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Connections

Official Publication of the
Association of Texas Appraisers, Inc.



Ken Pruett, ATA-R
ATA President

Wow, can you believe what all has transpired since our last meeting in February?

You look back at our meeting and now, we would be considered a bunch of wild and crazy people!

Oh, the horror, no masks, no hand sanitizer, and we were all in close proximity! We hugged AND shook hands!

Eee gads! We had toilet paper and were on top of the world!

And it doesn't appear to be letting up. We have all seen that what could be reasonably expected doesn't make it so. More along the lines of never letting a good crisis go to waste. The market changes in San Antonio appear at best to of been a speed bump. But, it may still be too early to overlook the impact of the pandemic.

Through all that is thrown at us, take a moment, take a deep breath, and pray for the collective calm.

It's what we do as appraisers. We filter out the noise, eliminate the clutter. We get to the facts.

We report what matters!

And as such, as the ATA, we have tried to limit our notifications. We have tried to just alert you to what you might have already known, but felt it was important enough to make sure it wasn't missed. And there has been a lot. A lot. And then changes. Revisions. Clarifications. Opinions. And opportunities.

Maybe now is a good time for a beneficial distraction!

- 1) Use this opportunity to hone your skills. To say there are educational opportunities available would be a gross understatement! Take the time to listen to a podcast, take in a webinar (a lot are free!), call someone and get the opinion of one of your peers. Or to just catch up. We ask real estate agents what they are seeing in the current market, why not our peers?
- 2) Write something besides an appraisal. Doesn't have to be for public viewing, just a means of personal entertainment, or maybe a way to say what you are feeling, but without saying it out loud first.
- 3) Go for a walk. I do this, but crazy like! Think long distances, with extra weight. I find it really does help clear my mind. Wave to your neighbors! How cliché, unplug and reboot!
- 4) Go sit outside and enjoy a libation. Enjoy the sounds of your wild outdoors. The fawns are dropping in our neck of the woods. It is amazing to watch the wonderment and newness of life.

The underlying theme I'm trying to get to, it's busy go time. It is busy go crazy time. Take some time to slow yourself down and remember your "why." Reverse your life, instead of "always going to be time for that," remember there will always be time to finish those reports. Refresh!

After all, there is only one of you, and they are not making them anymore!!

"...what a long, strange trip it's been..." -- Grateful Dead

--Ken

Upcoming Industry Meetings:

- TAF Board of Trustees, Oct. 1-3, Atlanta, GA
- ATA Annual Meeting, Oct. 9-10, Georgetown, TX
- AQB Public Meeting, Oct. 16, Washington, DC
- AARO Fall Conference, Oct. 16-19, Washington, DC
- ASB Public Meeting, Nov. 6, Charlotte, NC
- ATA Mid-Year Meeting, Feb. 19-20, 2021, New Braunfels, TX

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New Members

The ATA President and Board of Directors would like to welcome our newest members:

Derek Alvarado, Manchaca
Melissa Bond, Picayune, MS
Eric Fenlon, San Antonio
Debra Moore, Amarillo

Are you interested in joining ATA.
Log on to www.txappraisers.org and click on join us.

If you have any questions, call (210) 837-7123 and we'll be happy to answer them.

Welcome!

15th Annual Meeting and Education Conference

ATA's 15th Annual Meeting and Education Conference will be held Oct. 9-10 at the Sheraton Georgetown Texas Hotel and Conference Center, 1101 Woodlawn Avenue, Georgetown, TX 78628.

Due to current social distancing rules, space is limited. Register early to guarantee your seat.

The following events will be held at this annual meeting:

- Friday morning - 8:00 a.m. - Noon - **TREC Legal Update II** (#37797 - Separate Registration Fee) The instructor will be Candy Cooke, ATA-G. (4 hours*)
- Friday morning - 9:00 a.m. - 11:00 a.m. **ATA Board of Directors Meeting** (Session 1)
- Friday afternoon - 12:30 p.m. - 1:00 p.m. - **Welcome and Update**, Ken Pruett, ATA-R, ATA President and Troy Beaulieu, Director of the Standards and Enforcement Services Division, TALCB
- Friday afternoon - 1:00 p.m. - 4:00 p.m. - **Appraising in Uncertain Times**, (3 hours*) presenters will be industry experts
- Friday evening - 4:15 p.m. - 5:15 p.m. - **ATA Membership Meeting**
- Friday evening - 5:15 p.m. - 5:30 p.m. - **ATA Board of Directors Meeting** (Session 2)
- Friday evening - 5:15 p.m. - 6:30 p.m. - **Networking Reception**
 - Saturday - 8:00 a.m. - 5:00 p.m. - **The Ultimate Adjustment Course**, (8 hours*) Steve Kahane, ATA-R

Attendees will have the opportunity to network with fellow appraisal profes-

sionals at the continental breakfast, breaks, lunch, and at the networking reception Friday evening.

Who Should Attend

Anyone who needs to stay on the leading edge of appraisal issues, as well as professionals who are responsible for keeping appraisal processes in compliance.

Hotel Accommodations

A block of rooms has been reserved for meeting attendees at the Sheraton. Sleeping rooms are \$133 (plus tax) per night for single/double rooms. Reservations must be received by **Sept. 18, 2020**. After this date, reservations will be accepted on a space and rate availability basis. Call (800) 477-3340 and mention Association of Texas Appraisers to receive this discounted rate.

Registration Fees

The fee to attend this meeting is \$150 for ATA members and \$300 for non-members (not a member, [join now!](#)). (Fees increase \$20 14 days before the meeting.)

Registration with payment must be received at least five business days in advance of the conference to guarantee your registration. If you have not received an e-mail confirmation one week prior to the conference, please call ATA at (210) 837-7123, M-F, 9:00 a.m.-4:00 p.m. to confirm your registration.

