

APPRAISAL TODAY

How to get appraisal business ASAP

I know what it is like to have very little appraisal work. In the last appraisal recession in the mid-1990s, I almost declared bankruptcy, laid off all my staff, and ran up thousands of dollars on my credit cards. In my area, both residential and commercial appraisal crashed. I vowed to never again be completely dependent on residential lender work.

Fortunately, there is some lender residential work available now and commercial is strong.

Getting a lot of work from non-lender clients takes some time, typically years, so this article focuses on where you can get work now.

What NOT to do

Don't beg for work. It can often have a reverse effect. The prospect is uncomfortable and you don't get the job. Instead, try to "sell" yourself - why should they use you?

Don't waste your time and marketing energy cold calling mortgage brokers today, except discussed below. If they're still in business now, they may not be tomorrow.

Appraisals for real estate agents for "realistic" pricing

Most of my referrals are from real estate agents, but getting this referral network can take some time.

Offer to do appraisals for real estate agents to help them persuade their clients to do realistic pricing on their homes. To get started, you can offer to do them for a fee lower than your standard rate. If the house sells, you may be able to do the appraisal for the lender.

Contact the real estate agents you know, attend weekly tours, or give a brief presentation at a local real estate office sales meeting.

You will get work.

Reverse mortgages

This market is increasing and few appraisers target it. The work is done through mortgage brokers/consultants who specialize in this type of work.

Most reverse mortgages are FHA insured. If you're on the FHA Roster, you are already approved for this type of work.

To get names of brokers who do this work Google for reverse mortgage brokers in your area. This should give you a good contact list.

You can also get copies of publications targeted towards over-55 home owners, such as a home owner's association newsletter in a project with many over-55 people, senior centers, etc. Look for reverse mortgage ads and contact the brokers.

When you contact the brokers, see if some of the non-FHA lenders require getting on their approved lists and who to contact.

You will get work.

Do what other appraisers don't like to do

I recently attended a workshop on appraising unique homes. Both panelists had appraised many unique homes. One panelist explained how to do them and said any residential appraiser could do what he did.

I have done many unusual residential properties that all other residential appraisers turned down.

You just have to take the time to learn how to do them.

Many residential appraisers turn

IN THIS ISSUE

Sending large files over the Internet	Page 3
Get started in commercial appraising - appraise 5+ unit apartment properties	Page 4
32 ways to cut costs and increase cash flow	Page 6
How to analyze and change your business in today's market	Page 8
What's new in USPAP 2008-2009?	Page 11

down work they don't want to do. What do appraisers not like to do in your area?

Some are: manufactured homes, high end homes, vacant land, etc.

Offer to do appraisals in outlying areas with few appraisers.

You won't make much money per hour while you're learning, but you will get valuable skills.

You will get work.

What if you already have a Certified General license?

There are many appraisers, including myself, who got CGs when licensing first started and then did very little commercial appraisals since then.

To get started, do fee split work for other appraisers. Commercial appraisers often need someone to do their overflow work.

You will get work.

Assessment appeals

Property values have dropped significantly in many areas. Most profitable assessment appeal work is contingent fee for commercial properties, but there is some work available for residential non-contingent appraisals.

Contingent fee work is tough for appraisers due to USPAP conflicts. I recommend offering to do reasonably

priced appraisals. Send mailings to homeowners in areas with more expensive homes soon after the new tax bills come out.

You will get work.

Home builder "fire sales"

Builders are dropping their prices. Contact them and see if they need an appraiser for their loans. You can offer reduced fees.

You may get work.

Change the home page on your Web site

Focus on a small part of your market by putting a "tag line" on the top of the home page. Search engines will pick it up.

Check out the tag line on my Web site. It is "Looking for a commercial or residential appraiser for Estate and Trust appraisals in Alameda County CA? Go to About Us!"

Since I changed this tag line a few years ago, my Internet business has significantly increased.

You will get work.

Work for low fees

What will you get paid from AMCs? Consider working directly for a client for those same fees.

You will get work.

Work for hard money lenders

When it's hard to get conventional loans, hard money lending increases.

Many appraisers don't like to work for "hard money" lenders, who use investors to fund the loans. But I know of two local ethical appraisers who have successfully shifted into doing their own lending in this market.

I will be writing an article about this market.

Be very, very careful to provide accurate, supported appraisals as private individuals are investing their own money.

To find names of local hard money lenders, look in your local Yellow Pages.

You will get work.

Where to get work in the future

This article only covers "quick start" options. Other options require getting on approved lists or take a while to build up clientele, such as working for AMCs, relocation companies, estate and trust, etc. I have articles and Special Reports on these topics at www.appraisaltoday.com.

Every subscriber gets a FREE copy of my revised 230+ page Marketing for Appraisers book.

I have written about such markets as foreclosure, relocation, attorney, etc. My Special Reports have lots of info on these types of markets. For more information, go to www.appraisaltoday.com.

