

2005 Leadership Development & Advisory Council (LDAC)

**March 9 - 11, 2005
Washington, DC**

The Leadership Development & Advisory Council (LDAC) has served as a source of leadership training and education for the Appraisal Institute for over 35 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 2005, the issues discussed were: "Continuing Education – Can We Do It Better?" presented by Jody Bishop, III, MAI, SRA; "AI 20/20: Where Are We Heading?" presented by Tom Cowart, MAI; "Membership to the Max" presented by Chuck Crider, MAI; and "Professional Residential Appraiser: Where Does the Future Hold?" presented by Harmon Garrin, MAI, SRA.

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 2005 debates will be available for review in late April and will be presented by Tom Cowart, MAI, at the May 2005 national Strategic Planning Committee (SPC) meeting.

Under the guidance of Don Kelly, Bill Garber and Isabel Parker, the 2005 LDAC participants lobbied their legislators regarding legislation for responsible lending and the valuation of conservation and historic preservation easements. Immediately following our lobbying efforts, Rep. Bob Ney and Rep. Paul Kanjorski introduced The Responsible Lending Act (H.R. 1295), designed to eliminate predatory lending from the mortgage market. LDAC participants helped educate legislators about the important elements of this bill, prior to its introduction in the House, and provided the kind of support every legislator desires, i.e., that of the voting constituent. There is no more powerful voice in government

than that of the constituent. As a result, the annual lobbying activities of LDAC participants send a powerful message to our nation's lawmakers.

On behalf of the 2005 LDAC, I extend my deepest appreciation to the national board of directors for their recognition of the hard work and valuable recommendations provided by LDAC participants 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 Bruce Kellogg, MAI, President Elect Richard Powers, MAI, SRA, Vice-President Terry Dunkin, MAI, SRA and Immediate Past President Gary Taylor, MAI, SRA. The 2005 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 <http://www.appraisalinstitute.org/membership/events/LDAC.asp>

Kelli K. Kline, MAI
2005 Chair – Leadership Development Advisory Council

Topic: Continuing Education: Can We Do It Better?
Submitted by: Pledger M. Bishop III, MAI, SRA, Discussion Leader

The Appraisal Institute is the premier provider of real estate education in the industry. Education offerings include real estate appraisal courses as well as seminars. In an effort to keep up with changes in the industry, the Appraisal Institute has been routinely designing new courses and seminar offerings as well as refining existing courses and seminars.

For Associate members striving to earn a designation, successful completion of a course curriculum (qualifying education) is a requirement. Once a designation is earned, members must earn 100 hours of continuing education over a 5-year period and those hours can be achieved through attendance at courses and/or seminars. Most members, however, attend seminars for CE as they can be attended in a day and are less costly alternatives than courses, which are typically more than a single day.

However, as new courses have been added over the years and attendance at them (and/or passing those course examinations) has been a requirement for membership, a situation has arisen whereby many recently designated members have experienced a broader and more comprehensive education curriculum than some members who earned designations prior to changes in course curriculum. Also, as courses have been refined to reflect changes in theory, appraisal technique and technology, some members have not updated themselves on the most advanced education, theory and technology. Ironically, they train many associates and newly designated members.

New AQB requirements will exacerbate this gap in education and training and the Appraisal Institute is studying how to bridge the gap. While these members have a vast wealth of experience to offer to trainees and associates, how can AI ensure that they receive the most updated education available to them? Should attendance be required at certain courses once every 5 years? Should seminars be designed to address changes in curriculum? If travel and cost are an issue, how can AI deliver this more efficiently? Is this important for the future of AI?

Recommendations

1 – LDAC 2005 recommends implementation of a policy whereby every designated member is required to take a comprehensive review course as part of their 100 hours of continuing education cycle. This is envisioned to be a 15-hour offering (two 7-hour days with an exam).

For SRA members, the course should be a review of the current curriculum including Residential Highest and Best Use; Residential Market Study; and Residential Case Studies.

For MAI members, the course should be a review of current curriculum including Highest and Best Use and Fundamental Market Analysis; Sales Comparison Approach and Cost Approach; and Income Approach.

Each comprehensive review should be divided into four components with a test at the end of each section. Each component would focus on a particular subject (i.e. highest and best use). A

designated member failing to earn a passing grade on any section will be required to take a retest of that section and in the event a passing grade is not achieved on the retest, attendance at that course will be required.

This concept will expose every designated member to changes in theory and terminology and will allow them to understand what is being taught to associates they may be training or mentoring. Also, from a professional point of view, it will further cement the Appraisal Institute's claim to being the best-educated and most professional appraisal organization in the industry.

2 – Prior to governance restructuring, national meetings were the only means of networking on a national basis. Now that Governance restructuring has been implemented, the nature of the National meetings has changed and networking opportunities are fewer. Currently, there are 12 standing committees remaining that will continue to meet as well as the Board of Directors and project teams. The Board of Directors will be meeting 4 times a year and the meeting locations will be held at different locations throughout the year.