Exhibitors/Sponsors

If you have questions about exhibiting or sponsoring, please con-

tact info@txappraisers.org. You can download the [exhibitor/sponsor form](#) here or pay on-line.

Cancellations/Refunds

Written requests received three business days prior-full refund; fewer than three business days prior-no refunds will be issued.

About the Sheraton

Just 30 minutes north of downtown Austin, this newly built 222-room hotel makes enjoying the best of the Hill Country completely effortless. Set on the banks of the San Gabriel River, outdoor activities from jogging trails to ropes courses are just steps away. This AAA Four Diamond hotel offers a heated oasis-like outdoor pool and park views. Relax in front of a fire pit on the outdoor patio or sip on local



wine, beer, and cocktails at Jack's Lounge. Taste classic comfort cuisine at our signature restaurant Brix And Ale or dine on your schedule with 24/7 in-room dining. Take in a show at the nearby [Palace Theater](#), kick back at one of our [local wineries](#), or two-step to [live music in Georgetown's Town Square](#) - voted the most beautiful square in Texas. Click here for more information on [Georgetown](#).

*Approval Numbers:

TREC Legal Update II is offered by Texas Realtors; Provider #0001; CE: 37797.

Appraising in Uncertain Times; TALCB Provider #8; CE: 39281 - TREC Provider #9974; CE: 39334

The Ultimate Adjustment Course; TALCB Provider #8; CE 39204 - TREC Provider #9974; CE 39196

ATA Board Member Nominees

The following ATA members have submitted their names as nominees for the ATA Board of Directors for 2020-2023.

We thank each of you for offering your service to the association.



Olivo Castillo, Jr., ATA-R, Cedar Park

Olivo is a ten year veteran of the Central Texas Real Estate market with expertise in single family

and investment property appraisals. He is currently the owner and CEO of Sharp Appraisers, LLC in Austin, TX.

Olivo has served on the board of directors for the local chapter of the National Association of Hispanic Real Estate Professionals and on the membership committee for the Hispanic Chamber of Commerce. He frequently speaks at and attends local real estate events as he believes that a collaborative approach is crucial for success of all Real Estate professionals.



Angela Cromwell, Arlington

I started my college career at Western Illinois University, and then graduated from Loyola University of Chicago, with a Bachelor

Degree in Communications. Later, I received a Masters Degree in Public Policy from New England College.

I began my Appraiser career in 2002, after working in Social Services and Marketing. I worked as an Independent Fee Appraiser in the Chicagoland area until 2017, when I then relocated to the Dallas-Fort Worth TX area.

I am excited about residing in Dallas-Fort Worth area, and look forward to meeting more people, and learning more every day about the appraisal industry.



Bryan Marlow, ATA-R, San Antonio

Brian Marlow has lived in San Antonio, TX since 1998. After a 16 year career with Walmart as a

Loss Prevention District Manager, Brian took a leap of faith and began his appraisal career as a trainee in 2006 and became State Certified in 2008. Currently, he and his wife of 25 years, Kelly Marlow, operate Marlow Appraisal Group. Brian has 2 kids; Madyson, who will be attending Arizona State University in Fall 2020 and Aiden, a Junior at Churchill High School.

Brian has been an ATA member for approximately 5 years after being invited by Ken Pruett and enjoys the opportunity for education, networking, and support from leading appraisers in the field. He has been a part of the Education Committee with Ken Pruett for the past 2 years and strongly supports the mission of ATA for appraiser advocacy. Brian considers ATA to be the voice of and a place of belonging for all appraisal professionals.

Brian attends Community Bible Church in San Antonio. In his spare time, he enjoys spending time with family and looks forward to as much time as possible at the coast fishing and boating.

He looks forward to serving the ATA community in any capacity requested as a student, peer, and mentor.



Rick Neighbors, ATA-G, Keene

Over 11 years ago, I joined the ATA. It was probably the best single decision in my appraisal career. I

have obtained a lot of good knowledge from the classes and instructors over the years, and made a lot of good friends. I always look forward to, and

try to attend, each and every meeting possible.

When I received the notice from Ken Pruitt, our ATA President, that he needed some volunteers for the Board of Directors, I told him to throw my hat in the ring. I have served on the Board in the past, and am always happy and honored to help out the ATA in any way I can. The ATA awards I have received over the years, and the ATA designation I have, make me proud to represent the ATA every day.

I would be proud to serve on the Board of Directors, and if appointed back to the Board, I promise to serve the members of the ATA to the best of my abilities. I will always be available to receive your questions, comments or suggestions. My email is rick@rickn.com, and my cell number is 817-648-1801. Feel free to contact me any time.



Daniel Reininger, Houston

I have worked on valuation and consulting assignments which include a specialty practice in apartments

(conventional, affordable, HUD, and market demand analysis studies); subdivisions; retail; farm/ranch; high value residences; office buildings; industrial buildings; and vacant land. Assignments have been concentrated in southwest region of the U.S., including Texas, Arkansas, Oklahoma and Louisiana. I am currently involved in office and single family development and leasing/brokerage activities. I am currently a candidate for designation at the Appraisal Institute having completed the majority of coursework and experience required for the MAI designation. In the real estate appraisal profession, there is a noticeable divide between single-family and commercial appraisers. It is my hope to help bridge the gap between these two sectors.