I have back issues of Appraisal Today on the special subscriber web page at www.appraisaltoday.com/paidsub.htm

Note: this link will change periodically.

This work takes time to get. Start now.

MAKE A COMMITMENT TO NEVER AGAIN BE COMPLETELY DEPENDENT ON RESIDENTIAL LENDER WORK.

Sending large files over the Internet

By Mary Dum

Back about a year or so there was talk of commercial appraisal files getting smaller. It seems that no one wanted to read the verbiage, and the consensus was (finally) that reviewers could get along without the amount of boilerplate and repetition that accompanies the "guts" of a narrative appraisal report.

Editor's note: Although we all might not be sending large commercial appraisal files, many of us need to send large files. Sometimes our ISPs have size limits.

Although some appraisers disagree with me, I think that never happened. In fact, narrative reports seem to be just as large as ever, or perhaps they have increased in size with the inclusion of items that seem to make sense but actually just amount to more pages skipped over by the reviewer. I am not talking about USPAP requirements. Every appraiser who writes narrative reports (or at least those who are reading this article) knows what must be there and what is so much fluff.

I've given up trying to get the fluff out. Some appraisers just can't write "On January 25, 2007 I inspected the property." No, they must tell the reader how they got there and whether the sun was shining, and they must do it in the greatest number of words possible. And there is a tendency to include large amounts of boilerplate and data downloaded from Internet sources. Also, your client asks his secretary to send you some material. He neglects to say just what to send, so she sends everything she can think of.

This leads to file sizes which are way beyond the ability of modern email to manage. True, we have made progress in sending large files by standard email, but it seems that as permitted file size increases, so do

the needs of the typical narrative report writer. Since we don't seem to be able to discipline ourselves, maybe we can send those large files in some better way.

In this article I present three ways of doing this, in order of my preference.

1. Whalemail

Files as large as 75 MB can be transferred in nearly real time, but larger files are acceptable too. (For a sense of scale, most narrative appraisal reports don't go over about 20 MB.)

What's the downside to Whalemail? It's not free. It has a cost and no matter how small that cost is, the other two programs are free, if you don't count the bother to yourself or your client.

You can sign up for Whalemail for as little as \$75 per year for a storage of 100 MB, and that 100 MB is continuous: if you free up some space you can use it again. It just means that you can't have more than 100 MB on the WhaleMail server at one time. In my office we could have up to five appraisals stored at 20 MB each, and that is an unusual amount for one appraisal, as I said. In a small office a charge of \$75 per year is not at all unreasonable.

2. Pando

Is a file sharing service that is very easy to use, unless your client is not agreeable to his/her part. The problem is that both the sender and the recipient must have Pando for it to work. I am not convinced that the typical bank, for example, is willing to let just anyone on staff start downloading a program without supervising the operation.

If the recipient were a private party, it could be done; however, it is very easy for private parties to put something on their hard drives, given

the danger of viruses and worse, and the lack of knowledge that private parties have in the world of computers. Don't misunderstand me – I don't necessarily think there would be any malware involved, but there certainly would be the threat of it.

3. YouSendit

Is a web-base file-hosting site founded in 2003. It sends an email to the intended recipient with a link to the file, just as Whalemail does. Files can be up to 100 MB and can be downloaded 50 times. They are deleted from the server in 7 days or a set number of downloads, which ever happens first.

YouSendIt offers several methods of payment and downloading from free to \$29.99 per month with uploads up to 2 GB and downloads of 500. Earlier it was a program of choice with appraisers (because it was free) but I am not hearing as much about it now. For a period of time around 2005 it was used to share copyrighted music and movie files, which scared off legitimate users.

What do I use? What do I recommend? I say go with Whalemail, a well-known legitimate program from a major company (SwapDrive)

About the author

This article was reprinted, with permission, from the REAMUG (Real Estate Analyst Microcomputer User Group) Journal.

REAMUG is cheap - only \$50 per year. For more information on REAMUG, contact Mary Dum at mdum@mindspring.com. More information on REAMUG is available at www.appraisaltoday.com/reamug.htm

An order form is attached to this newsletter.

Get started in commercial appraising - appraise 5+ unit small apartment properties

Residential lender appraising is sinking but commercial appraising is strong. How can you break into this business?

Learning how to appraise commercial property takes a long time (3-5 years) because you appraise so many different property types (hotels, warehouses, retail, etc.) Commercial properties often have issues such as highest and best use and zoning conflicts. You must be able to analyze leases, use a spreadsheet program, and have good financial skills.

If you can appraise a 2-4 unit property, you can easily learn to appraise small apartment buildings with 5+ units. I find that 5+ units are easier to appraise than 2-4 units as they are purchased on their income producing capability. In contrast, 2-4 units are often not purchased by sophisticated investors, so appraising them has issues somewhat similar to homes.

What about math skills?

Have you ever done an income approach on a 2-4 unit property? For small apartments you need the same math skills as a 2-4 unit property - add, subtract, multiply, divide. If you can calculate a GRM, you can calculate a GIM and an OAR.

