

2006 Leadership Development & Advisory Council (LDAC)

May 16-18, 2006

Washington, DC

The Leadership Development & Advisory Council (LDAC) has served as a source of leadership training and education for the Appraisal Institute for over 36 years. The purpose of LDAC is create a dynamic environment in which participants develop leadership skills by debating current issues impacting the appraisal profession with their peers, providing recommendations to the national board of directors for strategic planning purposes regarding the issues discussed, and lobbying the legislature as representatives of the Appraisal Institute. The council is comprised of individuals located throughout the country who have been identified as future leaders within the appraisal profession.

Each year, four topics are selected for discussion. The topics chosen represent important issues facing our members and are recommended by LDAC applicants, Appraisal Institute committees and project teams, and our national leadership. In 2006, the issues discussed were: "AI Reports: The Next Step" presented by Kevin Harden, SRA; "AI 20/20: Facing a New Era: Future Role of Chapters" presented by Juan Jimenez, MAI; AI Conference - If We Have One Will You Come?" presented by Chuck Crider, MAI; and "The AI and State Regulators: Can a partnership exist?" presented by Craig Benton, MAI.

These topics were vigorously debated in a roundtable format over two days. Participants voiced appreciation for the opportunity to have their opinions expressed in a progressive environment and have those opinions subsequently presented to the national board of directors. They recognize that it is an honor to take part in planning the future of the Appraisal Institute and typically take full advantage of this valuable opportunity. The recommendations resulting from the 2006 debates will be available for review in late July and will be presented by Juan Jimenez, MAI, at the November 2006 national Strategic Planning Committee (SPC) meeting.

There is no more powerful voice in government than that of the constituent, and under the guidance of Don Kelly, Bill Garber and Isabel Parker, the 2006 LDAC Participants lobbied their representatives in Congress regarding legislation for responsible lending and the valuation of conservation and historic preservation easements. LDAC Participants helped educate legislators about the important elements of these bills (HR-1295 and HR-4297), and provided the kind of support every legislator desires: the voter's. As a result, the annual lobbying activities of LDAC Participants send a powerful message to our nation's lawmakers.

On behalf of the 2006 LDAC, I extend my deepest appreciation to the national board of directors for its recognition of the hard work and valuable recommendations LDAC Participants provide each year. In addition, we were honored to be joined by our executive officers, whose participation at LDAC demonstrates their commitment to leadership development and education for our members. This year, the leadership team included President Richard Powers, MAI, SRA, and President-elect Terry

Dunkin, MAI, SRA. The 2006 LDAC Participants were grateful for the opportunity to interact with our national leadership and to benefit from their insight during the debates.

For those interested in learning more about the LDAC, please browse to www.appraisalinstitute.org/membership/events/LDAC.asp

Karen Oberman, SRA
2006 Chair – Leadership Development Advisory Council

Topic One: "Facing a New Era: Future Role of Chapters"
Submitted by: Juan J. Jimenez, MAI

The goal of the discussion session was to review the existing governance structure and to help develop a new vision for our Chapters. During the session, LDAC Participants agreed that Chapters are necessary for the Appraisal Institute to achieve its mission and vision statements. However, they also agreed that given the differences between Chapters, some Chapters might benefit from having greater authority, independence, and flexibility to support these statements.

The following pages summarize the discussion in each area and present recommendations voiced by LDAC Participants.

Governance and Grouping

Participants agreed that current regulations and procedures do not recognize the fact that “all Chapters are not equal”. The needs and challenges experienced by Chapters with less than 200 members are different from those of Chapters with over 400 members. Similarly, Chapters with different ratios of designated versus non-designated members have different needs and challenges.

Participants recommend grouping Chapters, based on total number of members or membership distribution, and to survey the needs and challenges of each group. In addition, LDAC 2006 recommends the creation of a formal forum where Chapters with similar needs and challenges can share success and failure stories. This forum could be a brick and mortar location (conference once a year) or virtual (blogs, chat rooms, bulletin boards, etc.).

LDAC 2006 also recommended exploring the possibility for National to assign financial support and administrative support to the smaller Chapters. Specific mechanisms that were mentioned included revenues / profit sharing and a reward / incentive programs for smaller Chapters. The idea is to develop a system where smaller Chapters could operate effectively, efficiently, and adding value for members of the smaller Chapters.

Education

Participants were of the opinion that Chapters are doing well in their current role as local education providers. This role allows Chapters to generated income for their operations and provides the flexibility for the Chapters to coordinate only those offerings that are cost effective and support the needs of Chapter members.

Specific recommendations included allowing more flexibility in the process of ordering education materials. Participants felt that the current procedures of ordering materials in advance, and not been able to return excess material, limit the number of students that can take a course because Chapters are limited as to the number of walk-in students that could be register for a course.

LDAC 2006 also recommends monitoring online education and its impact on Chapter's education offerings. As National increases the number of online courses, including basic qualifying education, these courses could impact Chapter educational initiatives.

Finally, Participants recommend developing seminars in conjunction with other non-appraisal professional organizations (such as lawyers, bankers, accountants, etc.). These multi disciplinary seminars could increase the number of potential students and provide excellent opportunities for promoting the profession, the organization and our members.