ATA Board Member Nominees (con't)



Frank Santos, ATA-R, Houston

Born and raised in Houston, Texas, moved to Galveston three years ago. Built in 1977 I'm considered a newer appraisal model but got my start as a gopher in a fee shop during the late 1990's. I was around before digital camera, when we had fax machines and Xerox copiers the size of Honda Civics. I was the guy who dropped hard copies off to the client. Later I became Licensed then Certified in the early 2000's. Primarily service Galveston and the greater Houston Market. Non-appraising interests include spending time with my wife Rachel, son Gavin, daughter Lyla and Border Collie, Bodhi. Also enjoy spending time at the beach, surfing and renovating our raised Gulf Coast Cottage built in February 1911. If you've seen the movie the Money Pit w/ Tom Hanks and Shelly Long, it's very similar.

ATA is hands down the best professional organization I've ever been exposed to and given the opportunity, it would be my pleasure to serve.



Daniel Stadnick, ATA-R, Katy

I've been a Certified Residential appraiser now for about five years. I have a Bachelor of Arts in Real Estate Studies and hold the SRA designation from the Appraisal Institute. My prior work included various real estate jobs in surveying, property preservation, insurance risk assessment, claims and loss drafts, and rehab work. My most enjoyable time was when we had a successful family appraisal business from 2004-2009. I got to experience the housing crash first-hand, observe and become subject to the changes that came with it.

I'm excited about a lot of the changes coming to our industry – the integration of big data, blockchain technology, some of the concept papers written on

the new FNMA forms. I also have a lot of concerns. Just as the changes following 2007 had so many unintended consequences that we're now hearing about bifurcation using non-appraisers. I fear appraisers have stopped becoming the trusted source for property valuation and are now considered another hurdle for loan officers to get over or around, with no care for risk and a singular focus on being able to sell the loan in the secondary mortgage market.

The ATA has some of the best leadership in this state. I'd like to be a part of growing our organization into a stronger political force. We also have great educational opportunities. I'd like to see more, and perhaps we can become the standard-bearer of residential appraisal knowledge. People will want to hire an appraiser because they are members of the ATA. I have plenty of ideas, but really, I just want to serve in any way I can to improve our organization and promote our profession.



Pam Teel, ATA-G, Bulverde

Pam is the current Vice President of ATA. She spent five years working for the real estate appraisal department at USAA Federal Savings Bank where she was instrumental in standing up the appraisal operations and governance departments. She was responsible for development and delivery of all appraisal training for the departments. Prior to joining USAA, she was President of Corpus Christi Appraisal Service where she and her staff performed commercial, industrial, and residential appraisal services throughout the South Texas area. Pam has been a State Certified General Real Estate Appraiser for over 20 years. In April of 2014, Pam achieved designation as an AQB Certified USPAP Instructor. She has also been appointed by the State of Texas Appraiser Licensing Certification Board to the Peer Investigative Committee and as a Mentor. Prior to becoming a real estate appraiser, Pam was the Vice President of Operations for a commercial property management company, managing office build-

ings, shopping centers, and apartment buildings. She is married to the Artist formerly known as Professor, Harold Teel. They have three children, and nine grandchildren.



Roy Thompson, ATA-L, Burnet

(ATA's alternate director) is a Licensed Real Estate Appraiser from God's country, Burnet Texas. Roy lives there with his wife, Tamara Thompson, a fellow appraiser and member of ATA. They have one son (a senior engineering student at Abilene Christian University) and a house full of animals they spoil like children. Roy is active in his local church congregation and he loves Jesus.

Roy has been an ATA member since Donna Green invited him to a meeting in 2017. Roy has found it to be a group of fun, knowledgeable people, who make him a better appraiser through sharing stories and lessons learned as well as support and caring. He looks forward to serving ATA in the coming year and beyond.



Kathy Tredway, ATA-R, Beaumont

Kathy is a current ATA Board member. She is a certified residential appraiser, was born in Port Arthur and currently lives in Beaumont.

Prior to appraising, Kathy worked in the automobile industry. She started appraising in 1999 and stayed a trainee until she received her certification in 2004 (she hates to take tests).

Kathy loves gardening, reading, and spending time with her grandchildren and Bella and Coco (her precious schnauzers).

She is married to Garland "Bubba" Tredway (who is also an appraiser) and between the two of them, they have 10 grandkids.

How do you know if your adjustment is right?



Steve Kahane, ATA-R

How do you know if your adjustment is right?

For starters, is there such a thing as a right or wrong adjustment?

Adjustments, like appraised

values, are opinions. Like appraisals, they aren't just educated guesses, they are determinations based on recognized methods applied to data from the market. While it is an opinion, it has to be supported like an appraisal. Just as two appraisers might

differ on an appraised value, their adjustments may differ as well. So who is to say which is correct?

There are, of course, some metrics by which we can measure or judge the quality of adjustments. Does it comply with USPAP? Can you sit before a reviewer, jury or TALCB and defend it? Does it comply with FHA, VA and GSE guidelines? Do you have the support for the adjustment in your workfile? Adjustments can be checked with different forms of modeling too. Bracketing is one such check on adjustments, which is why lenders and investors look for it.

Some adjustment methods are better than others for certain things, depending on what you are measuring and what data is available. Numerical property characteristics like GLA or

lot size work great for mathematical analysis like regression or linear algebra. Even then, some may be better than others, depending on the circumstance. For example, regression can under-value features like pools or premium views due to bifurcation in the market. Non-numerical characteristics, like condition and quality, are well suited for paired sales: but variance and undefined characteristics can limit the reliability of this approach.

So how do you know if your adjustment is right and which is the best adjustment method to use? I hope to answer all these questions and more at the ATA 15th Annual Meeting and Educational Conference in Georgetown October 9th-10th.

