

APPRAISAL TODAY

Who are your most, and least, profitable clients? Look at how much you make per hour, not just the fee

For appraisers, time is money. Most appraisers are very busy now. You need to generate as much income you can now. The more time you spend on an appraisal, including driving, updates, etc. the less money you make. Appraisers, both residential and commercial, who work for lenders and AMCs complain about their fees. But, it has always been how much you bill per hour, whatever the client and whatever the use of the appraisal, lender or non-lender. Below I discuss all the factors.

I regularly write about rating your AMCs and include sample rating grids. But, hourly profit is much easier to quantify.

For the past two years, I have taken very few appraisals outside my small city. I spent 28 years driving a relatively wide area. Over the years, I kept shrinking my geographic area. I have no idea how I made much money per hour.

Drive time from one end of my town to the other is 5-10 minutes. I am very familiar with the market and have seen many of the comps at open houses. The appraisals are not easy, but drive time is minimal.

A few weeks ago, I took a re-

appraisal on a home I had appraised 5 years ago for an estate in a nearby city. Driving time to the subject was about 1 1/2 hours round trip. The appraisal was relatively easy - conforming neighborhood with lots of sales. Fortunately there was not a lot of traffic. But, sometimes there is and driving time could have been longer. Plus, I had not appraised there for awhile and had to do additional research on market conditions, etc. I really liked seeing how the market had changed since 2011. But, I will not do it again. Too much extra time required.

A look at the past - pre-2008

Back in the mortgage broker days, when the vast majority of appraisals were done for mortgage brokers, residential lender appraisals took a lot less time. Now, the time required has dramatically increased, because of CU, lender paranoia, competition among AMCs for services provided, etc.

Mortgage brokers typically worked for a small number of lenders. Learning their requirements was easy. In contrast, AMCs have many lender clients with differing and increasing requirements.

Some direct lenders, under pressure from Fannie, have increased their reviews and requirements.

Having profitable clients today means evaluating each appraisal request and each client carefully, particularly AMCs who handle the majority of appraisals.

What about net fees, after expenses?

This article only discusses the gross fee per hour using time spent on an appraisal.

To analyze the income and expenses for your business, download "How much money do you make per hour on your appraisals, after expenses?", plus the spreadsheets, in the October 2014 Appraisal Today newsletter, available on your paid subscriber page. You can apply a percent over-

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head to the fee.

Why collect all the data and do the calculations?

You will know exactly who are your most profitable clients.

Why work for a client where you bill at \$50 per hour instead of a client that pays you \$75 or \$100 per hour for the same amount of time spent?

Example for a fee of \$400:

- Client A's tract appraisal takes 7 hours total (driving, report writing, research, revision requests, etc.) You make \$57 per hour
- Client B's tract appraisal takes 9 hours. You make \$44 per hour.
- Client C's appraisal of a home distant from your office takes 11 hours. You make \$36 per hour.
- Client B's difficult appraisal takes 12 hours. You make \$33 per hour.

What if you don't want to hassle with calculations?

There are many tips in this article on how to lower the time you spend on an appraisal and increase your hourly billing.

Do a qualitative analysis. For example, keep a log for an appraisal from Client X and write down each revision request, estimate time driving, fee negotiation, each update request, etc.

Some of the clients will take more time than others and reduce your billing per hour. Then, if you want more info, take the time to track exactly how much time.

AMCs vs direct lender clients

If you work for AMCs, it is critical that you determine your hourly billing rate for each one.

If you accept work from a new AMC, take one or two assignments to see what they are like, using some of the criteria below. Of course, you won't know about communication and requests for more information.

Do the same for your direct lenders, but they are typically more profitable.

Non-lender clients

I done only non-lender work for 6 years. Clients come and go. Many only give me appraisals once. Others have me re-appraise a large estate multiple times - first spouse dies, second spouse dies, beneficiary fighting, want to sell one or more of the properties, etc.

You control your fee, driving time, etc.

Usually you dump a client because they are difficult to communicate with, want a high or low value, want to pay a low fee, only give you difficult appraisals, etc. I quit doing litigation support because I did not like working for the attorneys - hurry up and wait, fee payment, etc. I prefer estate and trust work. Much less stress.

Commercial lender appraising using "bid boards"

If you choose to use a bid board, which is becoming more common, be very careful which properties you bid on.

Wells Fargo started a bid board over 20 years for my area. I used to check it periodically. I tried bidding a few times, but there was too little information and the accepted bids were low.

Now, bid boards have greatly expanded to many lender clients all over the country. The result? Low fees, just like residential lender appraisals for AMCs.

Always, always, always pre-screen appraisal requests!!

Then you can avoid driving a long distance and doing non-tract and tough appraisals that will be a take a lot more time for the appraisal and revisions, etc. ,particularly with AMCs.

Difficult appraisals

If you work for AMCs, who expect every property to be a conforming tract home and use automated reviews, turn down all the assignments that are not easy conforming tract homes. They often are nightmares with lots of irrelevant questions.

I assume, of course, that you pre-screen the property before taking the assignment. It takes just a few minutes, even if you are in your car, to check public records, google maps, MLS, etc.

Appraisers have known for decades that you make less money on the "tough ones". Turn them down. Do not bid on them. Do not expect to get a higher fee.

Of course, we all learn a lot from them, but do them when you are not busy. Do not do them when you have to turn down easy tract homes.

What if you find out after you accepted the assignment that it will be very time consuming?

An easy way to say no is that you have limited experience and it will take you a lot of time to get help from another appraiser. Or just say you are not competent to appraise that property. AMCs hear that a lot now. Usually the appraiser just says it is too difficult.

Bidding vs. getting assignments from a regular client

If you are asked to bid against other appraisers, just don't bid on the unprofitable assignments.

