

2002 Leadership Development & Advisory Council (LDAC)

April 20-24, 2002

Washington, DC

Marriott Wardman Park Hotel

This spring the Appraisal Institute's Leadership Development and Advisory Council (LDAC) continued its two-fold mission of service to the organization. Formally known as Young Advisory Council, LDAC has been meeting for over 30 years to consider the most pressing issues affecting the industry, and to bring the opinions of members on pending legislation to Congress.

Rising leaders representing chapters from throughout the country conferred for four days in Washington, DC, and made recommendations to the Appraisal Institute Board of Directors on the following topics. The topics recognized the changing climate in which we operate and the need for the Appraisal Institute to constantly examine its role to ensure quality service to its members.

In addition, LDAC participants met with their local members of Congress to discuss:

- Appraiser Involvement in Mortgage Fraud
- Terrorism Insurance
- Predatory Lending
- Appraiser Coercion
- Mortgage Fraud

I wish to extend my personal gratitude to everyone involved for a job well done. LDAC continues to cultivate new leaders for the organization. I urge you to consider participating.

Thank you,
Larry J. Colorito, MAI, Chair

Topic: Appraisers as Agents of Political Change

Submitted By: John T. Bosworth, MAI, SRA

Appraisers have traditionally been considered a small player in real estate circles. Although it is clear that appraisers are impacted by regulations and standards, we are not, as a group, politically oriented. Responses to the question, “Why are we not more politically involved?” include lack of time, negative attitude, and lack of results. The discussion groups responded with a resounding “yes” to the question, “Should we become more politically active?”

How can this be done?

Recommendations

The Appraisal Institute encourages policies that enhance our political orientation and influence. More effort should be given to strengthening our presence at the state regulatory level. The Government Relations Committee (GRC) should be given more power to educate and inform our membership. Further, the GRC should work to educate and encourage members to become more politically oriented at *all* levels of government.

We, as appraisers, work to extend the scope of our mindset beyond our analytical world. The Appraisal Institute should implement strategies to create an attitude shift among its members in an effort to become more proactive toward political change. This shift must be manifested throughout the entire structure of the Appraisal Institute.

The Appraisal Institute encourages the formation of grass roots level, statewide appraiser coalitions. With guidance from the GRC, state chapters could work alone or with other organizations to monitor regulations and, when necessary, act upon issues that impact our industry. For example, a coalition would inform members of pending legislation and provide recommendations to the regulating body. These recommendations could be by the leadership of the coalition or by letter writing/phone call/e-mail campaigns. Coalitions could also raise funds to hire lobbyists, as several states have already done.

The Educational Programs and Publications Committee consider ways to train current and future appraisers on becoming more politically minded.

The Appraisal Institute incorporate community involvement into the expectations of designated, associate and affiliate members. For example, volunteer for local planning and/or zoning boards. Encourage members to get involved in local politics.

Repair or re-work on the structure of the Government Relations Committee be conducted. The Government Relations Committee should have stronger influence on state chapters.

The Appraisal Institute demand that state chapters enforce their by-laws, which require that there be a government relations representative in place.

The Appraisal Institute consider using LDAC alumni, who have some experience in lobbying and government structure, as a potential resource for their government relations efforts at both state and federal levels.

The Washington, D.C. office of the Appraisal Institute should help re-structure the Government Relations Committee to become more effective. For example, the Appraisal Institute's position on certain legislation should be passed down through the regions, then to the local chapters. A familiar local representative should deliver the message and encourage members to act.

The Appraisal Institute mandate individual chapters from each state to form a Legislative Review Committee to address issues that impact our industry. For example, this committee would monitor issues at the state level and mobilize when necessary. The Washington, D.C. office could construct the framework for this Legislative Review Committee.

In Conclusion

The mindset of appraisers must be changed in order for us to become more aware of and oriented toward legislation and regulations that impact the industry. We need to be trained from the beginning. We need to be constantly reminded of the importance of legislation that impacts our industry. Much of the structure needed to effect change is already in place within the framework of the Appraisal Institute. Strengthening the various parts of this structure should result in a more effective political change mechanism.