Trainees Looking for Sponsors as of June 15, 2020

Crystal	Jordan	Houston	832 792-9300	crystalintexas@yahoo.com
David	Carroll	Arlington	817 808-7362	dwcarroll@yahoo.com
Rachel	Carpenter	Austin	512 771-6042	rachacarpenter@gmail.com
William	Massey	Montgomery	719 210-7561	wildbillmassey@hotmail.com
Rebecca	Armstrong	Midland/Odessa/DFW	469 777-8632	rebecca@trinityrealestategroup.com
Raul	Garcia	South Texas	956 550-1354	earthrealtynraul@aol.com
Philip	Yeatts	Denton	214 784-7676	pyracer@yahoo.com
Jimmy	Jackai	Dallas	214 372-0039	JJackai@aol.com
Michael	Bragdon	New Braunfels	901 359-7670	bragdonmichael@gmail.com
Carlos	Mugica	San Antonio	210 273-2102	candtproperties@sbcglobal.net
Mark	Abeyta	Katy	214 960-0596	markabeyta2@gmail.com
Erik	Garza	Donna (will go anywhere in TX)	956 223-3444	e-garza-5@hotmail.com
Lee	Brooks	Conroe	936 520-0980	leebrookslanman@gmail.com
Shelia	Ireland	Gainesville	817 907-9871	shelia@cfaith.com
Melchor	Besheer	San Antonio	210 331-0290	melbesheer400@gmail.com
Aaron	Lay	San Antonio	214 457-0705	aaron1130@hotmail.com
O'Ryan	Ethington	Austin	512 689-6988	o.ethington@gmail.com
Frank	Hendricks	San Antonio	512 557-2273	Frankehendricks@gmail.com
Ronald	Reed	Austin	512 914-8236	rakreed@sbcglobal.net
Dirk	Alvarado	Manchaca	650 619-7254	dirkalvarado@aol.com
Placido	Vasquez	San Antonio	210-777-5882	placido@housetohomere.com
Raul	Pena	Austin, Georgetown, San Antonio	210-364-0720	raul.c.pena@gmail.com
Benjamin	Gross	San Antonio	773 562-0260	Benjamin_gross@yahoo.com

Value, Accuracy, and Misleading... and How They Are Different From What You Might Think



Tim Andersen
The Appraiser's
Advocate

Let's start this musing by addressing the issues of *value*, *accuracy*, and *misleading*. You might have looked at it differently in the past. Then we'll tie these in the idea of the value conclusion in an appraisal being right or cor-

rect.

State appraisal boards level charges against appraisers. It is very common for appraisers to defend themselves against these charges by insisting their value is "right". Or, they assert they have properly supported their value conclusion, or something similar. In reality, this argument is utterly irrelevant and carries no weight with the appraisal board.

IRRELEVANT!?

When it comes to value, accuracy, and misleading, the appraiser's value opinion alone is irrelevant and weightless. This is because TAF has given state appraisal boards specific instructions. Those instructions are that the appraiser's *value conclusion* is not to be a part of the board's investigation. Nor is it to be a part of its deliberations. Therefore, it is not to be part of the appraiser's defense, since it is not part of the charges against the appraiser.

After reading this, you are probably saying, "Wait a minute! It was the homeowner's complaint that my value was too low that started this entire complaint and investigation!" This consumer's complaint indeed started the process. Nevertheless, because value is never to be an issue in the investigation, that is not what your state board investigates. As you already know, your value opinion is just that – an opinion. An opinion is neither correct nor incorrect. It is neither accurate nor inaccurate. An opinion

is neither right nor wrong. It is merely properly formed (in other words, in conformance with Standard 1), or it is not.

IS AN APPRAISAL ACCURATE?

With the dichotomy of value, accuracy, and misleading in mind, it is time to cover another issue related to value. What follows is a question that has come in to me more than once. Its answer, pretty much right out of USPAP, clears up some confusion. It also shows that words we sometimes use informally, as synonyms really, are not synonymous. In this part of the blog we are going to go over the words ACCURATE, CREDIBLE, and MISLEADING. Spoiler alert: the adjective *accurate*, should never describe the noun *appraisal*. And, what you send into the client is not an appraisal. Rather, it is an *appraisal re-*

Misleading

port. And the difference between the two is canyons wide.

So, let's get into it. The top of page one of the Fannie Mae 1004 form reads "[t]he purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property". Here, we'll ignore the fact there is no such animal as a *summary appraisal report*. Instead, we'll focus on the word *accurate* and the fact that Fannie Mae totally misuses it in this context.

TO WHAT DOES ACCURATE APPLY?

When it comes to value, accuracy, and misleading, "accurate" cannot describe an appraisal (i.e., an opinion of value). There is nothing against which an opinion of value can be measured. There is nothing to determine an appraisal's accuracy. For example, a meter is always a meter. There is a standard by which to

measure a meter. On the other hand, you and I could receive the same data on the same property. We could inspect that property together. We could share the same photos. We could even verify those same data with the same sources, etc. Yet you could appraise the property for \$227,500. I could appraise it for \$231,500. Assuming both of us followed Standard 1 in developing the value opinion, then we are both "right". Neither appraisal is more accurate than the other.

Since an accurate opinion of value does not exist, USPAP teaches us to form our value opinions *credibly*. This means in a manner worthy of the client's belief. This is because an opinion is neither accurate nor inaccurate. Rather, an opinion is properly formed which means, in an appraisal context, that the opinion has its base on the unbiased gathering, unbiased verification, and unbiased analyses of those facts. If not, its base is something weaker, something less vigorous, something more porous. In these cases, the opinion of value lacks credibility.

Now the concepts of "correct" or "accurate" are a different matter in a real estate appraisal context. These two terms apply solely to the appraisal report and the report's contents, but not to the appraisal itself. Again, an opinion cannot be accurate. An appraiser merely well-forms the opinion of value, or ill-forms it.

ACCURATE – THE APPRAISAL OR THE APPRAISAL REPORT?