If you have a regular good client that does not do bidding, turning down appraisals may be difficult. Most of us do what we have always done - a fairly standard fee with sometimes getting a higher fee. We have an un-written understanding that they will send us easy appraisals to balance out the tough ones.

Driving time - the biggest time waster

This is residential appraisers' biggest time waster.

Keep track of both distance to subject and time driving comps.

Does a regular client (direct lender or AMC) give you appraisals close to where you live or far away.

Consider traffic also. Schedule appointments when there is less traffic.

If you bid on appraisals, avoid bidding on anything that will require a lot of driving time.

Track this by writing down your beginning and ending time for appraisals.

What about rural areas?

Be very, very careful screening your AMC requests. Do not work for AMCs who cannot handle anything that is not a tract home.

If you are not getting relatively high fees, ask for them or dump the client. VA recently increased their SFR Montana fees to \$900.

What homes and areas are easier than others to appraise?

Are there some areas that you are more familiar with, that will take less time? If not, consider specializing in areas.

Consider the travel time - a very important factor. Look for appraisals closer to your office.

Communication time - updates, etc. - very important, particularly with AMCs

You can control your driving time, assignments and fee. This shows you what you cannot control and is critical for evaluating your clients.

You may be able to do some of this while in the field, which saves time. I am setup to use my cellphone for calls when driving. Good for updates, but hard to write down anything while you are driving.

Communication method - text,

email, phone.

- This may not be easy to track. Below I have some ideas, such as using a stopwatch for phone calls.
- Accepting assignment - back and forth communication
- Updates - how many, phone, email, web site
- Uploading appraisals - any problems?
- Review requests - reading, writing, phone, email

Client requirements list

How long does it take to read and understand the client requirements?

Writing time - appraisal report

There are ways to use your forms software more efficiently. Particularly important is the ability to easily import MLS and public records. This eliminates a lot of "typos", plus identify conflicts with public records so you can discuss them in your report. Easily including flood and aerial maps, etc. is also good.

Does a client require a lot of extra "stuff", particularly original writing, non-boilerplate, whether useful for the appraiser or not.

Research time

How familiar are you with the neighborhood? How difficult is the appraisal?

If you work a wide geographic area, you may need to spend more time doing appraisals in neighborhoods where you don't work very often - calling agents, more extensive MLS research, etc.

What does your client require? Bracketing for every adjustment?

Do you call agents, condo HOAs, zoning department, etc.?

How to track your time on an appraisal for a client:

- Make a record for a few assignments from a client - how much time does it really take?

- Use a stopwatch while in your office for phone calls, emails, etc. All cell phone have stopwatches. This is a good use for an old cell phone.
- Use a worksheet (see below)

Make up a worksheet for appraisals. Commit to doing this on a few appraisals for each client.

Reviews - more comps, look at new comps, CU questions, etc.

After drive time, requests for more information, explanations, etc. take the most time. But, this is the most difficult to keep time data.

There is not much you can do about this, except remove the clients that always ask for revisions, have stupid questions, etc.

Some questions, such as why your square footage differs from public records, should be addressed in an obvious place in your appraisals.

Many appraisers put a lot of material in their boilerplate, but few appraisers "review" appraisals. Instead, non-appraisers such as underwriters, people using automated reviews and checklists look at the appraisals. It takes a lot of time to look through pages and pages of unorganized boilerplate. Review appraisers don't like it either.

Use the sample Data Sheet on the next page. Or, cut and paste and do your own.

Should you do all this analysis?

I really think that it is important to analyze your clients. We all have clients we complain about. Why work for them?

If you want really know which clients you should keep and which you should take off your Approved Client List, Just Do It.

Or, you can use my Client Rating Grids, in an upcoming issue. No calculations are required except a little addition.

Appraisal Time Sheet

Date _____ Client _____

Property address _____

Type of appraisal - sfr, condo, 2-4 units _____

Distance from office _____ Difficulty of appraisal _____

Time before accepting assignment (research and communication) _____

Fee negotiation time _____

Assignment prep

Set up file - MLS, google maps, aerial, zoning, etc. _____

Read (and understand) client requirements _____

Research - MLS, phone calls to agents, HOA, zoning, client requirements, etc. Does client require special research?

Driving time - to subject, taking comp photos, and selecting comps (if you do it in the field, like I do), etc.

Writing up appraisal

How many comps? _____ How many listings? _____

How long to complete basic report? _____

How long to complete boilerplate and explanations? _____

Updates - how often, what is updated, and method (phone, email, web site, etc.)

Review - questions, consider new comps, etc.

What is the question about? How much time - research, writing, communication. Try to keep good records on this as it may be your prime criteria for rating a client.

How to manage your email to save time and reduce your stress!!

Do not be a slave to your emails!!!

I don't get many phone calls in my office any more (except from telemarketers). Most of my business communication is by email, including appraisal inquiries and orders. I also belong to many chat groups and email discussion groups and get the messages by email as I seem to forget to log onto the web sites.

Very good tips: Turn off visual and audible email notifications - very distracting. Keep your inbox relatively small. Use search to find what you need.

One of my favorite quotes (from Brett McKay) " When email was created, it was meant to streamline our communication and make it more efficient. And it still can, but more often than not it morphs into a time-devouring, stress-inducing, legacy-work destroying monster. How can we vanquish the mighty beast that lurks in our inboxes and let peace once more reign throughout the land?"

I have been using email since the early 1990s, starting with Compuserve. I then moved to Eudora and have been using Thunderbird for quite a while. I have never used Outlook as I don't like Microsoft products and it is sorta klunky. A few years ago I started using gmail to allow me to easily access my company email accounts on any of my computers. I don't use gmail to access my email as I dislike the interface.

I use folders and filters to keep close track of all my business communications. I prefer email to phone calls as it faster, with less writing time and no chit-chat.