Topic: Brand Recognition

Submitted By: David R. Dominy, MAI

Each of the four discussion groups was unanimous in one decision, your Brand is important. Specifically, the Brand represented by the MAI, SRPA, and SRA designations is important in defining who we are within the appraisal industry.

Overview

Within our discussion groups we determined that there are a number of elements that lend credibility to our Brand. It is conclusive that the Appraisal Institute's educational programs are the preeminent educational programs offered for our industry. These courses are utilized by practitioners as well as users for our services. Another area in which the Appraisal Institute excels in is publications. This includes publications of *The Appraisal of Real Estate*, *Valuation In Litigation*, specialty evaluation publications, *The Appraisal Journal* and *The Appraisal Institute Directory of Members*. It was also deemed that our Code of Professional Ethics is one of the elements that helps set us apart in establishing the Brand of the Appraisal Institute. The Appraisal Institute's affiliation with LoopNet was also determined to be a positive step toward obtaining and building the credibility of our Brand. Finally, the discussion groups determined from a public perspective the experience requirements necessary to obtain the MAI or SRA designations is perceived to equal expertise in the respective realms.

As a service company there are a number of characteristics that we need to incorporate to insure the reliance of our Brand. These characteristics include dependability, quality, level of service, recognition

of the appropriate target market and consistency. The dependability characteristic is one of the most primary characteristics necessary to a successful Brand. In supporting and expanding our Brand recognition we determine that appraisers need not only write a consistent quality report, but must do so in a timely manner to insure reliance by the client. Quality and level of service are closely tied with the dependability characteristic. In a discussion centered on 'do we bring our competition to a higher standard along with us,' we experienced a mixed result. This discussion considered standardized report formats which would insure certain minimal criteria were met by holders of the designations. Under the positive concept of standardized reporting, the end result would be greater credibility lent to our organization and designations and ultimately more work for our members overall. Again, there was some divisiveness on this issue.

Recommendations

In conclusion, the discussion groups had a number of recommendations that we and the Appraisal Institute can do to support and expand our Brand. The first recommendation involves continuing to be the education leader in the real estate industry. Within this it was recommended that special rates be offered to encourage the users of our appraisal reports to take the various appraisal courses. Through quality instructors, the enlightenment regarding our services and association with the Appraisal Institute's members, it was determined this would build up the overall impression of the Appraisal Institute. The second recommendation revolved around the Appraisal Institute's publications. It was recommended that the Appraisal Institute's, *The Appraisal of Real Estate*, and similar materials be made available to end users via direct mail solicitation. This could be directed to lenders, attorneys and other users of appraisal services. With these publications, it was also recommended that a hard copy of *The Appraisal Institute Directory of Members* continue in print. Distribution could be realized by sending out request cards to users of appraisal services allowing for a free directory. The third recommendation is quite simply to continue to be a leader on the international level. The Appraisal Institute has been very successful in leading the way for the development educational programs internationally. Education of the public as to our peer review process was determined to be another important element in supporting our Brand. What the public knows of our self-policing currently leads to the perception of higher quality. It was determined that the Appraisal Institute needs to promote a grass roots marketing effort. Specifically, this involves educating the membership on how to promote our Brand.

The Appraisal Institute should study use of the AI logo for each appraisal report in which an Appraisal Institute member participates. Furthermore, an explanation of the Appraisal Institute and Appraisal Institute's designations could be included within the Addenda section of each such report. This will provide another opportunity to reinforce the BRAND in each and every appraisal report.

Within one of the groups we are given an example of UPS. Although brown may not be the most dynamic color, it is the company policy that all UPS trucks are regularly washed. In other words, you won't see too many dirty brown trucks running around your town. The company's success is not built on the color, but is built on characteristics such as consistency, quality, dependability and service. We at the Appraisal Institute need to keep our trucks clean.