Have you ever filled out an operating statement for a 1-4 unit rental property? They are similar to filling out a current and projected financial statement for 5+ unit properties.

More complicated math, such as discounted cash flow analysis is not typical for most small apartment markets.

Apartment appraisal forms - 71A and 71B

For small apartments, typically under 20 units, a 4-page appraisal form, 71B, is typically used. Sometimes the 10-page 71A form is used. See which form is preferred in your area.

The forms are available in most residential appraisal forms software. The forms are old (1977) and you will need to include additional material now required by USPAP. You can do it yourself and can use the form 1025 (2-4 units) as a guideline. It will be a very good exercise in understanding USPAP.

The 71B form states that it is to be used only for apartments where the "loan request does not exceed \$750,000." Don't worry about that limit.

In some markets narrative reports are used. If so, its time for you to practice producing narratives. If you've written a term paper in college, you can do a narrative.

Tips on getting started

As a licensed or certified residential appraiser, you will need to have a CG review your work and "sign off" on your commercial appraisal experience if you are doing them for lenders.

For non-lender work, check your state requirements. You may not need a co-signature for non-lender work.

Offer to "tag along" with a commercial appraiser on a small apartment assignment to see how the inspection is done. Then offer to do a parallel report and have him/her review it. You can offer to pay a review fee, if necessary.

Offer to work for a very low fee split.

If you can't find anyone to tag

along with, try doing one yourself on the 71B form. They are not very hard.

Should you do commercial (non-apartment) appraising?

If you're an experienced residential appraiser, you already know what you like about appraising.

Differences between commercial (non-apartment) appraising and residential appraising include:

- Much fewer comps and listings
- Expensive data
- Time on the phone trying to get information from people on the sales and listings
- Working with numbers and spreadsheets
- Spending lots more time on each appraisal
- Lots of learning in classes and individual training.

What about getting a CG?

To get a Certified General license, you will need to learn to do commercial appraisals, not just apartments, which is a substantial commitment to training and learning.

I recommend appraising apartments first before making a big commitment to commercial appraising.

If you want to pursue a CG, I strongly recommend taking the required 30 college semester credits in courses covering specific subject matters (if you don't have a bachelor's degree): English Composition; Micro Economics; Macro Economics; Finance, Algebra, Geometry or higher mathematics; Statistics, Introduction to Computers; and Business or Real Estate Law; and two elective courses in accounting, geography, ag-economics, business management, or real estate. If you have a college degree but have never taken these classes, particularly economics, accounting, and finance, just do it.

Even if you decide not to pursue the CG, you will be a much better residential appraiser.

I strongly recommend taking Income classes from the Appraisal Institute. However, even the introductory class is very difficult if you lack finance and math skills.

Useful book: "The Valuation of Apartment Properties"

The Appraisal Institute has just published the second edition of "The Valuation of Apartment Properties". The book uses two examples: a 12 unit building and a 150 unit property.

This book is "textbook" style and is written similar to basic appraisal books.

Since the book includes both the small apartment and the large apartment complex, some of the material is an over-kill for small apartments.

But the book has some practical information such as a sample proforma statement and how to calculate and use an Overall Capitalization Rate.

Most appraisals for small apartment properties are done on the 71A or 71B form. The book does not go through the form.

If you're new to Income property appraising, buy this book.

Useful book: "Using the Small Residential Income Property Appraisal Report"

The Appraisal Institute recently published this very practical book on appraising 2-4 unit properties using the 1025 form.

The book does not include a "sample" report, but goes through the report line by line explaining what is needed.

The Appendix includes an analysis of the Form 216, Operating Income Statement. This is used for lending purposes, not appraisal purposes, but requires most of the data needed for the 71A and 71B forms.

To order the book, go to www.appraisalinstitute.com

What about classes?

The Appraisal Institute offers income classes but most are overkill for someone thinking about doing small apartment appraisals.

However, the AI does offer a 16 hour class (available online and live): *Apartment Appraisal: Concepts and Applications* for "General appraisers and residential appraisers with an interest in this property type." Basic Income Capitalization and good ability in using the HP 12C calculator is required.

I was unable to find any classes or seminars from other education providers. You may have a local provider offering them.

Go to www.appraisalinstitute.com and look for classes.

Learning about the local apartment market

One of the best ways to learn, and get appraisal work, is to join your local apartment owners association. Be active. Attend meetings. Offer to assist with registration at meetings and seminars.

Keep up on rent changes locally and demand/supply on small apartment properties.

Read newspaper articles about your local apartment market.

32 ways to cut costs and increase cash flow

When business is strong, we sometimes forget about being frugal. Now that business has slowed down for most of us (as compared with the hectic pace of the past few years) it's time to think about cutting costs.