I also checked the Internet for

more advice on email management but did not find much. Most were repeats of the topics below.

Using Gmail to manage your non-Gmail email accounts

I don't like the gmail web interface as it is more difficult to do filters and folders than Thunderbird. But, I really like using it as a "cloud" account with all the emails from my email accounts. I can easily access all my email accounts on any device, such as ann@appraisaltoday.com, annorourke@appraisaltoday.com and info@appraisaltoday.com.

Before I started using gmail, my emails would be downloaded only on one computer. I worried a lot about getting my emails back if the computer crashed. I don't worry any more.

I had my local computer company set it up for me.

Using filters ("Rules") and folders can save you from going crazy!!

I have been using filters for many years to send emails to folders. I have over 60 folders. I mostly filter postings from publications, news sources, etc.

Some emails, such as Amazon notices on purchases, get filtered to a special purchases folder.

There are some who advocate having only a few folders, such as archive, reference, to-do, etc. and use search to find what you need. That may work for you.

Personal vs. business email - how I use filters and folders

Set up a special email address for client communications. I had never heard this suggestion before, but it is a good one, especially if you don't like to use filters and folders.

My primary uses of email are per-

sonal, music, appraisals, and newsletter info.

Most of my appraisal clients are "one time" so I don't filter them or have folders set up for them. If I had more clients, I would set up folders for repeat clients and possibly filters.

I have a personal folder with subfolders. Some of the messages are filtered, such as info and news for a magazine or Amazon orders I have placed. I have several music folders.

Most of the filters are for newsletter info that I use in this newsletter and my free email newsletter.

Most of my emails are info and links for my newsletters so I can keep up on what appraisers are chatting about and news sources.

Keeping track of your appraisal orders

You could set up a folder for each of your clients with subfolders for requirements, current orders, completed orders, etc. Some AMCs tend to send a lot of emails, so keeping track of what email goes with what order can be tricky.

You can use filters also.

I don't get many client emails so I put them all in one folder and sort by client name to find them. I also have a lot of "old emails" as a subfolder.

How many emails should you save?

Now that storage is almost unlimited, I keep most of my emails, unless I know I will never need them, such as advertising.

Using search

I regularly use search to find an email or an email thread, even though I heavily use filters and folders.

I search by name, something in the subject line or inbox, etc. I also use Gmail online, which saves everything until I delete it.

Make time to regularly clean up your inbox

How much time do you spend looking through your inbox for an email? I try to keep mine cleaned up, but still use up time doing this.

I am trying to commit to doing it every day in the morning.

Inbox Zero

Some people are obsessed with having nothing in their inbox (Inbox Zero). Others just let it build up. I like to keep it down to 10-15 messages.

Here are a few tips:

- Sort and delete ads, etc.
- Move quickly. Reply immediately whenever possible. If not send a quick reply stating when you will reply in full.
- Delete or put in a folder any messages that do not require a response.
- Don't let important emails sit in your inbox for days. Respond within 48 hours. Reply to the sender as soon as you've read his or her message.
- Unsubscribe from promotional emails or other emails you seldom, if ever read, such as emails from an alumni association. Search for "unsubscribe" in the email body to find them
- Delete. Delete. Delete.
- Mark messages as Unread that you may want to read later

How often to check your email

Do you automatically check your email when you hear an audible sound on your computer or phone while trying to write up appraisals? Very Bad Idea as it greatly reduces

your productivity. You have to somehow start again every time you are interrupted. This results in mistakes and taking longer to write up your appraisals.

Some email gurus advise only checking it every hour or so and turning off all alerts. That is what I do. They also advise not checking email on your phone as it is very distracting.

You can set your email software to "receive" messages only at certain times, so that you're not distracted. If you can't do this, at least make sure that you turn off audible and visual alerts.

Tips on using email on your phone or tablet

Driving time is a big time waster for appraisers. Have your phone read your emails to you, by using an app such as Talklr, which also allows deleting of messages. You can reply when not driving or when you get back to your office.

Don't get too many messages on your phone, with a very small screen. Set up filters on your email software on your computer so that you don't receive messages such as appraisal or personal blogs, purchases and deliveries, etc. Your goal is to open your email on your mobile device and only see the current, relevant messages that actually require a response by you.

For messages that need a long reply, set up "action" folders, such as urgent or followup on your phone so you can reply on your office computer.

Set up an mobile signature for your phone to let people know you are replying from a phone and may have typos, such as Please excuse any typos. This is a quick mobile response.

Be sure that the emails and replies on your phone are also downloaded to your computer. Of course, that means there are sometimes multiple

reading of the same message.

What about excessive emails from clients?

This is called micro-management.

I have a friend who maintains key kiosks, where you can make your own keys. She is on the road almost all the time. Her boss sometimes sends her 100 emails a days. If she does not reply she gets into trouble. What are the emails about? She needs to follow up when she gets at a kiosk, what she is doing, etc. Plus lots of CCs from the company that she must read and reply to. It is very stressful and makes it hard to complete her work as she spends so much time on email.

Fortunately, fee appraisers are not employees. We choose who we work for. Do not do this. You are not being paid to do this. You are an appraiser, not an employee. Drop the client. Most appraisers are very busy. AMCs are desperate for appraisers who will work for them, so they look better to their lender clients and can say "We have XX thousand appraisers on our fee panel."

Maybe you think it is not too bad and otherwise the client is okay. Consider these questions. What is your tolerance level for micro management? How much production time do you lose? Does it make you stressed out?

Turn off automatic email notifications. Check your email at intervals, such as every two hours.

Reading email

Setting aside certain times of the day to check your email can help avoid multi-tasking, which is inefficient.