Membership Services

Considering that Chapters are the primary point of contact for members seeking services, Participants recommend allocating more resources from National to Chapters. Participants agreed that initiatives like the visibility campaign, having a state government relations person in the DC office and having a "chapter go-to" person in the National office are steps in the right direction.

LDAC 2006 recommends increasing the funding for these initiatives (visibility, state government relations, chapter “go-to” person) and permitting Chapters to coordinate government / public affairs issues directly through National offices and with National funding. Specifically, Participants recommend for Chapters to have direct involvement in guiding and managing the visibility campaign.

Topic: Appraisal Institute National Conferences...If We Build it Will You Come?
Submitted By: Charles F. Crider MAI – Discussion Leader

There are few things better than being in Washington DC in the Spring; that is, of course, unless you can spend it with some of the most enthusiastic people in the appraisal profession. LDAC was again a resounding success with my topic being, “AI National ConferencesIf We Build It Will You Come?”

It never ceases to amaze me how different people from all across the country can talk independently about a topic and come up with such similar ideas. Some of the groups took the direct approach and identified problems with National Conferences and why attendance may be low. (Currently approximately 2%-4% of members attend.). Other groups took a more circumvented approach but came to basically the same conclusions in the end. The consensus among the groups identified **the following obstacles:**

- **A lack of information.** Emails are considered cost effective for advertising, but a poor method of communicating. Emails are easy to pass over, delete and remove from a hectic schedule.
- **Cost** was seen as a major obstacle particularly for Associate Members. Cost is divided into three categories. Opportunity cost at work, travel costs and conference fees
- **No defined need to attend.** Associates are already often taking course work toward a designation. The education offerings are often considered unnecessary for designation, and/or irrelevant to increasing productivity. In addition the mentality of, “I will go next year” brought into focus the question of frequency of major National Conferences.
- **Time** most of the attendees cited a busy work schedule and an inability to commit time during the workweek to attend.
- **Location** was considered a by-product of time with distance and travel time seen as a major obstacle for distant conferences.
- **Lack of Networking Opportunities** – One attendee stated, “If I go to a conference with other appraisers what is the benefit other than socializing?”

These were cited most often as reasons members are NOT attending National Conferences. When confronted with what could be done to increase attendance the groups again were eager to respond. The following are those **recommendations**.

- Communicate by postal service, which will result in an increased action to eliminate the piece of paper. A recommendation of making the paper pink so as to stick out on a member's desk was also suggested.
- Discount Rates for Associates. The comment of "training early to secure future habits" was presented. If Associates who later become members are in the habit of attending conferences/meetings, etc. they are more likely to do so once designated. Also if an Associate from an office is going, other Associates and Designated Members may also attend.
- Location More regional based conferences. This would eliminate long travel days and allow for AT LEAST some attendance to relevant education or meeting events. This would also eliminate other obstacles related to cost including travel time and travel cost.
- To Enhance Networking it was recommended that Conferences be held with Mortgage Bankers Associations, Trial Lawyers, FNMA, FHA/HUD and/or other professional organizations. Rather than educate through lectures, set up round table discussion groups similar to the format of LDAC. These discussion groups should be of a similar time schedule as LDAC with 1 – 2 hour sessions. This type of discussion would promote individual involvement and the opportunity to interact with other Participants. Separate traditional individual organization education could also be offered. With this format you are interacting and socializing with potential clients not just other appraisers.
- The need to attend and the desire for more Regional Conferences brings the recommendation that large scale National Conferences exist on a two year cycle with Regional Conferences filling the need in off years. In this scenario the opportunity to attend occurs less frequently possible creating the..."I need to go this year" attitude.
- Reunion This list of recommendations would not be complete if this final item was excluded: A reunion of LDAC attendees and a Chapter President reunion were both seen as incentives to attend a future conference.

In conclusion, the agreement from all groups was National Conferences should exist but with a modified schedule of occurrence and in conjunction with Regional Conferences. Developing a joint conference with other professional groups creates a need and desire to attend. Improved advertising and developing a habit of attending are seen as critical for the future.

Topic: AI Reports – The Next Step

Submitted by: Kevin Harden, SRA, Discussion Leader

For the past 20 years, residential appraisers have grown accustomed to using Fannie Mae's Uniform Residential Appraisal Report (URAR) for a wide array of residential appraisal assignments outside of mortgage lending work. Fannie's URAR form was revised and released in November of 2005. This "new" form, along with other Fannie/Freddie Mac forms released in January of 2006, is clearly and specifically for mortgage finance purposes *only*. While the "old" URAR has been continued to be used for purposes other than mortgage work, it is has been used primarily for a lack of a "better" or alternate form.

In July 2004 the Appraisal Institute (AI) formed a project team to develop a series of appraisal report formats ("AI Reports™") to be used in a wide variety of appraisal assignments. The project team consists predominantly of *residential* appraisers to ensure that the appraisal report formats are flexible and use/user neutral. Uses for AI Reports™ include, but are not limited to, insurance purposes; tax appeal; estate/financial planning; all types of litigation from dissolution of marriage to construction deficiencies; property owners wanting professional assistance on the listing of a property; potential buyers wanting an unbiased opinion on the value of the home they are considering; non-conforming loans; eminent domain; investment purposes. etc. -- the list goes on and on.