The recommendation from LDAC 2005 is that the Appraisal Institute host Conferences in conjunction with the Board of Director meetings. Several different educational opportunities should be offered at each Conference and those are to be a variety of 4-hour and 7-hour offerings. They should be independent of each other so an attendee will have the flexibility of taking as many or as few as he/she chooses.

It is important that the venue be attractive to potential attendees; that the education topics be timely and meaningful to appraisers as well as other professions and the general public; and that other professional organizations are contacted to either offer education or jointly host the conference. Vendors should be invited and there should be social events as well.

Since the Conferences will be held in conjunction with Board of Director meetings, each conferences will be offered in different geographic regions and if offered at a minimum of once or twice a year, each geographic region would benefit from this at least once every two or three years.

3 – The pressure on the Appraisal Institute to accept continuing education from outside organizations is increasing and online education is growing. Neither of those provides a forum for networking and classroom participation. In order to try and entice members to continue to take Appraisal Institute offerings on site, LDAC 2005 proposes that a system of vouchers be created for members taking such education.

A second recommendation would be to require that a certain percentage of the 100 hours of continuing education for designated members be taken at Appraisal Institute on-site offerings. As this is studied, the exact percentage of mandatory on-site education can be decided.

4 – Specialty designations have been studied by the Appraisal Institute and in past LDAC sessions. While that concept does not appear to be practical, a recommendation from LDAC 2005 is to create

curriculums for special property types. Each curriculum would be a series of courses/seminars for each special property type with a test at the end of each course/seminar.

As each course/seminar is completed, the attendee would then demonstrate experience by submitting appraisals of that specialty (work product) for review. Upon completion of the curriculum and demonstration of satisfactory work product experience, the attendee would be awarded a certification in that specialty.

This certification will not be a “specialty designation” nor will it be held out as designating that individual as an “expert”. It will, however, certify to potential clients that this individual has taken specialty education and demonstrated experience in appraising that special property type.

Topic: AI 20/20: Where Are We Heading?
Submitted by: Charles T. Cowart, MAI, Discussion Leader

Within our group discussions we first examined the vision statement from the Appraisal Institute's Long-Range Plan, as well as our mission statement. We discussed the national leadership's emphasis on education and streamlining in 2005, including Project 717 and the restructuring of approximately 70 committees down to approximately 12. The result is a reduction in bureaucracy and a leaner and more efficient organization.

Recognizing the broad nature of the topic, each of the four discussion groups began by considering the four following questions, then encouraged to discuss either these questions or any others that may apply...to think outside of the box.

Questions for Discussion:

1. Knowing our business environment will change, how do we plan for the future – what steps can we take to be proactive?
2. How can we build on our past successes, such as national recognition of Appraisal Institute designations, and our role as the leader in professional appraisal education?
3. What role should associate members play in our long-range planning, our future?
4. Will there be unification within the profession, and where are we going to be as far as a global profession?

Several examples of the effects due to changes in technology were discussed, as was the changing nature of the services industry. Examples included the possibility of review functions being performed overseas instead of out of state, similar to the computer industry's tech support functions. A common theme was the need to enhance demand for the SRA designation, but no concrete examples were offered.

It was almost always voiced that the effects of FIRREA have been detrimental, but it was generally agreed that it is now a fact of life and we must accept the good and bad consequences of this legislation.

2005 Recommendations:

1. Incorporate business and technology classes into the Appraisal Institute's curriculum.
2. Compile/publish a financial/statistical journal or newsletter, possibly in conjunction with another group or national firm, in order to enhance national exposure.
3. Bring non-Appraisal Institute appraisers into the fold by offering an alternative designation, prior to and in preparation for either the SRA or MAI.

4. Actively encourage users of appraisal services, such as reviewers, bankers accountants to attend our course offerings, perhaps through continuing education credit. As a flip side to this, allowing Appraisal Institute members to receive continuing education credit for course offerings from other groups such as the ABA, AICPA, etc.

Topic: Membership to the Max
Submitted by: Charles F. Crider MAI, Discussion Leader

The focus of this discussion was to identify the membership opportunities within the Appraisal Institute including how well we capitalize on those opportunities. Several different membership benefits were identified including, recognition by our peers, meetings, education and networking. As each of these areas were discussed it was revealed that on average approximately 20%-25% of designated members and associates actually attend meetings and an even smaller percentage participate through committees and project teams. This became the focal point of all four group discussions. Why don't people attend and participate in one of the universally agreed upon benefits? A variety of reasons were discussed including, not enough time, distance, not feeling welcome and the meetings are often perceived as uninteresting with little financial reward.

Four primary areas were discussed to solve some of the attendance /participation concerns. These areas first dealt with Associate members. While most chapters had a moderate Associate Guidance Committee, virtually all were being directed by designated members. The recommendation was presented to allow associates to manage, direct and elect a governing body to address individual associate concerns. This committee would nominate a liaison to the Chapter Board of Directors to express those concerns directly to the chapter leadership. This would serve several purposes including giving associates a more active role in leadership in the chapter, a direct link to recommendations for the associates and identifying future chapter leaders who are working toward a designation.