The "Two Minute Rule" (a concept from David Allen, the author of Getting Things Done) may work. "If the email will take less than two minutes to read and reply to, then take care of it right now, even if it's not a high priority. The idea behind this is

that if it takes less than two minutes to action, it takes longer to read and then store the task away 'to do later' than it would to just take care of the task now."

You can indicate to do later by using a star or another indicator available in your inbox.

Managing emails sent to spam that you wanted to read

Email is not a very good communication method for many reasons, as compared with phone or postal mail. The main reason is spam filters. We have always had many, many problems with subscribers not receiving our monthly email notifications, since we went all digital in 2008. Of course, there are always those darn emails lost in a huge inbox or somehow filtered to the wrong folder.

Gmail can be "trained" on spam, but it can take quite a while. I am still "training" it after 2 years. Gmail keeps spam for 30 days. Sometimes I forget to check it and lose emails that I wanted to keep.

Check your spam folder on your computer also. See if you can "whitelist" certain email addresses.

Ever realized you should have not sent an email?

In the early 1990s, when I was a corporate real estate manager for a biotech company, we used intra-company email.

I will never forget when one of the vice presidents sent a somewhat derogatory email to everyone in the company. She was fired. Ever since then, I have tried to be very careful.

There was no saving of draft emails then. But, she could have put it in a word processing document and sent it later.

Ever wanted to "recall" an email?

If it is a long email or I am not sure what I want to say, I usually save a draft and then send the email later.

Ever used CC instead of Bcc (blind cc)?

I try to be very careful with this, but have messed up a few times. Very embarrassing.

Save a draft or check it before sending it.

Always, always, always take a little time before hitting the reply button

Have you ever:

- Hit "reply all" instead of reply?
Who hasn't?

- Used email autofill when selecting the recipient, but somehow sent to someone else with the same first or last name?

Handling emails on your phone

Some people get emails on their cell phone and others don't. Many management advisors recommend not getting email on phones. But, you usually have a short reply which is often good. You can put a comment such as "sent from my ipad" that lets people know you composed it quickly and may have typos.

I get hundreds of emails every day because I belong to many mailing lists, so I don't get my emails on my cell phone. I prefer texts for brief, mostly personal, communication. I have a gmail account that I use on my cell phone for forwarding interesting tweets.

Be sure you also get them on your computer, such as gmail, so you can put them into folders for future reference.

Advice from Merlin Mann, the creator of the term Inbox Zero

In essence, Inbox Zero is a basic filing system where you treat your inbox like a to-do list, with each email representing a specific task resulting in an organized, empty inbox.

The way Mann describes it is delete, delegate, respond, defer and do. I'm sure there's different ways to inter-

pret this, but my take is this:

1. Read through new email subject lines and quickly determine what's important.
2. Address important messages immediately and then move them from the inbox to a specific folder you've created for that client/project/subject matter.
3. Move all other less-important email to specific folder for reading later.
4. Toss junk mail or anything with a less than 60% chance of you revisiting.
5. Keep only unread messages in your inbox - and only temporarily.

Chase Pursley wrote an article for the December 2013 issue of *Appraisal Today*, *Reach Email Zen - tame your inbox!!* Above is excerpts from that article. Unfortunately the inboxzero.com web site is not available.

Where to get more information

Try google. I did not put all the advice I read in this article.

Using regression analysis in everyday appraisal practice

By Doug Smith, SRA, AI-RRS

Editor's note: Many appraisers, who use regression, use scattergrams and simple regression. To see some practical examples, go to www.sacramentoappraisalblog.com.

Finding an appraisal-related statistics class to take can be difficult. The skill level of appraisers varies widely.

Unfortunately, many residential appraisers lack basic Excel skills. About a year ago I took a one day Appraisal Institute "practical" one day hands on statistics class. It required taking the previous one day class. It was an almost complete waste of time because relatively few in the class knew how to use Excel, or had ever tried to use it. Many had not taken the prerequisite class.

It was a very large class and there was only the instructor, with no "helpers". Fortunately, in the class discussed below by Doug Smith, the appraisers were knowledgeable and could use Excel, but the material was similar to what you take in a college statistics class with lots of equations, etc. The class did not focus on practical uses.

Some appraisers find Youtube very useful for statistics and regression. Below, Doug Smith discusses books to use.

My first statistics class was in 1962. My first multiple regression analysis was done in 1979. I know the good and bad sides of regression, especially multiple regression. In my appraisal classes taken in the 1970s and 1980s, only basic stats such as median, average, etc. were discussed.

In early June, I attended the recently developed Appraisal Institute two day course "Application & Interpretation of Simple Linear Regression developed by Marvin L. Wolverton, PHD, MAI. The course replaced a course developed by John H. Urubek, MAI and George Dell, MAI, SRA, Practical Regression Using Excel. I had taken the Urubek/Dell course to good advantage and was looking forward to building on that excellent course.

The new course left most disappointed as it offered little to appraisers seeking to find useful and practical application in everyday appraising.

The course was entirely too academic and heavily weighted towards theory over application. I quizzed at least four attendees after the course and found none were able to solve two of the quantitative questions on the voluntary exam with anything but a guess.

Although the instructor ably presented the material, the course, while focusing on interpretation, lacked essential content that concentrated on practical applications.

The instructor commented the course pass rate was running 70% I passed... somehow.

The bright spot of the course was that all the attendees with whom I chatted had made a conscious decision to integrate regression analysis into their everyday practice.

Recent AppraisalPort poll on who uses regression

In a recent poll of appraisers who use Appraisalport, users were asked: "Have you ever or do you regularly use the recognized method and techniques of Regression Analysis to develop and support your adjustments?"

While 14% stated they used Excel and 11% stated they used another regression modeling program, 43% replied they have never tried it and 10% stated they did not know enough to try it. 3% said "I'm not sure how or where to begin to acquire the necessary training." 19% said both answers above - "don't understand" and "not sure how to begin".