In the context of value, accuracy, and misleading, it is possible to report the zoning, the square footage, the utilities, and so forth accurately or correctly. These are facts to be found via research. However, that accuracy will not compensate for failure to use a proper appraisal protocol. It will not compensate for a failure to use an appraisal protocol properly in forming the value opinion. Thus, while the data an appraiser uses may be accu-

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Value, Accuracy, and Misleading... (con't)

(Continued from page 6)

rate, that appraiser can still use them incorrectly. The appraiser can report the results of that use in a misleading manner.

It is this misuse, misapplication, or the improper application of an appraisal protocol, that results in an opinion poorly formed. This omission of proper due diligence in forming the value conclusion affects the credibility of the appraisal. This does not mean the appraisal itself is inaccurate. It merely means specific inaccuracies or lack of proper due diligence resulted in a poorly formed opinion.

It is common for the good folks at the local government offices (or brokers!) not to return phone calls. It has ever been thus. Thus will it ever be. This is why appraisers have the benefit and privilege of the use of extraordinary assumptions. The extraordinary assumption is part of the appraiser's arsenal. It is specifically for those instances in which the appraiser, despite his/her best efforts, simply cannot get to the bottom of a question.

When those folks simply will not return your phone call(s) in a timely fashion, you are running out of time, and you have exhausted all other avenues of verification, then it is perfectly acceptable to assume extraordinarily that the zoning is X, or what that zoning permits is Y. Because we have this benefit and privilege, we also have the responsibility to exercise them properly and in accordance with USPAP.

MISLEADING?

Keep in mind the concepts of value, accuracy, and misleading. In accordance with USPAP's Standard 2, a *report* (but not the appraisal) must not be misleading. So, is it possible for a report to be accurate and not misleading, yet not correct? Consider this scenario: suppose the appraiser personally, properly, and accurately measured the subject house down to the nearest square inch. Suppose, too, the appraiser market-extracted all of the ad-

justments. Then, further suppose that appraiser credibly came up with an adjusted value range of \$250,000 to \$265,000. In other words, the value range (i.e., the appraisal) is well-formed, thus credible. Yet, despite a well-formed value opinion range, the appraiser, for reasons s/he does not explain, concluded a value of \$275,000. Everything in the *report* was accurate; yet the final value opinion the *report communicated* was incorrect, thus misleading.

Remember as well, there is a difference between an *appraisal* and the vehicle by which the appraiser *reports* the results of that appraisal to the client (the appraisal's report). A value conclusion (in other words, the *appraisal*) is not "accurate" for the reasons we talked about earlier; it is merely well-formed or ill-formed, since it is an opinion.

The *report* of that appraisal to the client, however, must accurately and non-misleadingly chronicle what the appraiser did to arrive at that credible value opinion, how the appraiser credibly did that, and why the appraiser took those steps. If the report and its chronicle of the appraisal is not accurate, in other words, if it does not paint well and truly these three pictures, it is, by definition, misleading, the credibility of the appraisal underlying that report notwithstanding.

And, because USPAP *now* has a definition of misleading, it is safe to conclude the states will enforce that definition when their boards level formal charges against appraisers.

CONCLUSION

From this musing on the concepts of value, accuracy, and misleading, here are the takeaways:

- It is not part of what a state appraisal board does to conclude whether your value opinion is accurate. It is the board's job to determine if the appraiser well-formed the value conclusion, or ill-formed it;

- The appraiser's hope that a value conclusion is "correct" or "right" is irrelevant and weightless before the board;
- Despite what Fannie Mae preprints on the 1004 form, there is no such animal as an accurate appraisal;
- An appraiser's opinion of value is either well-formed or it is not. It is either credible or it is not;
- *Credibly* is how the appraiser must use the analytical tools at his/her disposal;
- The data the appraiser includes in the report, the data on which the appraiser bases the value conclusion, must be accurate;
- Any report the appraiser sends to the client must accurately chronicle the results of the appraiser forming the value conclusion; otherwise that report is misleading; and USPAP now has a definition of misleading, so expect state appraisal boards to enforce USPAP in light of that new definition.

POSTSCRIPT

If I can ever be of help to you with an appraisal, USPAP, or state appraisal board problem, please contact me, Tim Andersen, The Appraiser's Advocate, at tim@theappraisersadvocate.com.

Thank you!



The opinions and statements expressed herein are those of the individual authors and do not necessarily reflect the viewpoints of the Association of Texas Appraisers or of its individual members.

When Loans Go Bad—Preparing for the Next Wave



Rachel Massey

Most of my 30-year career has been as a fee appraiser, but in the crash of 2008 and for quite a while after, I worked as a reviewer in “forensics,” deep-diving

into different issues related to when loans went bad. Here’s some of what I learned and how it can be applied to what may be coming.

When a loan went bad, the appraisal was not typically the cause, but it could be the focus of the powers that be anyway, particularly during the foreclosure crisis. Investors took a hard look at the appraisal reports and pushed back on the lenders who sold the loan, for anything that they found wrong with the appraisal report. While the appraisal did not cause the default, there were often some loose strings, easy to tug on, that would make the appraiser an easy target. Repurchase demands tended to focus on the “unacceptable appraisal practices” outlined in Fannie Mae’s Selling Guide.

I have written a couple articles about these if interested (see below), but some of the most common issues that were pushed back on are as follows:

1) Calling the market stable or increasing when it was clearly declining at the time. This could be supported by the complainant providing comparable sales that were close to the effective date of the report that were lower than older sales that were included in the report.

2) Not adequately addressing condition of the subject or comparable sales, such as using houses that were materially superior to the subject property without acknowledgment and adjustment. Often the comparable property had significant re-

modeling, while the subject property was a throwback to the 1970s with no updating, yet quality and condition were referenced as the same.