The second area discussed concluded distance as a primary concern. Several chapters were participating in sub chapter meetings and others were rotating meetings to different locations within the chapter geographic region to encourage attendance and participation. If only 20% - 25% were participating, it was thought that by rotating sites or having sub-chapters meetings, an additional amount of "more local" members would attend and would be more inclined to bring a guest/client/staff appraiser to those meetings. The convenience and less demanding time constraints would allow more involvement.

The next area dealt specifically with how do we address guest and new associates when they do arrive at a meeting. Much of the discussion dealt with a lack of "welcome" from the other designated or associate members. It was suggested that a Welcoming Tool Kit be developed to give the Public Relations Committee something to act upon when a guest comes to a chapter or national function. This tool kit might include specific steps for recognizing guest during the meeting, a follow up letter and personal phone call from the President of the Chapter. Finally, a follow up, just prior to the next meeting, personally inviting them back. It was suggested this be a primary function of the public relations committee in addition to inviting guest from client-based organizations.

The final recommendation dealt with encouraging existing members to attend and participate in chapter and national functions. The recommended solution here was to develop a Membership Card. This card would be similar to the points or miles that one would accrue on a credit card. This membership card would reward participation and attendance at meetings, educational offerings and

committee service. As a member attends meetings or participates in chapter functions the card would be credited points, which could be applied toward future education offerings or chapter dues. A different level of reward could be provided for the chair of a committee, or participation in a national function or project team. The reward card was perceived by the attendees as offering a reason for participating.

As always the discussion groups were lively and opinionated. Although several other recommendations were received, the ones mentioned above offered the best opportunity for immediate implementation at little or no cost.

Topic: Professional Residential Appraiser: What Does the Future hold?
Submitted by: Harmon Garrin, MAI, SRA, Discussion Leader

This topic has been of primary concern to the Appraisal Institute and its members for a considerable time. The unintended consequences of FIRREA and state certification have had a dramatic effect on the residential appraiser and SRA membership as well. The initial education and testing qualifications of the registered and certified appraiser are minimal, at best. Currently, approximately 90,000 appraisers hold various categories of licenses. Most of the licensees are the recipients of education provided by proprietary schools, and state testing by minimal examinations. Examination of applicants' experience, appraisal reports, or competency is insufficient, at best.

The result has been a shift in the use of residential appraisers from the designated and Appraisal Institute educated and trained professional to the least qualified. Mortgage appraisal work is sometimes given to those who are easily manipulated and lacking professional qualifications of all but the minimal standards. Certification has come to stand for "legally incompetent." The effect of this condition has had wide consequences, including a national epidemic of mortgage fraud.

Another effect has been the decline of the number of SRA members since state certification in 1991. Most of those associate members on the designation path did not complete the requirements for their SRA designations, and attrition has brought the membership down to approximately 2,800 SRAs. In each of the last few years, residential designations awarded are less than a handful.

The LDAC participants discussed agreed that several solutions are attainable, given the motivation and focus of our national leaders. They likewise felt that a first step has been taken by the AQB and ASB in the adoption of increased requirements to attain certification. They also agreed that the Appraisal Institute's Residential Appraisal Project Team (RAPT) and approval of very similar SRA requirements will help level the playing field, and even promote state certificated appraisers making the jump to Appraisal Institute membership.

The participants felt the first step should be Appraisal Institute efforts for FIRREA reform to correct the inequities, particularly in reference to the "Non-Discrimination" clause. They also recommended AI explore the feasibility of providing not just education, but also of training for residential appraisers. This would fill the void that currently exists with the lack of training by the now-defunct S&Ls and large appraisal firms. They agreed that no organization is as qualified as the AI to conduct the workshops and field exercises that could be developed.

The participants also want the AI to support the marketing of its members, both from a national and chapter platform. Further, the LDAC'ers desire its chapters to promote educational events, information exchange and meetings with related professional groups, such as national mortgage trade groups.

The participants said that the AI should continue to develop education regarding technology; and to develop university collaboration beyond the current affiliations. In the same regard, they felt that the AI should develop business development and diversification seminars, including other valuation methods, such as AVMs, etc.

The participants agreed that the AI should collaborate with consumer protection groups; and should communicate with and support state enforcement groups. While many AI members serve on state boards, they felt that greater local participation between the chapters and state regulatory officials would go a long way to improve the Appraisal Institute's position. They also expressed interest in the AI establishing active "Residential Client Advisory Council" both on a national and chapter level.

Finally, there was active discussion concerning a single designation, but with different specialties. This was a very spirited discussion with no consensus. The question was also raised whether participants felt there would ever be a time that designations ceased; and the answer was emphatically in the negative.

Most participants felt that the topic was an important one, which deserves continued discussion and analysis from our national leadership.