In this article, I review the general subject of regression analysis and present some options for proceeding with the process of learning about the practical application of regression in everyday appraisal practice.

Appraisers Lag Behind in Quantitative Analysis

Appraisers both residential and commercial are bombarded with a daily onslaught of technological choices. Appraisers are swept up with news of ways of producing reports, finding data, and using more and more sophisticated gadgets, connection portals, and digital devices. Appraisers look for even faster more powerful computers and ways to reap the advantages of the digital age and conquer cyber-space.

In marked contrast to this forward-looking point of view and greater acceptance of technological change, appraisers remain tied to traditional ways of analysis rooted in the beginnings of Appraisal Societies that sought a means of rationally expressing estimates of value that settled on the three approaches to value.

With some relatively recent changes in both the cost approach and the income approach, the sales comparison approach languishes, bereft of new intellectual stimulus and improvement. Essentially appraisers are rapidly adopting new technological devices and gaining more experience with the assistance the Internet provides, but still use third grade math skills in appraisal sales comparison analysis.

While appraisers hang their hat on paired sales, price indexes, and other adjustment techniques, appraisers base little of what is passed on in the form of adjustments with supportable analysis.

Adjustments range from guesses to relying on the seriously flawed paired sales analysis. That means, in terms of guesswork, appraisers simply violate USPAP or work around

the edges by falling back on subjective analyses. Appraisers continue making adjustments based on experience, with a result that in more cases than not is often considerably less than perfect.

Why take the time and effort to learn Linear Regression Analysis (LRA) and Multiple Regression Analysis (MRA)

The first important reason is simply that LRA and MRA can be done more easily than ever before. Today we have better, more complete data, more powerful hardware and easier to use software. If appraisers improve on means of determining adjustments by considering more data, they likely will be more confident in their adjustment processes.

The second reason is not important in terms of producing LRA and MRA output, but more in the fact more and more appraisers are being put in the position of regression analysis consumers. Today, via the Internet, appraisers have a tremendous amount of research available to them. The availability of data, its quantity and quality often require an understanding of statistical methods and techniques, not the least in popularity is regression analysis.

Also, as an appraiser, are appraisers now prepared to review an appraisal report with a regression analysis component? If the appraiser is not competent, they must pass on the assignment

What is going on?

There are two major uses of regression analysis: prediction and causal analysis.

In a prediction study, the goal is to develop a formula for making estimates about the dependent variable, based on the observed values of the independent variables. We can estimate the market value (dependent variable) of a property based on the variables of gross living space, number of bedrooms, baths, site size, etc. In causal analysis, the independent variables are regarded as causes of the dependent variable. The objective is to determine whether a particular independent variable really affects the dependent variable, and, to some degree, to estimate the magnitude of that effect, if any.

This is an important distinction and one that is going to be more relevant to the appraiser in the coming future.

Until now, regression analysis has been useful in studying the dissimilarities in properties by providing a statistical tool on which to base adjustments.

Appraisers have made some adaptation from mass appraisal techniques to predict property values. The current trend toward acceptance of mass appraisal AVM's looms large in appraisal discussions today.

I am addressing only regression analysis used in the context of individual appraisal problems solved by appraisers not in the mass appraisal context.

Do you really want to learn Regression Analysis?

Before making an assessment of skills and knowledge, the first step is to come to some conclusion about whether you have the desire to even pursue the study, much less bring yourself up to the level of a competent practitioner.

The place to start is the review of a number of publications to arrive at a comfort level. Multiple regression analysis is widely used in the social sciences. It is from this branch I recommend "Multiple Regression, a Primer by Paul D. Allison, Pine Forge Press. www.pineforge.com. This book differs from others in that it is presented in the forms of questions and answers. It starts from the question "What is Multiple Regression?" It proceeds logically with illustrations.

If you want to test the waters and are looking for an introductory book on the subject confined to the specific use in appraising, I recommend A Guide to Appraisal Valuation Modeling, by Mark Linne, MAI, Steven Kane, and George Dell, Published by the Appraisal Institute.

The authors review the process of creating a regression-based appraisal model. In the case study, the property type was a vacant house lot with no improvements. The method used was OLS (ordinary least squares).

Variables that explained the most variation in value were lake frontage, westerly views, and lot size. These were applied to a constant to provide a value estimate for the subject lot.

The book also contains a glossary defining many statistical terms such as co linearity, correlation, coefficient, R2 and standard deviation, etc.

Appraisal Institute book misses the mark

The Appraisal Institute in 2009 published a 400 page book, "An Introduction to Statistics for Appraisers." This book, however, misses the mark as a practical book for appraisers and is perhaps usable to less than 2% of practicing appraisers.

The book is almost entirely mathematics based with the emphasis on the mathematical formula that makes up statistical analysis.

Candidly, it over-reaches and demands that the reader have advanced skills in math and the fortitude to absorb huge amounts of statistical terminology and theory.

It is three books in one. It covers very thoroughly statistical theory and the underlying mathematics. It then moves on to the practical issues of using three basic software programs, Microsoft Excel, Minitab and SPSS. Lastly it runs out some appraisal example problems in these software programs.

The math, however, is so pervasive, that only with a great deal of patience and frankly, some higher than average math skills, will this book be any use.

Who was this book written for? This book is just the ticket for an appraiser who specializes in advanced forensic or specialty appraisal work and court testimony where a complete understanding as to the mathematical basis of statistics is necessary.

For the day-to-day appraiser seeking some background on how to run an Excel analysis, this will be a reach. Perhaps, after taking a course or investigating statistics in more detail, this book will be more meaningful, but to jump into this book without a good background will not make sense.

