

2008 Leadership Development & Advisory Council (LDAC)

April 23-25, 2008

Washington, DC

The Leadership Development and Advisory Council (LDAC) met this past spring in Washington, DC. This annual Appraisal Institute program is attended by participants identified as future leaders of their chapters and regions, and at the national level of the Appraisal Institute. LDAC is a forum that fosters leadership skills by allowing participants to engage in active discussions of the four topics chosen by the Discussion Leaders. These topics are suggested by the participants and are comprised of current issues within the AI and the appraisal profession as a whole. The recommendations of the Council are conveyed below and are ultimately provided to the national Strategic Planning Committee for future consideration.

For 2008, the four topics were: "What is Your Designation Worth?" presented by Brent Christierson; "Government Enforcement of Existing Standards and Appraisal Guidelines" presented by Ami Milne-Allen, SRA; "Innovation in Education – Let's Take the Appraisal Institute to the Next Level" presented by Bonnie Longo, MAI; and "Capitalizing on Leadership Development and Advisory Council" presented by Shauna Elmer.

These topics were discussed in a rotating round table format in which each participant attended each session with a group of about 25 others. In a survey completed after LDAC, participants indicated they enjoyed this format and were appreciative of the ability to contribute their ideas. Personal discussions with various members of the council indicated they were excited to be a part of a group whose ideas would be heard at the national level.

This year's Council was attended by our national leaders including Jim Amarin, Wayne Pugh, Leslie Sellers, and Terry Dunkin, and the Appraisal Institute CEO, Fred Grubbe. Many of our national leaders talked directly with participants and took part in some of the discussion. We are always appreciative of the support we receive from our leaders at this event. This type of direct access for our members helps significantly to foster a leadership spirit among our participants and shows them the level of commitment Appraisal Institute has to this event.

Our reason for locating LDAC in Washington, DC is in order for the Council to serve as a grass roots lobbying effort for appraisal issues on Capitol Hill. Our DC office, staffed by Bill Garber and Brian Rodgers, work hard for our issues every day. We are their voices on the Hill. This year, there are many different mortgage fraud bills coming to the floor to be debated. We were in support of several of these bills as they provide protection for appraisers in many cases. Additionally, we talked about the problem of appraiser bonding and what it would do to the residential appraisal business.

As an LDAC alum, I have enjoyed my time spent with this event. It does not happen by itself, but is truly one of the best events the Appraisal Institute has to offer. I encourage everyone reading this to try and attend LDAC at least once, so you too can see the benefits generated by your participation. I would like to thank our national leadership, Jake Knight, my Vice Chair (and Chair for 2009), and my discussion leaders for making this event so successful. And I would especially like to thank Anna Bray, for stepping in at the last minute, and making this event work out in such a great way!

Craig Benton, MAI

2008 Chair, Leadership Development & Advisory Council

What is Your Designation Worth? By Brent Christerson

“What is your designation worth?” is a bit of an ambiguous question. It covers a large area and can have different meanings to different people. For instance, for the person on the “path to designation” it can mean many requirements to fulfill, but with a light at the end of the tunnel, and hopefully a pot of gold too. To the designated person, it represents the value of the designation and the benefits that come with designated membership. To the person who is not even an appraiser yet, he or she may not even know what a designation is. All of these views and people were represented at this year’s 2008 Leadership Development and Advisory Council (LDAC). As such, the topic can be broken down into four main areas; getting people into the profession, getting people on the path to designation, getting people designated, and finally designated members.

Getting People into the Profession

LDACers indicated that there are generally two kinds of people who enter the appraisal profession. The first is the young person who somehow comes into contact with an appraiser or the profession. The second is a middle-aged person who is looking for a new career and decides they desire to be an appraiser. Interestingly, LDACers agreed that the second, middle-aged, person entering the profession often has a very different outlook on entering the profession and generally will do “whatever it takes” to become an appraiser. That is, somehow they have already bought into the profession and its benefits and no “selling” of the profession is required. However, participants also agreed the current young generation, Generation Y, may not know and/or understand what it is to be an appraiser.

