performing valuations a manner consistent with the methodology employed by their peers. Before adjourning the meeting the board members emphasized the importance of involving every day appraisers in helping to establish the industry standards that impact their profession. Subject Matter Experts from all areas of the appraisal industry are encouraged to apply. An application can be obtained by e-mailing SMEapplicants@appraisalfoundation.org.

Topics being considered by the Appraisal Practices Board for 2012 include Identifying Comparable Properties and Appraising Green Buildings. The APB meeting schedule for 2012 has not yet been released.

By Brian Masterson

brian@mastersonappraisals.com