Major steps have been taken by the AI to enable market absorption regarding AI Reports™, including all major vendors having the forms available to their clients. However, asking the 2006 LDAC Participants for their opinion regarding *The Next Step* was too great an opportunity to pass by.

Questions for Discussion:

1. How / when do we partner with other users of appraisal services?
2. How do we get the users to request these forms?
3. Who/what is the AI's competition regarding AI Reports™?
4. Is there a trend in the commercial arena to move toward standardized formats?
5. If yes, what are some proactive steps the AI can take to serve its members?
6. Would you appreciate the AI negotiating on your behalf regarding standardized formats? If so, how?

2006 Recommendations:

Residential:

In general, there was widespread misunderstanding regarding the potential misuse of the revised URAR for non-mortgage transactions. Several suggestions were recommended to remedy this problem. These include:

1. Chapter-level seminars regarding AI Reports™ & the new revised Fannie Mae reports
2. Inviting users of appraisal services (CPAs, insurance companies, lawyers, ABA, etc.) to attend forums hosted by local AI Chapters regarding AI Reports™
3. Include AI Reports™ in every AI class/seminar education packet
4. Run ads in various trade publications
5. Team with other educators in the appraisal industry to educate regarding the potential misuses of the revised URAR and include AI Reports™ in their packets
6. Team with state licensing boards to ensure the information regarding the potential misuse of the revised Fannie Mae forms is included in their newsletters.

Commercial:

Although there was a general consensus acknowledging a trend toward standardized formats, a very strong resistance to them was also acknowledged. At the end of the day, however, there was an apparent consensus that the AI needs to take the initiative to open dialogue with users of commercial appraisals to ensure a flexible standardized format.

It is clear that LDAC Participants want the Appraisal Institute to continue taking steps towards greater exposure of the AI Reports™ to our clients and end users of appraisal services. Including education of the availability of the reports to AI members and the greater appraiser population, as well as educational venues for our clients to learn more about the opportunities/uses the AI Reports™ can afford them. Additionally, a partnership with state regulators would be beneficial to ensure that potential misuse of the new URAR form is understood by both appraisers and market participants. Lastly, Participants note that there needs to be some preliminary considerations of a similar commercial-oriented form for the beginning trend of standardization within the industry.

Topic: The Appraisal Institute and State Regulators: Can a partnership exist?

Submitted by: Craig S. Benton, MAI

The Appraisal Institute is considered to be the leader in the appraisal industry, with the most members of all of the appraisal organizations. As a result, we have the responsibility to take the lead in determining if working closely with state regulators would result in positive changes for the appraisal industry and state regulators. State regulators enforce education and experience requirements, in addition to other licensing issues.

The Association of Appraisal Regulatory Officers (AARO) is a group of state regulators (many of whom are appraisers) that works together to find out what procedures work and how they can be

streamlined and implemented throughout the country. This group is committed "...to improve the administration and enforcement of real estate appraisal laws in member jurisdictions."

State regulatory boards base their actions on the minimum requirements set by the Appraiser Qualifications Board (AQB) as well as state legislatures, who establish laws containing appraisal requirements, etc. Based on the federal guidelines set down in 1991, some state boards are reluctant to work with the Appraisal Institute for fear of being aligned with one group while others work closely with local AI Chapters, using our expertise whenever possible.

Recommendations

The Appraisal Institute should:

1. Support AARO through sponsorships and possibly joint meetings.
2. Work closely with state appraiser coalitions and help to set them up in states that do not currently have them.
3. Encourage local Chapters to get state regulators to meetings and get local appraisers/Chapters to lobby with state coalitions and individually. Some ideas for lobbying would be making sure appraisal licensing fees stay in the appraisal division, approval of AQB-CAP, etc.
4. Work with all appraisal organizations (and non-affiliated appraisers) to create a policy and procedure manual for training of appraisal regulators and for enforcement and investigation.
5. Work toward creating education and certification minimums for state investigators and regulators.
6. Expand the Federal Registry and work toward changing state laws so that states can use it more effectively.
7. Create a paid position to liaison with state real estate appraiser boards. This job would include creating and maintaining a "matrix" of state requirements including education, experience, fees, renewal cycles, online education acceptability, etc. This matrix could be provided to all appraisers as a service of the Appraisal Institute (for marketing purposes).
8. Offer services to state boards like review of cases or help with investigations (market data, etc). For states concerned with "alignment" issues, look to the IAAO for guidance on how to make this work.

In conclusion, this group recommends that the AI begin looking for and fostering opportunities to work closely with our state regulators in the form of coalitions and sponsorships. Additionally, a lead needs to be taken to help the appraisal industry set standards and minimum requirements for the training and enforcement activities of our state regulators/investigators and to assist our state regulatory agencies with legislative tasks and a stronger state coalition for possible streamlining.