Given recent changes to AQB requirements with regards to the amount of education and kind of education required to become an appraiser, the Appraisal Institute should ensure that Generation Y gets involved in the appraisal profession. There needs to be a “compelling reason” for entering the profession. Generation Y is the “show me” generation and they need to see the carrot on the end of the stick to understand where they are going and that there is something there for them when they achieve designation. As such, a marketing campaign aimed at the new or potential appraisers needs to be established. Promotional materials at either the Chapter and/or Regional level need to be developed by national and dispersed to the Chapters and/or Regions.

It is incumbent on the Chapters to then reach out to new or potential appraisers, especially at the universities. Auburn University has an internship program which is led and operated by the local Appraisal Institute chapter. This program reaches out to students early in their college education, when they are sophomores or juniors, when they are deciding on their career choices. It is critical to understand this, as very few kids grow up saying, “I want to be an appraiser”? It is at this point that we need to reach potential aspiring appraisers. They need to be educated on what an appraiser does, how to do it, and what the benefits and down sides are to being an appraiser.

By reaching students early, the internship program can guide them in the classes that are relevant and may additionally count toward state licensing. The benefit of this is twofold; the student gets the education they need to become an appraiser and the appraisal company for which the student will work is provided a job candidate with a skill set necessary for the job.

Participants would also like to see college courses have partial or full credit toward state licensing. While LDACers understand this is a states issue (i.e. each state decides), any help National can provide to encourage and motivate each state to move in this direction would be a positive step.

There are three things which must be recognized to make a university internship program work. First, the internship program must be led and operated by the local chapter. It does not work if it is led and operated by the university; it quickly loses focus and direction and is drowned out by competing interests. This means the program will require local chapter membership involvement. Secondly, the internship

needs to be paid. As a paid internship, both the employer and the intern are placing value on the internship. The employer, by paying, is saying the intern is providing a service which is valuable to the company and the industry. The intern, by being paid, understands they must show up at the prescribed times (like a normal job) and not when it is convenient for them. Lastly, there needs to be job placement at the end of the internship. If we are going to educate people to become appraisers (rather than some other profession) and we are going to have them be interns in the profession while they are attending college, then it follows, we need to be able to provide jobs for them when they graduate.

LDACers also realized that Generation Y will come and go and be replaced by a new generation with its unique wants and needs. Participants recommended that generation training (i.e. understanding Generation Y for example) become a part of diversity training for future chapter leadership. LDACers complained about older chapter members being part of the “old boys club” and not wanting to get outside themselves and their group of friends that they have known for 20+ years. Participants desire National to positively influence chapters dominated by older chapter members to diversify.

Getting People on the Path to Designation

Just as there needs to be a “compelling reason” to become an appraiser, there also needs to be a “compelling reason” for entering the “path to designation”. State licensure has blurred the lines between a minimum bar (state licensing) and an advanced degree (designation). LDACers agreed that a large number of “users of appraisal services” do not understand the difference between the two. As such, young appraisers are apathetic to entering the process, indicating what is the benefit if the market does not recognize the difference? Participants indicated that a branding which builds value (not just a marketing campaign) needs to take place that describes the differences between state licensed appraisers and designated appraisers. This branding needs to be developed at the national level and directed at the users of appraisal services. LDACers realized this has been started (in the form of a marketing campaign), but indicated it needs to be more educational on the differences and not just a promotional piece on the Institute.

The research done by National with regards to the differing income levels between designated, non-designated, and non-affiliated appraisers was well received by LDACers. They desire to see more of it (i.e. more detail and updated versions) and have it widely distributed to the membership. LDACers see this as an essential selling tool to all levels of appraisers. Some commented that this one piece of paper was worth their entire trip to LDAC.

Mentoring needs to be re-established for new people entering the profession. There may need to be an incentive offered to get designated people to mentor.

LDACers were not aware that national has compiled a list of colleges offering degrees in real estate on the national website. This needs to become common knowledge not only for institute members, but appraisers in general, and more specifically those looking to enter the profession.