3) Using sales in areas with higher prices while more proximate and similar properties were available. Map search functions in most MLS can easily show price differences between areas, and the market data gathered by the GSEs related to different areas is robust, and an easy push-back.

4) Failing to address factors that negatively impacted the subject property, such as proximity to highways, toxic waste dumps, etc. Many appraisal reports simply didn’t acknowledge when a property was adjacent to an externality.

Any (and all) of the unacceptable appraisal practices were fair game to elicit a buyback. The selling lender either had to defend the appraisal report, if it were possible, or admit the complaint was correct and end up repurchasing the loan. If the appraisal was found to have several “unacceptable appraisal practices” cited, and the lender could defend some or most of them, they could still be subject to a repurchase if something significant could not be defended.

Times Are Changing

The repurchases were very costly to the party who had to absorb the loss. Repurchase demands hit big and small lenders alike, as well as Mortgage Insurance companies and servicers of loans. Fortunately, they have largely become a thing of the past, in particular with Collateral Underwriter and Day One Certainty providing assurance on the appraisal for that loan.

That said, even these programs have claw-back language related to description of the property and the accuracy and completeness of all data on

the appraisal that pertains to the property, other than the value. This includes the subject’s condition and quality ratings. So even with the advent of Day One Certainty, lenders still have risk involved if there are incorrect statements within the appraisal report. If the lender has risk, so too does the appraiser.

Due to the extraordinary time we are in, with Covid-19 and significant job losses, or even the simple disruption of our daily lives, lending is changing and adapting, as it should. We are moving toward more desktop work or exterior only observations, relying on homeowners, agents and others for information related to their properties. This is reasonable given the circumstances, however, we appraisers still have to do our due diligence to try and obtain sufficient information to adequately and appropriately address our subject property and the market in which it competes.

Preparing for Defaults

Given past repurchase demands, and the likelihood that there will be foreclosures due to job losses, it only makes sense to revisit some of the issues of the past and help protect ourselves in the future. What does this mean to us in the field?

It means being very careful about addressing the market. It is only the beginning of the crisis

and none of us can claim to know what the market is going to do. We need to pay close attention to what is happening in our markets with listings, contracts and closings, and interview market participants as to what they are seeing as well. We have to do this with each appraisal we have, and each report we communicate. We have to continue to revisit the unacceptable appraisal practices within the selling guide to make sure we do not knowingly violate any of the practices, and describe the subject and comparable sales to the best of our ability given the information we have.

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When Loans Go Bad (con't)

(Continued from page 8)

I recommend a formatted questionnaire for homeowners on refinances which they electronically complete that we can include in our workfile, if not the report itself. We need to examine GIS maps, Google Earth and other sources to make sure we don't miss something that would have been glaringly obvious if we had been at the property. We need to do our due diligence on a ramped-up scale in my opinion.

If you are able and comfortable completing interior observations, you will

still need to focus effort on market analysis. Some markets may be humming along nicely, while others could be compromised and declining. It is imperative that we continue to re-search our markets with whatever tools we can cobble together.

Now is not the time to relax our guard if we are not able to see the interior of a property. We still are responsible for our analysis and conclusions, and we still have to do the hard work, which is much harder than it was a few months ago, before our world changed. Stay safe everyone!

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Rachel Massey is a designated member of the Appraisal Institute and NAIFA, a RAC member, and AQB Certified USPAP instructor. She has close to three decades in the appraisal field, working alternately between being an independent fee appraiser and on the back-end in review for several mortgage lenders. Rachel is based out of Ann Arbor where she was raised and educated.

Course Completion Certificates

Don't forget: Effective September 1, 2019, ATA will no longer issue course completion certificates and you will not have to complete the classroom registration forms.

You will be required to sign in on TALCB's approved course roster at the

registration table. Please make sure you include your correct appraiser license number on the roster. This roster will be forwarded to the state within 10 days of the course completion. Your Appraiser Education History record on the TALCB website should be

updated within 30 days of taking the course.

If you are an appraiser and a realtor, you need to sign both forms. Your signature on these rosters is our only record of your attendance.

Things to Remember When You Wear an Appraiser Cap and an Agent Cap



Dustin Harris
The Appraiser Coach

both professions or for those who are looking at the possibility, there are a couple potential conflicts of interest that you should be wary of.

It is possible to be simultaneously licensed and practicing as a real estate appraiser while also being a licensed and practicing real estate agent. For those of you who are working in

First of all, there needs to be a clear line between when you are acting as an appraiser and when you are acting as an agent. They cannot overlap at all. Obviously, there would be a clear conflict of interest if you were ever to appraise a home that was your listing or that you had any type of personal interest in. Make sure you are clear on when you are wearing your agent hat and when you are wearing your appraiser hat.

There could also be a potential conflict of interest if you were to appraise a listing by an agent in your office. You may want to steer clear from this situation entirely which can be more easily accomplished by working for a smaller agency. However, if you decide to appraise a property that has been listed by a fellow agent in your office, make

sure you disclose everything. Make sure you disclose to your client, the other agent, and also officially in your report. Make sure you have the green light from both parties before you proceed. You can never be too careful with these things.

While there is not always one right answer when it comes to some grey areas that may arise as you work in both professions, it is important to always trust your gut and disclose any relationships or potential conflicts of interest. How a situation appears to others is also important, because even though you may not feel something is immoral, a judge may see it differently. No amount of money is worth doing something that is questionable and could possibly cause you to lose either of your licenses.