The Two Primary Rules of cash management

There are two primary rules used by all properly managed companies, from one-appraiser firms to Fortune 500 companies:

1. Pay your bills only when they are due.
2. Get your income as soon as possible.

Cash management

1. Pay no bill before its time. Don't pay any bills until they're due. See who has a late charge, and who doesn't. Send checks out on Friday to take advantage of the weekend "float."
2. Exercise dormant lines of credit. Frequently business owners set up lines of credit they don't use. The bank may drop your line of credit if it is not used for a certain period of time, so be sure to check its use requirements. If there is an annual cost, such as 1%, many business owners consider dropping a line of credit. But remember the rule of banking: If you really need the money, you probably can't qualify for the loan.
3. If you don't have a line of credit, set one up now - business or home equity. Check around for competitive rates. It's a lot cheaper than using credit cards if you're really in a cash flow pinch.
4. Closely monitor your three sources of cash:
 - Appraisals in process, not yet completed
 - Appraisals billed out, but not yet collected

- Paid billings: cash on hand
5. Complete and bill out appraisals as fast as possible. The sooner they're billed, the sooner they'll be paid. We're all tempted to "let the work fill up the time available." But it delays payment of your bill. If they don't have the appraisal, they won't pay the bill.

7. Be very aggressive with past-due accounts, particularly non-institutional companies, such as mortgage brokers. If the mortgage business declines significantly many mortgage brokers will go out of business. Let them be late paying someone else, not you. In collections, the "squeaky wheel gets the grease." Call every day if necessary.

8. Get interest on your money by setting up a "sweeps" account or interest bearing checking account, and doing daily deposits. Even if it's only one or two percent interest, it's better than nothing.

9. Get as many pre-payment or CODs as possible. Offer a discount, if necessary. Require pre-payment from private clients, or business clients that may cause payment problems. If they won't pre-pay or COD, turn down the work. Don't work for free.

Staff

10. Consider hiring family members, especially older children, as employees. There are tax advantages.
11. Broaden staff responsibilities. For example, instead of paying an outside bookkeeper, have your secretary do it. If you have to lay off a full-time secretary because your work has dropped, consider letting a less experienced associate appraiser do part-time clerical work. At least they'll have some income.
12. Instead of having outside firms do janitorial and delivery services, have your employees do it. It's better than getting laid off, or sitting around worrying about getting laid off.

Free business advice

13. Have a cost-cutting brainstorming session with your associates and support staff. If you're working alone, set up a lunch with your accountant or other appraisal business owners to swap ideas. You'll get many ideas you've never thought about before.
14. Get free or low cost consulting from a local college business school's small business consulting programs, or the SBA's SCORE (Senior Corps of Retired Executives) program. They can give you advice on such topics as marketing, collections, and cost accounting.

Insurance

15. Do comparative shopping for all your insurance. Sure, it's easier to just renew with the same company, but you may save money by switch-

ing.

16. Look at your auto insurance coverage. Consider dropping collision on older vehicles. If the car is only worth \$1,500, why pay \$200 per year extra for collision?

17. Raise deductibles on such coverage as auto collision, disability, property/casualty, and liability insurance. For example, have disability insurance "kick in" after 90 days instead of 30 days.

18. Evaluate all your insurance policies for their risk/benefit, and decide which ones you think you will really need. Don't over-insure.

Taxes

19. Don't overpay your income tax quarterlies. If you anticipate that your taxable income will drop this year, don't pay taxes based on last year's income. Work with your accountant to pay quarterlies based on a more accurate estimate. If you've already overpaid your quarterlies, ask your accountant about a quick refund. 20. Close to year-end, schedule a tax-planning meeting with your accountant to shift income and expenses. For example, shift income into the next year to decrease this year's taxes.

Office supplies

21. Shop for the best prices. Don't pay too much attention to percent discount. Look at the bottom line. No one pays full retail. Purchasing supplies in bulk may be worthwhile.

22. Use office warehouse companies like Office Club. They usually offer the lowest prices. Many will deliver. Don't forget discount stores such as Wal-Mart and Costco. Many carry some of the most-purchased office supplies, like paper, pens, and laser-jet cartridges. You don't always need to buy brand names. Use their delivery services to save time and money. 23. Use email or fax instead of U.S. mail whenever possible. It's cheaper and faster.

24. Use the back side of old copies for rough drafts to cut your paper costs.

25. Cut "post-it" pads into smaller sizes to use for page markers.

Equipment and phones

26. Sell or donate excess office furniture and equipment. Storage space is expensive. You can sell it to employees, the public, or by advertising on Ebay or a local newspaper. Or donate it to local charities or schools.

27. Reduce phone lines. If you have fewer staff, you need fewer phone lines. Cancel some of the optional features you don't really need.

28. Fax during off peak hours. If you're on the East Coast, make West Coast fax after 5 P.M., when it's only 2 P.M. on the West Coast. Conversely, on the West Coast, make your East Coast faxes before 8 A.M.

29. Carefully evaluate your cell phone use. Now that you can keep the same number when changing services, it may be worthwhile. Use your cell phone for long distance calls.

30. Phone costs are dropping. Be sure your long distance and local call carriers are the same - you will get discounts. Check with competing phone services.