Topic: Appraisal Institute: A Structural Inspection

Submitted By: Debbie Huber, SRA

The purpose of these discussions was to analyze how the Appraisal Institute can best support its members by way of its organizational structure, and what improvements could be made to the structure of the organization (if any) in order to accomplish our goals.

All four of the focus groups agreed that the best things we are doing to accomplish our goals as an organization are: We provide superior education, superior publications, and we are recognized as the global authority in providing real estate solutions (amongst our peers).

Our worst problems as an organization are that it is difficult to attract new membership, motivate existing membership to become involved, and it takes too long to achieve our designations. Another issue is a perceived lack of marketing to the public and to potential/existing clients about who we are, what the designations are, and why they should use our services.

Of the four focus groups, three agreed that structural adjustments should be made to the organization, and an outside consultant should be contracted to re-organize our structure. It was agreed that we are experts at valuation, not organizational structure. The fourth group did not feel that re-organization was necessary. Summarizing the findings of the four groups, our recommendations are as follows:

- Hire an outside consultant to assist us in re-organizing the structure
- Cut the number of directors on the board
- Consolidate some of the committees such as Public Relations and Membership Development that have some overlapping duties. Another area for consolidation may be to combine the committees from the general and residential disciplines as there may be a lot of duplication in these two areas
- Possibly re-organize the regions and explore the option of teleconferencing one of the two regional meetings each year
- Subsidize the dues of new members for a period of one to two years by raising the dues of existing designated members
- Lower dues of members who serve on committees
- Aggressively work to get our courses and seminars approved for continuing education credits for other real estate disciplines (i.e. Realtor's)
- Aggressively market our organization and offerings at more universities and colleges
- Rewrite our level II courses to update them, and offer more seminars on topics about business management

- Create an Appraisal Institute Credit Union for members as an additional benefit of membership

Topic: Appraisal Institute: Do We Go It Alone?

Submitted By: Leland B. Trice, SRA

There are significant issues before both the Appraisal Institute as an appraisal organization and the appraisal industry itself. During this discussion topic, the main issues addressed were: clout, membership, financial strength, and licensing/certification.

Since consolidation is being considered, the focus of my topic was whether the Appraisal Institute would be better served by confronting the aforementioned problems alone with a renewed vigor and a modified strategy, or should consolidation or strategic alliances be considered a more viable means towards solutions.

The opinions of the participants changed with every group. Polls taken before and after the discussions demonstrated that the initial instincts were to avoid consolidation and try to better our position within the framework of the Appraisal Institute. However, each group evolved into the position that consolidation would be the best opportunity to achieve the clout and financial strength necessary to effect significant change in our industry. Strategic Alliances, other than with an international organization, were deemed to offer not enough increase in clout to enhance our position.

A *primary* concern was preserving the integrity of the organization and its designations. How can an organization achieve membership representing the vast majority of appraisers without diluting prestige? The consensus was to establish an entry level designation common to all disciplines. This designation would require fulfillment of criteria similar to licensing/certification. Furthermore, membership fees must be low enough to encourage others to join. This would provide the stimulus needed for rank and file appraisers to seek membership in a pre-eminent organization. It would preserve, however, the criteria and prestige associated with existing designations, such as the MAI, SRPA and SRA. This strategy was deemed low risk since appraisers already have felt the effects licensing/certification created by establishing lower requirements for appraising.

While there was strong consensus that multiple disciplines should be established under one valuation umbrella, there was also consistent concern about including personal property (other than perhaps machinery and equipment) as it may have too little in common with the other disciplines and create some confusion amongst the public. Also, there was consistent sentiment, if not consensus, that consolidation should be undertaken with other disciplines, but that the Appraisal Institute may prove to be the vehicle through which the umbrella is created. This may allow the benefits of an umbrella organization to be realized without eliminating the Appraisal Institute brand.

Finally, each group emphasized that one highly desirable end result would be to create an organization broad enough and with enough market presence to lobby congress for self control and reclaim the role of licensing and certification from the states.