Unacceptable Practices



Melissa Bond
Melissa Bond Quality
Education

Before we address some unacceptable practices for formulating and reporting an opinion of value, let's discuss what would be considered acceptable practices for those same ser-

vices. As per Uniform Standards of Professional Appraisal Practice (USPAP):

- An appraiser is one that is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

USPAP goes on to define that an appraiser is to provide services in a similar manner to his/her peers. An appraiser's peers are other appraisers who have expertise and competency in a similar type of assignment. As we can see, an appraiser's peer group has the potential to change from one assignment type to the next. Not all appraisers in a specific geographic location possess the same skill level, knowledge base, level of expertise, or the same access to pertinent data sources.

Objective and Unbiased

Fannie Mae Selling Guide states a lender must ensure that the appraiser:

- describes the property and neighborhood in factual, unbiased terms
- consider all factors that have an effect on value
- is objective and unbiased in developing the opinion of market value

Let's just go back to USPAP for a moment. The **Ethics Rule** in USPAP sets forth the requirements for integrity, impartiality, objectivity, independent judgment, and ethical conduct. That seems pretty straight-forward to me. If we only take the dictionary meaning of each of these words, it would be sufficient for maintaining a code of conduct or a minimal behavior level that would be worthy of public trust. It's also in-

teresting to note that the appraiser must comply with the **Ethics Rule** in all aspects of his/her appraisal practice. Which means, if we take a look at the illustration in **Advisory Opinion 21 (AO-21)**, we see that an appraiser has three levels of services that can be provided:

- **Valuation Services:** an appraiser has an obligation to not misrepresent his/her role when providing services
- **Appraisal Practice:** all services performed as part of appraisal practice must comply with USPAP
 - Preamble, Definitions, Ethics Rule, Competency Rule, Jurisdictional Exception Rule
- **Appraisal and Appraisal Review:** all Standards Rules apply
 - Standards 1 – 10, Preamble, Definitions, Ethics Rule, Competency Rule, Jurisdictional Exception Rule, Scope of Work Rule, and Record Keeping Rule

AO-21 also provides the appraiser with a list of Valuation Services along with examples of categorized services. The appraiser has a professional responsibility to recognize the capacity in which he/she is performing and providing services. This also includes a responsibility of inquiry into the client's expectations of that appraiser. The expectations of the client and other intended users, places a burden upon the appraiser to act ethically and competently and to comply with USPAP.

Let's move on to the next topic; one that is foundational to the credibility of a submitted appraisal report; that would be the knowledge and the experience of the licensed professional.

Knowledge and Experience

Appraisers are required to be geographically competent; this means acquiring an understanding of the market. That appraiser must be competent regarding the specific property type that is being valued. The appraiser must also have the requisite knowledge regarding the property AND must have access to the necessary and appropriate data sources that

are available within that marketing area.

USPAP allows an appraiser to be competent or acquire competency. An appraiser must:

1. be competent to perform the assignment
2. acquire the necessary competency to perform the assignment
3. decline or withdraw from the assignment

Fannie Mae is not as flexible as USPAP when it comes to market familiarity. Fannie Mae expects the appraiser to already have this knowledge base prior to accepting an assignment. Which would mean, competency must already be present when accepting an assignment.

Acceptable Practices

The scope of work should be guided by the complexity of the assignment. The 1004 form, itself, may or may not be sufficient to adequately describe the subject property or document the analysis and valuation process. Should the form not be sufficient, it is incumbent upon the appraiser to include all exhibits and/or addenda necessary for complete understanding and support for the valuation conclusion.

Unacceptable Appraisal Practices as Noted by Fannie Mae

Fannie Mae Selling Guide is clear in providing examples of some unacceptable practices:

- development of or reporting an opinion of market value that is not supportable by market data or is misleading
- development of a valuation conclusion based on sex, race, color, religion, handicap, nation origin, familial status, or other protected classes of either the prospective owners or the occupants of the subject or properties in the vicinity of the subject
- development of a valuation conclusion based on factors that local, state, or federal law designate as discriminatory

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Unacceptable Practices (con't)

(Continued from page 10)

- misrepresentation of the physical characteristics of the subject, improvements, or comparable sales
- failure to comment on negative factors
- failure to adequately analyze and report any current contract of sale, option, offering, or listing of the subject AND the prior sales of the subject and the comparables
- inappropriate comp selection
- failure to use comps that are most locationally and physically similar to subject
- creation of comp sales by combing vacant land sales and contract purchase price of a home that has been built or will be built on the land
- use of comps in the valuation process when the appraiser has not personally inspected the exterior of the comparable property
- use of adjustments that do not reflect market reaction differences between the subject and comps
- not supporting adjustments in the sales comparison approach
- failure to make adjustments when they are clearly indicated
- use of data, particularly comp sales data, provided by parties that have a financial interest in the sale or in the financing of the subject property without the appraiser's verification for the information from a disinterested source
- development of an appraisal or reporting an appraisal in a manner or direction that favors the cause of either the client or any related party, the amount of the opinion of value, the attainment of a specific result, or the occurrence of a subsequent event in order to receive compensation or employment for performing the appraisal or in anticipation of receiving future assignments
- development of or reporting an appraisal in a manner that is inconsistent with the requirements of the USPAP in place as of the effective date of the appraisal

So, as we consider the extensive list that Fannie Mae provides for apprais-

ers for unacceptable practices, it appears to elliptically draw a tight circle around what **is** considered the acceptable appraisal practices.

In addition to that list provided by Fannie Mae, I'd like to focus on one particular point that is not listed in the -referenced list of Unacceptable Practices. You may say, that's odd; let me explain just what I am referring to.

For example, if the appraiser is utilizing the 1004 form for a residential appraisal, this form is designed to report an appraisal of a one-unit property or a one-unit property with an accessory dwelling unit. This form is also based on an interior and exterior inspection of the subject property by the appraiser that is signing the report on the left side of page six. Remember, this particular form was designed by Fannie Mae. So let's look a little closer at the **APPRAISER'S CERTIFICATIONS** that are contained within this form that is acceptable by Fannie Mae and other secondary market financing, including, FHA, USDA, and VA.