Getting back in Statistics

Should you want to refresh your interest in statistics, I recommend The Cartoon Guide to Statistics by Larry Gonick & Wolcott Smith published by Harper Collins Publishers. This is a great introductory book on statistics that is a fast amusing read. Of course, if you want to reach back in time for an algebra tune-up, there is Algebra for Dummies by Mary Jane Sterling, published by Hungry Minds.

Appraisers have a wide range of backgrounds, education and experience. Appraisers also have varying degrees of study habits and learning abilities. The next step is to make an inventory and honest assessment of your mathematical background, starting with high school.

A math background that ends with one or two years of high school algebra is insufficient. The very minimum, in my opinion, is at least some college math, an introductory statistics course and some on-going integration of this knowledge into the appraiser's current practice.

One-day courses in statistical modeling are useless and a waste of time. I cannot even recommend taking one of these courses just to explore the subject since most are so simplistic: they err in setting up unrealistic expectations and results.

With the list of your background in hand, evaluate your level of competency. When you took these courses is relevant. In the early nineties I returned to school to pursue an MBA.

I had to confront the fact I had taken a statistics course in college and in over 30 years of managing hotels, had never kept up. I was managing a resort far removed from a local college campus; no inter-active computer instruction existed so I brought up my statistical skills by taking a correspondence course through the University of Wisconsin.

Let's suppose then, you have taken at least two years of high school algebra, you have some college math and you have taken a statistics course in the last ten years. That constitutes the threshold for proceeding.

While some appraisers have been trained in the use of certain formulas, and calculator strokes they will forever remain held back in mathematical analysis by not having the full range of education in math. For this group there is practically no alternative than to take a course at a local campus.

There is lot to be said for person-to-person learning, and although I can recommend a correspondence course, I would have preferred to take a course from a competent instructor and in a classroom setting.

After the pre-requisites, then what?

Regression analysis is more easily accomplished than ever before with statistical programs available, including Excel. Data is more available and in more accurate form. Using regression analysis in appraisal practice requires much more than data entry and pushing the enter button.

Appraisers must address a full range of questions from model formulation to interpretation of results. Focusing on the interpretation of results and the confidence levels of those results demonstrates the uselessness of one-day courses and the need to have a deeper background in statistical methods.

Once the prerequisite education is in place, the appraiser may proceed to achieve competency. I offer a final step. After a review of literature in the

field, I found one book that is indispensable in making the transition to using MRA. It is "Using Econometrics, a Practical Guide-Fourth Edition" by A. H. Studenmund published by Addison Wesley Longman. www.awl.com/studenmund. This text reviews the basic regression model and develops the use of MRA logically and in an understandable format. One great advantage of this text is it contains a 48 page Chapter on Statistical Principles by Gary Smith.

Appraisers have embraced technological changes. Now it is time to learn how to use statistics

Statistical methods provide a method to identify and isolate the individual factors that affect value and market behavior. These methods however, demand a great deal of effort, learning and practice to ensure results are both credible and reasonable.

In the preparation, look, and transmission of appraisal reports, appraisers have largely embraced technological change in the industry. Now is time for appraisers to further embrace technology by bringing new tools, technology and methodology to the logical process of credibly and competently developing market value opinions.

About the author

Doug Smith has an appraisal practice in Missoula, Montana, and is a certified general appraiser doing both residential and commercial appraising with a specialty in hotel appraising and feasibility studies. He has an MBA from the University of Montana and the SRA designation from the Appraisal Institute. He can be contacted at hotelman@montana.com.

LandGlide Review

LandGlide provides appraisers with the ability to view parcel maps including ownership(s). This is the first product I have seen that can provide this level of detail using map, aerial, and hybrid views on your Apple iPhone or iPad, or Android phone or tablet. LandGlide provides the parcel maps for over 132 million properties covering over 92% of the U.S. population. The depth of property specific information varies by county.



Figure 1: Parcel Aerial View



Figure 2: Parcel Map

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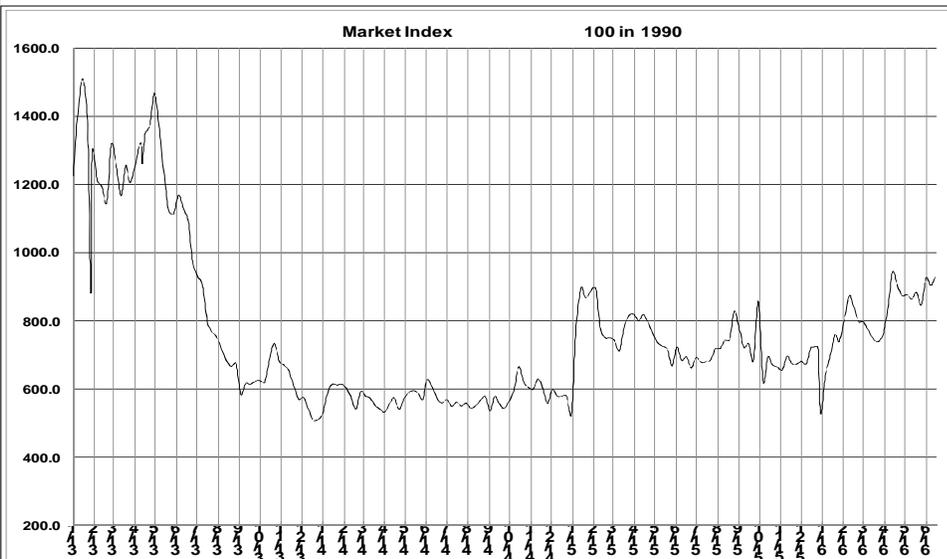
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MBA Loan Volume Application Index – 1/13 to 6/16



Placing the cursor on any parcel identifies the property owner, address, and shape. Clicking on the detail view provides additional property information as identified in Figure 2.