Data services

31. Shop around and see if you can get your public records data from a less expensive vendor or from your local MLS.

32. Do you really need all the data you are paying for? If you only appraise occasionally in a county, consider dropping the data. You can always get it when you need it, although it may be less convenient.

Where to get more ideas

Every business is different. Go through your invoices. Carefully look at every way you spend money. What can you change?

Go to www.google.com and search for cost cutting business for Web sites with lots of ideas.

If these tips seem familiar, I published this article two years ago, but we can always use a reminder!

Market positioning strategies for appraisers - how to analyze and change your business in today's market

By Doug Smith, IFAS

To paraphrase an old wisecrack, "the average appraiser thinks he or she isn't." With plenty of advance knowledge the re-fi boom was coming to a close, many appraisers assumed certain immunity to the downturn based on the quality of their work as appraisers.

Slowing business trends are bringing a new reality to the business scene and providing ample evidence that appraisal skill must be matched with marketing strategies to ensure a steady flow of appraisal assignments.

Appraisers are learning that when it comes to marketing, they may very well be "average." If appraisers looked realistically at the sources of work in the last few years and developed a simple pie chart, the large slice of the pie for re-finance work would have posted warning signs.

Market segmentation is only one phase of the important issue of market positioning strategies that are looming in importance to appraisers in today's market. Market positioning is better understood by adopting the client's point of view. Simply put, positioning is how the appraiser's target market defines the appraiser and their services in relation to the competition.

An advantageous market position is what makes the appraisal firm unique and is considered a benefit to the target audience. Market experts talk about market "noise." The objective of positioning is to stand out and have a chance to be heard. Appraisers must understand their product from the client's point of view relative to the competition.

The Basics - Define Users of Appraisal Services

For every appraiser, fundamental to shaping market positioning strategies is to clearly define the users of appraisal services.

Appraisers tend to concentrate on their part of the Federal Institutions, Reform, Recovery and Enforcement Act (FIRREA) of 1989 that brought with it formal licensing of appraisers. The Act went a lot further, however, and set in motion a whole class of appraisal clients that were required by regulation to use their services.

Two classes of client emerged, those who were required by regulation to have appraisals and those who wanted or needed appraisal services in the course of carrying out personal, fiduciary or financial responsibilities.

On the residential side, Fannie Mae and Freddie Mac emerged as market leaders and continued to provide the framework forms most lenders relied upon for their appraisals.

After FIRREA, those who were legislated tended to view the appraisal product as a commodity. When lenders jettisoned their own in-house appraisers in favor of independent fee appraisers, satisfying the requirements led to lowering expectations that the minimum met the standard and price and speed became the most important criteria in the appraiser selection process.

For that client seeking assistance for personal, financial or fiduciary responsibilities, price and speed is not primarily as important at the appraisal itself. These more sophisticated users recognize both differing levels of expertise and service. Mindful of these client's higher expectations appraisers can better

shape their strategies to attract these clients.

Environment

Positioning strategy depends on defining the marketing environment and inventorying the qualitative differences of the both the firm and the appraiser that result in a competitive advantage. Appraisers, then, must consider both the internal and external environment.

External Market Environment

Considering the external environment, an appraiser must consider how the market is now satisfying the need for appraisal services.

Appraisers, for instance, often indicate a willingness to accept trust and estate work. To carry out fulfilling the need in this market segment, the appraiser must know in advance how this appraisal work is conveyed in their market and the client's expectations of the work performed.

Knowing whether clients prefer narrative reports over form reports and the typical scope of work of these assignments better prepares the appraiser provider.

Knowing both the switching costs and mechanics of switching from a competitor is fundamental to understanding the external forces in the local market.

After losing market share to dot.com lenders, local banks are emerging in the forefront with customers foregoing TV and newspaper 800 number promotions. Borrowers are taking a second look at their local banks and credit unions.

To work for local banks, appraisers must be accepted on the bank's appraiser panel. In most cases this has proven to be a daunting task. The approval process is arduous and often an appraiser's place on a local

bank panel is by vote of the bank's board of directors.

In effect, for appraisers, acceptance on a local bank's appraiser panel represents a switching cost to the client. Appraisers must fully understand this process in order to compete with other appraisers in the community.

How competitors are positioned is another externality of understanding local market forces. Congress has recently relaxed standards for FHA loans and after many years of dampening demand for FHA loans mainly due to mortgage limits' being outstripped by home values, Congress is moving to raise these mortgage limits and appraisers are showing new interest in earning their HUD ticket and becoming approved to complete FHA appraisals.

An inventory of appraisers approved by FHA is easily obtained from the HUD website and can be sorted by zip code. Simple arithmetic will disclose whether there are competitive advantages to becoming an approved FHA appraiser.

The same type of inventory can be derived for appraisers credentialed by appraiser organizations, for appraisers listed in the ERC directory and from those listing appraisal specialties in Yellow Page ads or on Web sites.