Getting People Designated

Most would think that getting people designated revolves around four main areas; education, experience review, the comprehensive exam, and the demonstration report. However, no criticism surfaced with regards to experience review and only one comment was made with regards to the comprehensive exam which was that a national review course should be developed. Areas of concern surrounded education and an overwhelming amount of concern was directed at the demonstration report.

Education

LDACers would like to see a consolidation of classes as much as is possible. Participants are aware of the recent AQB requirements which expanded education but where possible, consolidation of education should take place. This comment was not restricted to people on the designation path, but applied to all levels of education [qualifying, licensing, designation, and continuing education (both state and AI)]. LDACers suggested “packaged” education consisting of two or three courses offered in succession with

time frames between each class as little as a week and as long as month (i.e. one course after the other) offered by national, the region or a single chapter with one fee (possibly a reduced fee for committing to attend two or all three). Payment plans were also suggested along with exploration of other financing options, especially in the “packaged” format. It was pointed out that trade schools and colleges alike offer student financing and the question was raised, why can't AI?

Demonstration Report

Again, the major source of concern surrounding the designation process was with regards to the demonstration report. Some attendees suggested getting rid of the demo all together. SRA members and MAI members alike did not agree with getting rid of the demo. Some designated members indicated they learned more from doing their demonstration report than they had from all their classes, experience and the comprehensive exam. Common concerns were that it takes too much time to do the demo and property selection is a problem. Multiple suggestions were made to develop a hybrid demonstration report, not unlike the new SRA demonstration report. In addition a structured demo process with regular (i.e. weekly, monthly, and/or quarterly) mentoring by a designated member or better yet an actual demonstration report grader was also suggested. LDACers agreed changes to the MAI track demonstration report need to be made, but most are divided over exactly how to achieve this.

SRA Designation

The recent changes regarding the SRA designation were well received by the LDACers. The Appraisal Institute needs to brand the SRA designation as “a sets you apart from the crowd” of state licensed residential appraisers. There needs to be selling of the difference between state licensed residential appraisers and SRA designated appraisers not only to the “users of appraisal services” by also to the residential appraisers. Participants indicated that reduction of the membership dues for SRAs would likely increase the number of SRAs.

In General

Procrastination, fear of failure, and the perception of the “monster task” were identified as reasons why people get bogged down in the process of designation and/or do not complete the process at all.

Secondly, mentoring needs to be re-established for new people entering the profession as well as continued thru the designation process. There may need to be an incentive offered to get designated people to mentor. The Appraisal Institute will need to address how mentoring is made practical for both the mentor and the mentored.

Thirdly, the Associate Guidance Chair of each chapter should be identifying the “last steps people” to do everything in their power to get these people designated. A number of participants indicated this is not always happening in each chapter.

Lastly but most importantly, time was identified as the most important factor to moving along the process. Any ways of reducing time from processes; be it education, the comp, and/or the demo will move more people through the “path” process faster and should be implemented.

Designated Members

You Are Designated – Now What? Overwhelmingly, LDACers indicated that the major benefits of designation beyond the monetary reward were the education discounts, the professionalism of the organization and its perception as such in our communities, that it is recognized by some as a standard above state licensing and provides a great deal of credibility in providing appraisal services.

Benefits need to continue to be developed, creating a greater degree of separation between licensed state appraisers and the designated members, therein by creating greater value. Participants suggested a discount on errors and omission insurance for designated members and continued education discounts (including a heavily discounted or free USPAP class for paid in full members).

LDACers, undesignated and designated alike, feel designated members need to have “quality work reviews” and be tested on continuing education credit. This would continue to give credibility to the designations and entice others to pursue designation.

In Closing

The Appraisal Institute needs to define how it is going to motivate people to move along the “path to designation” process. If the desire of AI is to move as many people as possible to designation, it would follow that a very large amount of motivation (i.e. time, resources, and money) should be expended to get people through the process. There was a clear understanding among LDACers that the Appraisal Institute does desire more membership. However, most LDACers do not see the Appraisal Institute putting forth a motivation large enough to move people through the process.