Access to LandGlide is also provided with your phone's cellular service. Users can access LandGlide to find and view your subject and comparable sales when WiFi service is not available. View the parcel ID, shape and owner's name while inspecting the properties.

The GPS in your mobile device interacts with the map to provide you real-time location-based intelligence. LandGlide always knows where you are, so it is easy to match the parcels on the map with what you are viewing from the ground.

This app is also an excellent source for finding comparable rental data. Just call the owner listed with the parcel data. Appraisers can also use LandGlide to view the shapes of the properties analyzed.

It's easy to find a parcel by using the text search box at the top of the screen to search by owner, address, or parcel number. The app will locate the property and the zoom features, ("pinch") and pan ("swipe") gestures, will enhance the view.

The information box at the bottom of the screen will display summary information for the property in the map's crosshair. Tap the details button to see best-available property details including acreage, sale price and transfer date, building size, stories, and assessed valuation. Having this level of detail available in the field can prove helpful in understanding some property attributes.

Pull up property specific information with the click of a button. Any parcel's details can be accessed by tapping the blue arrow button on the lower right corner of the screen. The range and depth of attributes vary depending on area and any information available will be accessible here. In over 600 counties, the application provides an additional link directly to the county assessor's record for that specific parcel. This link is accessed through the Parcel Details screen linked with the blue arrow at the bottom right of the screen.



Figure 3: Parcel Data
Data availability may be limited by county

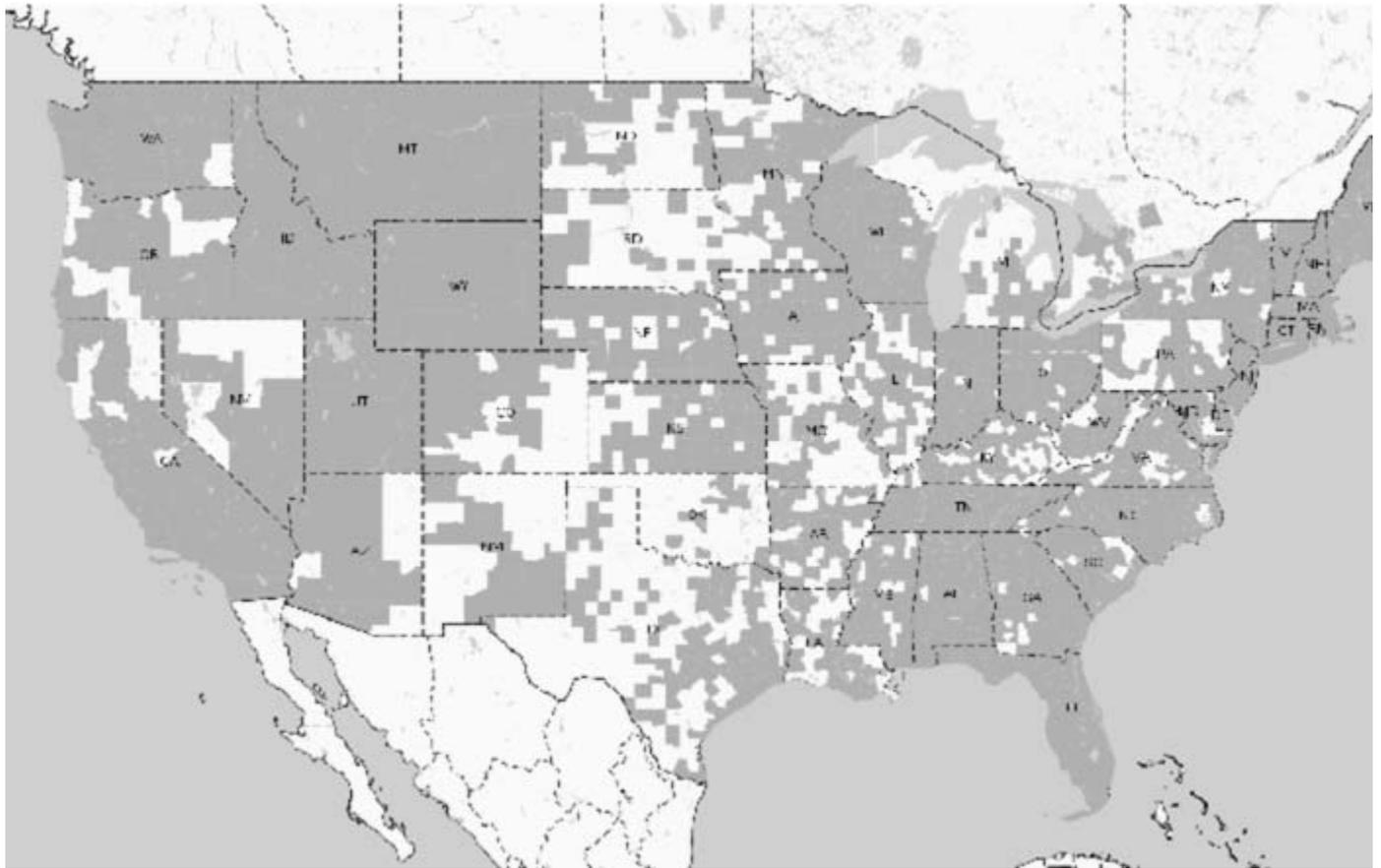


Figure 4 (National Coverage Map)

Try LandGlide free for one month and renew your subscription monthly for \$9.99/month with in-app payment. You will have 30 days to see if LandGlide is a good fit for your practice.

LandGlide rates four out of five stars. It is worth a try.



R. Wayne Pugh, MAI, CRE, CCIM, FRICS is CEO of real estate consulting and appraisal firm R. Wayne Pugh and Co., the head of Software for Real Estate Professionals Inc. and a principal member of Real Estate Counseling Group of America. He formerly served as president of the Appraisal Institute and as chair of the Louisiana Appraisal Board.