The key to focusing on a personal marketing strategy is to know where the competition is headed. In some cases, the opposite is true. If competitors are leaving a field open, the survey as to how competitors are positioned may reveal opportunities. Who is not on a list, may be more important than who is on the list.

Internal Environment

The next step is to undertake a true accounting of personal education, skills and related services that gives the appraisal firm a competitive edge over competitors. Most appraisal firms have the advantage of being small and flexible.

The singular advantage of being in a small business is the flexibility it affords. As markets change today, flexibility is more and more the key to survival.

How the appraisal firm fits in on the cost and quality continuum must be defined. Many appraisers have missed the boat when it comes to arranging their business model around Scope of Work issues.

Appraisers pursue a limited number of assignments at a rigid price level, yet with time available, turn away desk top appraisal products or assignments with limited scope of work. Low cost does not mean low quality. Opening the door to new products well executed will allow an appraiser to offer lower costs to the market while setting the pace among competitors for higher quality.

Product benefit identification can pay dividends when appraisal services provide something extra that sets the appraisal product apart from those of the competitors.

Some appraisers are better researchers and make a habit of providing more complete data. Useful knowledge is perhaps the greatest benefit to an appraiser.

Knowing how to appraise a special type of property is sometimes the greatest competitive advantage an appraiser may possess.

The last area of a firm's internal environment is to decide the acceptable risk level of being the first to the market to capture what MBA's refer to as the First Mover advantage.

I caught a glimpse of the future a few weeks back. David Braun MAI, the creator of the USL Scope of Work Software released a copy of a "Lite" AVM designed for use by the individual appraiser, via a la mode's Labs project.

Go to: www.alamode.com/labs to download a copy that is free and will work until the end of this year.

According to the developer, the model is a tool to help appraisers shore up their normal appraiser work with potential to help them compete with AVMs.

The program, through multiple regression analysis run on Microsoft Excel, will estimate a value for a subject property. The program is geared to downloading comparables from the local MLS system and on the basis of selecting several independent variables will deliver a printed estimate of value with defined confidence rating that rates the result "Excellent, Good or Acceptable."

These ratings are based on the fit of the model's predicted sales prices to their actual sales prices. Let me hasten to add that this model demands intense involvement by the appraiser and this first version takes a little tweaking to become operational.

I saw enough of the program to realize that some who dare, will introduce this into the marketplace and win a place as a "First Mover." Not all products are forward looking as this "Lite" AVM but appraisers must always keep their ear to the ground for products, services that can place them in the forefront of the market.

Positioning Strategies

There are basically seven textbook marketing positioning strategies that can be pursued. These are:

Product Attributes: In appraising, attributes refer to quality issues. Appraisers have seen dramatic gains in data gathering, map representations in terms of location and for specific uses such as flood maps. Appraisers have added software programs that improve the quality of cost estimates, scope of work enumeration and sketch preparation. Statistical programs assist appraisers in the work of defining current market conditions. These generally improve the attributes of the appraisal product and raise

the quality level.

Benefits: Appraisers attract clients that recognize the benefits of the appraisal product. This area of positioning fits into how well an appraiser adapts to the scope of work issue. Giving the client what they want and what they are willing to pay for is more of the business model today than ever before. Timeliness and quality work looms large as a primary benefit to clients. Appraisers succeed when finding balance on the cost/benefit continuum extending the benefit at a reasonable cost in time and effort.

Usage Occasions: These center on when and how an appraisal service is used. Appraisers who take on REO assignments understand an assignment is often carried out in steps that begin with a drive-by appraisal or even a desk top appraisal. Scope of Work is discussed with the client and how the appraiser can best meet the needs of the client is the real substance of this discussion. An appraiser can best position themselves by fitting the appropriate appraisal product to the specific need.

Users: Defining the user of the appraisal service is the key to obtaining the assignment. Users can be a class of users. Appraisers seek out credentials to appraise for FHA loans and VA loans. Taken as a group, financial planners are often in position to recommend an appraiser and in some instances may contract for appraisal services on behalf of their clients. Once identified as a class of users, appraiser may follow up soliciting business. Yellow pages are often a remarkable source of defining a class of potential clients. Presently, there are national companies handling REO business. If interested in REO work, contacting these users of REO services makes sense.

Against a Competitor: Appraisers sometimes have to compete directly against a competitor. It takes work to get on a local bank panel. Sometimes submitting an application is not

enough and only results in being told the bank has no openings on their panel. In this case, a stepped up campaign is often warranted to at least gain a hearing. This can be accomplished by making contact with one of the members of the board of directors or perhaps someone that knows someone on the board. The point is to have someone speak on behalf of the applicant prior to making contact. The most common competitive situation is bidding for jobs. On the residential side, Countrywide through their appraisal subsidiary LandSafe posts jobs available each morning on their Internet website. The early bird gets the worm. The same is true with most Wells Fargo Outlets. Requests for bids are e-mailed to appraisers interested in commercial work. State agencies often offer work out on bid.