Government Enforcement of Existing Standards and Appraisal Guidelines

By Ami Milne-Allen, SRA

This topic was broken out into several categories. The first was “The Appraisal Institute and Government Leaders: How and when do they interact – or better ways to engage the two.” The summary of responses regarding the sub topics under this category follow. First, look to create professional coalitions in states and have the Appraisal Institute be the voice. Second, strengthen the Government Chair position on local Boards. Have this individual bring back current issues to local chapters. Third, offer continuing education credit for attending State Board meetings. Fourth, look into holding Appraisal Institute National conferences along with or just before AARO conferences, this may help to increase attendance as well. Fifth, have Appraisal Institute members/chapters on both the local and national level offer services to State Boards to help with regulation. Sixth, have the Appraisal Institute be more involved and more of a voice at national regulatory meetings. Seventh, have the Appraisal Institute fund local lobbyists. Eighth, have the Appraisal Institute get out and be a VOICE. Do more CNN interviews on local mortgage crisis, pending legislation etc... Ninth, have the Appraisal Institute on the National level offer expert testimony. Lastly, have the Appraisal Institute provide “Best Practices” documents for lenders – such as address current issues like appraising in declining markets.

The second topic was “Best Practices versus Minimum Standards”, which resulted in a discussion focused around Appraisal Institute designations. The conclusions were as follows. First, SRA members may not be well recognized due to the fact that there may not be enough SRA members to make it a viable option for most lenders to use SRA members on a consistent basis. Second, MAI designations should have more requirements than the Certified General License. Third, the Appraisal Institute needs to mandate what courses are required to become continuing education completed.. Exams were also discussed as something that should be used along with continuing education. Fourth, the Appraisal Institute needs to raise awareness that it does accept and deal with complaints about designated members. It was also discussed that the MAI Comp Exam may need to be updated. Additionally, a voluntary work sample review should be considered for designated members.

The third topic was “What is the impact of the 2008 AQB criteria on the appraisal profession”. This led to discussion about the confusion regarding reciprocity among states. Some thought this, along with the failure of states to regulate effectively, would lead to a potential for National licensing.

The last topic covered was “Supervision of Trainees – should the ASC/AQB be involved”. The first recommendation from this was that the Appraisal Institute should take a lead in education in this area. It was thought that the Appraisal Institute should develop a supervisor/trainee program with the AQB and create an “accredited” supervisory program. This program should be broken out between residential and commercial. It was thought that the Appraisal Institute does not provide adequate supervisor training. Another recommendation was that the Appraisal Institute should develop a team of professional trainers and that the Appraisal Institute should promote internships with Appraisal Institute members. Lastly, the Appraisal Institute should affiliate and work with the AQB to develop University Education and Supervisor/Trainee criteria.

Innovation in Education—Let's Take AI to the Next Level

By Bonnie L. Longo, MAI

The various facets of education were explored to reveal how the Appraisal Institute could be innovative and take education to another level. Components of education discussed included types of education, format of delivery, topics, costs, and location.

Recommendations that developed from the discussions were varied. Some of the recommendations could be implemented immediately, while others were more long-term potential projects.

To begin the innovation, discussion of short term goals that could be implemented quite painlessly included the following:

- Members desire release of results from their exams, similar to online courses.
- Within our member page on AI website, members would like a section tailored by their pre-described preferences for upcoming education.
- Coordination of education on a regional basis is something that is already put into practice; however, some regions are having problems with cooperation of chapters and it has not been effective. There appears to be competition amongst chapters and we need to remember and promote that we are a team.

Other ideas that we believed may be more of a long term process and potentially the Appraisal Institute could engage a Project Team to explore included the following:

- Hybrid or blending of online education with classroom education for larger courses including Certificate Programs. Ideas include having a certain number of days to take a course on line and then meet in classroom at the end of the allotted time for finalization or an exam for the course. The thought was to blend convenience of online education with the needed comradeship of the classroom.
- Suggestion to look at the University of Phoenix's business model for "Distance Education" and extend our partnerships with universities.
- The most widely discussed recommendation throughout all of the sessions was the need for the national organization to share a portion of proceeds from online education with local chapters. The groups argued that if national were to "reward" the chapter for one of their members taking an online course or seminar that the chapters would in turn highly promote online education. On a chapter level, online education is considered highly competitive, since chapters rely heavily on education income to succeed. We should be working together instead of competing with each other in order to create a Win/Win situation for the Appraisal Institute as a whole. National would benefit from the local chapter marketing and promotion as well as the chapter having direct contact with members for upcoming online courses. Local chapters would benefit from the much needed income supplement to their diminishing education income.