Comments on last month's E&O article

Editor's note: I received comments from two E&O providers who requested clarification on several sections of the article that I wrote. Below are their comments. I am not an expert on E&O insurance so I am including their actual comments. The following two responses are their unedited submissions.

OREP Response

(Individual vs company programs)

David Brauner, Senior Broker at OREP said that there typically is no confusion distinguishing which programs are for one appraiser only and which cover all appraisers working for a company. "Most applications are explicit about whether they cover one appraiser only or more than one," Brauner said. "OREP handles both types of policies, and offers the one that best fits the needs of our insureds. There should never be any confusion about this, and truth be told, there never is. An individual policy will only cover a single appraiser and that is always spelled out on the application in bold type. If you have a question, ask your agent- that's what we are here for. If you can't get someone on the phone, call a new agent!"

(Claims assistance)

According to Brauner, expert claims assistance is essential to helping appraisers navigate claims and disciplinary actions and most appraiser E&O programs provide pre-claims assistance free. "Pre-claim help from attorneys is available from the insurance carriers OREP works with. The help is typically free and with the zero deductible policies we offer, there are no out of pocket costs," Brauner said. "These trained and experienced professionals should be your first step. Regarding state board complaints, the programs OREP handles provide reimbursement for defense costs – most work that way. The amount the will reimburse varies depending on the program. One provides up to \$5,000 in reimbursement for defense costs with no deductible!" Brauner said state board complaints can be tricky and appraisers are often too eager to settle. "Many times appraisers are accused of USPAP violations where are none," Brauner said. "Settling is admitting guilt and there is more to consider than the fine the board may levy. Many AMCs and lenders won't do business with you if you have a complaint. And your E&O rates are also subject to an increase."

That's why Brauner says it pays to get expert help with board complaints too. "OREP provides insureds with free help dealing with state board complaints from Bob Keith, MNAA, IFA, Former Executive Director and Compliance Coordinator for the Oregon Appraisal Board," Brauner said. "It is designed to help our insureds chart an effective course of action from the outset and to prevent our folks from making an irreversible mistake with their response or defense. OREP insureds enjoy a free initial consultation from Bob but his services are available to all appraisers. I recommend him strongly. He has been on both sides of the conference table in state board complaints and knows how boards work. Also, his advice is unfiltered and unfettered because he has no financial connection to the insurance carrier or the state board. He serves his appraiser clients 100 percent."

David Brauner

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Landy Agency Response & Policy Update for Appraisal Today Issue June 1, 2016

Appraisers should be informed and mindful when choosing their E&O insurance. There are enough good to excellent programs available that, unless there are extenuating circumstances like a severe claim history or unusual practice areas, any solo or appraisal firm should not have to settle for lesser coverage, and certainly not coverage with no Prior Acts if they are otherwise eligible for this coverage. Unfortunately, some information presented in the Appraisal Today report was misinformed opinion presented as fact.

To start, no insurance representative should be interpreting coverage or policy language of a competitor in a public forum. At best, it is often inaccurate; at worst, it is sales pitch designed to look informational. With that in mind, certain statements reading the Landy E&O programs for appraisers need to be clarified:

- Our carrier, Great American Insurance Company, has successfully defended numerous Llano claims on behalf of our insureds. Note that no liability was determined for any of our clients and Great American has not paid Llano (or First Mutual) anything
- Landy pioneered the short, self-rating application for individual appraisers, now used commonly by other programs, as well as the on-line application, allowing an individual appraiser to receive a policy by email in just a few hours. Many thousands of appraisers successfully use this process to obtain coverage. To imply that there is reason for concern is simply inaccurate and unfounded. Our applications and underwriting processes ensure that the client obtains the proper coverage, whether as a solo appraiser or for a firm of multiple appraisers. For many appraisers, there is no need to be subjected to a multi-page application and long-underwriting process - our program allows for prompt and efficient underwriting and policy issuance.
- Please note the Landy/Great American program does not charge different rates for Prior Acts coverage, or Prior Acts before 2008. Our rates include Prior Acts coverage regardless of the date.
- Our program offers supplemental coverage for disciplinary hearings and subpoena responses, including providing legal counsel. There is no deductible for this. The insured should not obtain an attorney on their own if they wish to have their E&O policy respond. Further, the program utilizes local/regional defense attorneys who have been vetted for their skill and understanding in defending appraisers. Utilizing an attorney from a specific jurisdiction means our clients are represented by an attorney familiar with state legal precedence, members of the state licensing boards and plaintiff attorneys, rather than an insurer utilizing a corporate attorney outside of the appraisers' location.
- The Landy program offers limits up to \$1,000,000/\$2,000,000 for all individual residential and commercial appraisers, regardless of experience and including trainees. Programs that require many years of experience before offering higher limits means an appraiser may miss assignments due to lack of enough coverage as required by a lender or AMC. We also offer higher limits for appraisal firms.
- The Landy program has no FDIC or regulatory exclusions - those claims are covered to full policy limits. We also provide coverage for residential and commercial right of way and land development appraisals. We have never had any "blackouts" for Prior Acts.
- We have expanded underwriting options for appraisers who have had Board complaints or minor claims, allowing them to remain in our preferred program rather than go into a more expensive secondary program.

There are numerous other aspects of coverage that a policyholder should become aware of. Relying on anything but factual statements provided by representatives of the program you are considering or insured by, or even worse, internet chatter, may lead you to a less than appropriate buying decision. Ask for a policy sample before your purchase. Any E&O program unwilling to provide one has to be suspect. The Landy policies are available on our website, no passwords required. If you have a policy, read it and discuss with your representative any aspects of the coverage that you are unsure about. Thank you and we look forward to our continuing support of the appraisal profession.

John Torvi, Vice President of Marketing & Sales
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