If we look specifically at the **APPRAISER'S CERTIFICATION #2** statement, we will note that the appraiser is certifying and agreeing " *I performed a complete visual inspection of the interior and exterior areas of the subject property. I reported the condition of the improvements in be in factual, specific terms. I identified and reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.*

Our primary focus point for discussion will be hinged upon that one certification statement (that is in the pre-printed section of the 1004 form). On more than one occasion, I have been exposed to appraisal reports that were completed by a licensed or certified appraiser (and that appraiser signed a 1004 form) and the signing appraiser did not personally perform a visual interior and exterior site inspection. As difficult as it may seem to believe, it is a common practice of some signing appraisers to allow most or all of the work to be completed by others; and then, allow those individuals to apply a digital signature and submit the report. In many of these cases, the signing

appraiser has not viewed the subject nor reviewed the report prior to submission. Some of the situations like this are listed below:

1. An appraiser that has an unlicensed individual perform the site inspection, research, analyze, and provide an opinion of value for the appraisal report. Then, sign the appraiser's name and submit the report to the client. The signing appraiser's rationale for this is that she has trained the unlicensed individual so she can rely on the work that is being performed in her name.
2. Two appraisers work in the same office; both are on a Fee Panel for a particular client. One of these appraisers considers herself semi-retired; therefore, when an assignment comes in to her, she allows that other appraiser in her office to perform the site inspection, research, analyze, and provide an opinion of value for the appraisal report. This other appraiser will sign the name of the so-called semi-retired appraiser and submit the report to the client. The semi-retired appraisers' rationale for this practice is to double the amount of work that comes into the office.
3. One appraisal firm has several licensed appraisers but only one certified appraiser. The certified appraiser only performs the site inspection/visit; then, he turns over the field data to another appraiser in his office to do the research, analyzing, and report writing – including an opinion of value. The certified appraiser does not review the report prior to submission. The appraiser's rationale for this practice is that he has trained the licensed appraisers and has confidence in their skill level. He believes they have the ability to produce credible assignment results; therefore, he feels no need for micro-managing the licensed appraisers.
4. An appraiser and a broker share an office; they are long-standing business associates. The appraiser passes away. The broker still accepts appraisal assignments that are sent to the deceased ap-

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Unacceptable Practices (con't)

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praiser. When the appraisal assignments are received, the broker's staff accepts the assignment. At this point, the broker's staff calls the appraisers in the local area asking if anyone would perform the assignment on behalf of the deceased appraiser. The rationale for this broker's action was that he wished to keep the appraisal workload coming into the office.

As we can see from each of these examples listed above, USPAP guidance was violated by the actions, or inactions, for the signing appraisers in each of our four situations. Maintaining public trust is the basis for the development of USPAP. I think we would all agree that these four examples display multiple areas of concern and, without question, there is an attempt to deceive in the case scenarios listed above.

Now, the Scope of Work Rule states that the appraiser must determine and perform the scope of work necessary to develop credible assignment results. If we look further at the comment section of this rule, we will find that the scope of work includes, but is not limited to, the extent to which tangible property is inspected. Well, that brings us right back around to the 1004 form of Appraiser's Certification #2 that we previously discussed.

If you or I just happened to be one of those appraisers listed in the four case scenarios mentioned; perhaps we need mend our ways. Could it be possible that each of those appraisers did not realize they were acting in opposition to guidance and instruction? Well, maybe. So, what would be a solution to that?

Mending Our Ways

Have you ever considered starting an Appraiser's Roundtable or Appraiser's Lunch Group in your area? Or perhaps you already have something like this in your area but you've never attended; please let me encourage you to do so. Attendance, involvement, networking, etc. is a key to understanding your peers and your peers' actions in certain situations. This also affords you the opportunity to grow your business and expand your knowledge base. My Appraiser Roundtable group meets for lunch periodically and just discusses the market, general practices, methodology, latest news, etc. No agenda, just discussion. What a benefit! I also have another small group of four appraisers that meet every other month for lunch; again, no specific agenda but just an exchange of ideas for best practices.

Make it a practice to attend quality continuing education courses. Take the time to stop and read the guidance

that is available to you. Grab a cup of coffee or a cold drink and entertain yourself one day by actually reading the Appraiser's Certification statements on the 1004 form. When you are finished, read the Statement of Assumptions and Limiting Conditions on the 1004 form. Then when you've had a chance to absorb it all, read every pre-printed Fannie Mae form that you utilize. Chances are, it will cause you to make some minor changes in your practice. If it doesn't, then congratulations, you must be doing things the right way.

In conclusion, I'd like to stress that work performance, integrity, and ethical obligations are clearly and definitively outlined for us. Our professional license, no matter the level, from trainee to certification has performance expectancies that go along with it; those expectancies include clear delineations between acceptable practices and unacceptable practices. Set yourself apart by being the appraiser that does not take the path of least resistance. Remember the adage, *integrity means doing the right thing when no one is looking...* let this be your business motto: it's definitely mine.

Melissa Bond is a certified residential appraiser and educator from Picayune, MS. She is also the newest member of ATA.

TALCB Corner

Mark your calendar for the next TALCB meeting, scheduled for Friday, August 21 at 10 a.m. at the Stephen F. Austin Building, Room 170, 1700 North Congress, Austin, TX.

Log on to <https://www.talcb.texas.gov/> and download the agenda and meeting materials.

If you can't make the meeting in person, it will be broadcast live on the TALCB website.

ATA encourages every Texas appraiser to attend board meetings as often as you can. This board determines your future!



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