Away from a Competitor: Some appraisal work is best left to others. Appraisers have limited time and must be discerning in the allocation of their efforts.

Product Classes: Appraisal products generally divide into two classes, narrative and form reports with an array of products within each classification. The important distinction is to ensure the client's needs are met and that options are clearly discussed.

Back to reality

As is much in evidence today, every product or service has a life cycle. The incredible crush of re-finance business inflicted a sense of unreality on the appraisal profession.

Appraisers are learning the hard lesson that market segments develop and wane over time. Positioning is a strategy to clearly differentiate from the competition and to position how users of appraisal services view their services.

Appraisers as they look for new sources of business and new market segments must be prepared to undertake marketing strategies that are client driven. Having a clear positioning strategy focuses on ways to differentiate and meet the challenges of the changing appraisal marketplace.

About the author

Doug Smith has an appraisal practice in Missoula, Montana, and is a certified general appraiser doing both residential and commercial appraising. He has an MBA from the University of Montana and the IFAS (commercial) designation from NAIFA. Smith is a member of the Appraisal Institute's Mentoring & Apprenticeship Project Team. He can be contacted at hotelman@montana.com.

What's new in USPAP 2008-2009?

The 2008-2009 edition of USPAP is the result of two exposure drafts, issued on December 15, 2006 and March 5, 2007. Based on written responses, public testimony at Appraisal Standards Board (ASB) public meetings, and extensive deliberation by the Board, the ASB adopted the 2008-2009 USPAP on June 8, 2007.

The adopted changes are incorporated in the 2008-2009 USPAP and associated guidance effective January 1, 2008 through December 31, 2009.

USPAP FAQs

The change that I really like is including the USPAP Q&As in the printed (or PDF) USPAP. Previously it was in a separate document. There are 220 FAQs.

I usually include these monthly Q&As in my weekly email newsletters, but saving and referring to them when needed is a hassle.

These FAQs are very useful for answering specific questions. The topics include:

- 8. USPAP Compliance as an Instructor
- 11. Don't Accept Unless You Can Appraise for...
- 21. Things of Value Received for Procurement of an Assignment
- 25. Reducing Appraisal Fees When Transactions Fail to Close
- 30. "Discounted" Appraisal Fees
- 34. Appraisal Fee Paid at Close of Financing Transaction
- 40. Confidentiality and Sample Appraisal Reports
- 58. Paper Copies of Electronically Transmitted Reports
- 61. Acquiring Knowledge & Expertise to Comply with the Competency Rule
- 74. Readdress or Transfer
- 107. Drive-by and Desktop Appraisals
- 127. Does A New Assignment Require Starting Over?

- 130. Appraisers "Providing Comps"
- 149. Analysis of Sales History for Comparable Sales
- 150. Sales History Analysis for Deed in Lieu of Foreclosure
- 151. Obligation to Analyze Prior Listings of Subject Property
- 152. Obligation to Analyze Withdrawn or Expired Listings
- 158. Responsibility of an Appraiser Signing as a "Supervisor"
- 162. Disagree with Supervisor on Value Conclusion
- 200. Reviewer Disagrees with Value Conclusion
- 201. Reviewer Concurs with Value Conclusion
- 211. Changing the Value Opinion Without the Appraiser's Consent
- 213. Discrediting the Original Appraiser's Work
- 214. Review Appraiser Bias

USPAP - PDF format

I found the PDF version very useful, for copy and pasting explanations and for searching the 370-page document.

Unfortunately, the document is not hyperlinked so you can click on a chapter or topic and go directly there.

Physical changes to the USPAP document

The 370-page combined document USPAP 2008-2009 has one publication, combining USPAP, Advisory Opinions, and Frequently Asked Questions. USPAP is 95 pages, the Advisory Opinion section is 114 pages, and the FAQ section is 108 pages.

Because USPAP is on a two year cycle, important issues may come up, so some Advisory Opinions may be issued without public comments.

Summary of major changes

- The major changes include:
- Deletion of the Statement 10 and the "Supplemental Standards Rule"

- Deletion of "Assignments for Use by a Federally Insured Depository Institution in a Federally Related Transaction" and development of new Advisory Opinion 30, "Appraisals for Use in a Federally Related Transaction."
- New Advisory Opinion 31, "Assignments Involving More than One Appraiser," replacing AO5, "Assistance in the Preparation of an Appraisal."

Supplemental Standards vs. Assignment Conditions and Scope of Work

Appraisers must comply with laws and regulations but the Supplemental Standards were very confusing. For example, Freddie and Fannie guidelines were called Supplemental Standards, and are not legal laws, rules, or regulations, but are client guidelines.

USPAP 2008 will clarify this issue by clearly separating laws and regulations from assignment conditions.

Sometimes appraisers or their clients would interpret this to mean that their guidelines (not written into law) were Supplemental Standards that could be used to do something additional, sometimes conflicting with USPAP.

The quotes below are from the June 8, 2007 Summary of Actions.