Innovation is defined as the act of introducing something new; a new idea, method or device that creates a new dimension of performance. The Appraisal Institute already offers top notch education programs. While the thought of being innovative in education is not unusual, it is imperative that we stay on top of the fast-paced and continually evolving education demands of our industry. To do this, we need to create, consider and implement ideas repeatedly.

Capitalizing On Leadership Development & Advisory Council (LDAC)

By Shauna Elmer

Leadership Development and Advisory Committee (LDAC) has been demonstrated as one of the most successful models within the Appraisal Institute for the spawning of new ideas; problem solving; communication; and leadership development. Given the strengths of this program how can we, as individuals, Chapters and at a National level better Capitalize on LDAC?

As a discussion leader I was able to lead four separate discussion groups and was privileged to be able to see the incredible amount of enthusiasm, dedication and the wide variety of great ideas for improving the Appraisal Institute and our profession as a whole. These ideas and insights came from some of our most dynamic Appraisal Institute members of all ages, membership levels and from across the entire United States.

The following summarizes the four major areas of focus we discussed and the ideas and recommendations voiced by this year's 2008 LDAC participants.

Areas of Discussion / 2008 Recommendations

- **Publicizing/Recruiting** - Educating members on LDAC and attracting the most dedicated and dynamic individuals.
 - Have LDAC participants bring back to their Chapters the topics discussed, as well as write an article in their chapter newsletter for better exposure and understanding of what LDAC is.
 - Make a video/pamphlet about LDAC to be shared with all Chapters as well as new AI members and those newly designated.
 - Offer AI continuing education credit for those who attend LDAC.
- **Lobbying on Capitol Hill** - Making our lobbying efforts more productive/effective.
 - Get summarized information of issues out to participants before the start of LDAC.
 - Identify ranking members of a bill and then focus strongly on them.
 - Have three breakout training groups. This would help shorten the training time and focus on the needs according to experience of years attended.
 - Have detailed hand outs to give to the Congressmen and Senators. This will help them to understand and remember the specific needs of our industry.
- **Communication** - Closing the communication gap between LDAC attendees/AI members/Chapters and the Strategic Planning Committee.
 - Have the Vice Chair of LDAC become a permanent member on the Strategic Planning Committee. This would help LDAC leaders know the hot issues within Appraisal Institute as well as help to monitor and report back on the recommendations made at LDAC each year.
 - Start an LDAC blog. This will help past and future LDAC members spread information and answer questions.
 - Once the Discussion Leaders write up the recommendations from their discussions, make sure they are routed to the appropriate individuals and entities, including *Valuation* magazine, the Lum Library as well as the "Contribute Ideas" on the Appraisal Institute website: ideas@appraisalinstitute.org
 - Have Chapters as a whole, not just the LDAC participant, be more involved in submitting topic ideas.

- **Leadership Development** - Training and retention of motivated LDAC participants and moving them forward in leadership positions in their Chapter, Region and Nationally.
 - Add a half day leadership training session to LDAC to help prepare them as future leaders.
 - Have Strategic Planning Meeting coincide with LDAC so National committee member chairs can attend LDAC. This will help educate, recruit and move forward our LDAC members into leadership positions.
 - Start an LDAC Alumni group.
 - Encourage all LDAC members to go onto the AI website and fill out the Leadership Resource Registry.

In summary, as usual LDAC was a great success. The recommendations provided by participants have already been forwarded to current and future leadership of the organization. Information provided to the executive officers and Strategic Planning have been welcomed with hopeful enthusiasm.