"The ASB's consideration of the role of this Rule started because of the difficulty appraisers and others were experiencing in identifying Supplemental Standards. It was believed that this identification was diverting attention from other USPAP requirements that create an appraiser's obligation to comply with applicable assignment conditions."

"Government Sponsored Enterprises (GSEs) provide guidelines that are not laws or regulations. GSEs include such entities as Fannie Mae, Freddie Mac, and Farmer Mac. The

deletion of the Supplemental Standards definition removes specific recognition of GSEs as a source of assignment conditions. However, the edits do not change: 1) the necessity for an appraiser acting in compliance with USPAP to follow GSE guidelines where applicable; and 2) the enforcement of USPAP, including those items necessary for competent performance and meaningful reporting. The appraisal guidelines of GSEs will remain part of proper development and reporting when they are applicable to a given assignment."

New AO 30 - Appraisals for Use in a Federally Related Transaction

"This AO replaces the advice in STATEMENT 10 ("Assignments for Use by a Federally Insured Depository Institution in a Federally Related Transaction") in a more direct and clear style to improve understanding and enforceability."

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"Additionally, the new Advisory Opinion clearly separates USPAP requirements from the agencies' appraisal regulations and guidelines."

"The main theme of Advisory Opinion 30 is that adherence to the applicable laws, regulations, and guidelines of the federal financial institution regulatory agencies is required for proper appraisal development and reporting."

New AO 31 - Assignments involving more than one appraiser

The primary issue is trainees getting credit for their work.

"It is important to realize that USPAP does not define an 'appraiser' in terms of state licensing or certification requirements. USPAP defines an appraiser as one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective."

"Expectation is the crucial element in determining when one is acting as an appraiser. As a result, one could be a trainee by state licensing requirements and also identified as an appraiser by USPAP definition. Reference to applicable state law should be made to clarify the specific definition of appraiser and trainee in a jurisdiction."

How can you have input on USPAP?

Every member of the ASB reads every comment individually, and as a group. It's too late for USPAP 2008, but your comments will count on future advisory opinions and USPAP 2010.

Previous versions of USPAP available

Versions back to the original 1987 USPAP are available at www.appraisalfoundation.org.

Why would you need a previous version of USPAP? Retrospective reviews and litigation. Or, just to see what has changed.

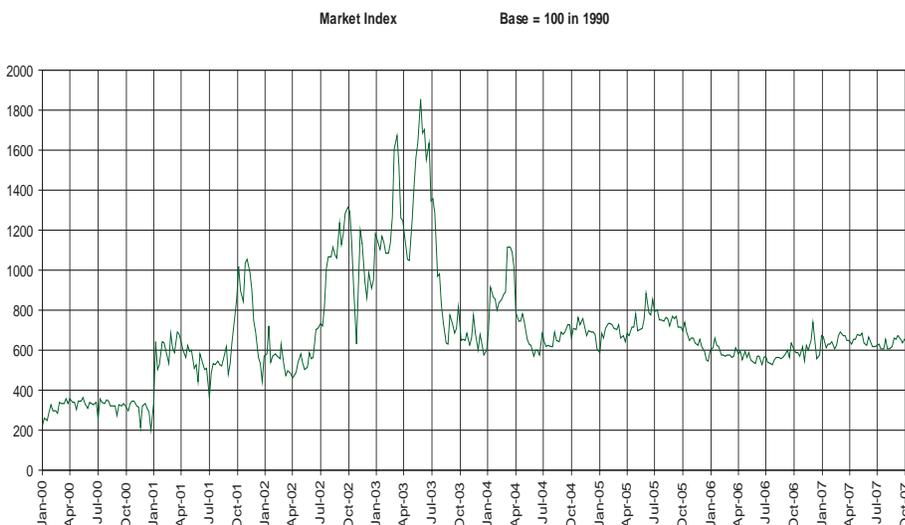
Where to get more information

This version, and future versions, will include the USPAP monthly Q&As (FAQs). The price is \$50 printed and \$40 PDF.

appraisal association or state regulator to see if they provide them for free. You also get a copy when you take USPAP classes.

For more information, go to www.appraisalfoundation.org.

MBA Loan Volume Application Index – 1/90 to 9/07



The REAMUG Journal

A Publication Exclusively for Real Estate Appraisers, Published by Real Estate Analysts Microcomputer Users Group

What is REAMUG?

Real Estate Analysts Microcomputer Users Group (REAMUG) was started in 1981 by a group of appraisers. We share computer knowledge to attain our primary goal – increased productivity in our appraisal businesses.

What We Offer

The bimonthly REAMUG Journal (PDF format) is the only source of information exclusively devoted to computer use by real estates appraisers. Journal contents include:

- Hardware and software reviews
- How-to articles
- Managing the office computer systems
- Internet usage and applications
- Digital photography and scanning techniques
- Tips, tricks and trends

Meetings Too

Twice a year we hold a one-day meeting in California. We offer California recertification credit and Appraisal Institute recertification credit. Information about recertification credits will be supplied to members prior to meetings.

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