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Appraisal Practices Board: A lever for change?

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At the end of 2009, The Appraisal Foundation (TAF) announced the creation of a third independent board, the Appraisal Practices Board (APB). The new board would be similar in structure and composition to the existing Appraiser Qualifications Board (AQB) and the Appraisal Standards Board (ASB). The new Board was created as a result of action taken in 2009 by The Foundation's Board of Trustees, where a Task Force was established to study the issue of how to best address a "void in the marketplace related to guidance on appraisal methods and techniques."

The purpose of this third board is to issue voluntary timely guidance to appraisers on emerging valuation issues in all valuation disciplines, not just real estate to assist appraisers, appraiser regulators and educators. According to The Foundation's press release, the Board will enlist the help of appraisers and users through market surveys to identify issues needing to be addressed. The Board will empanel small groups of volunteer Subject Matter Experts (SMEs) to draft guidance for the Board's review and approval.

The Foundation states that the "need for this type of guidance was underscored with the onset of the declining real estate market." The press release goes on to say that "because a majority of state licensed and certified real estate appraisers do not belong to a professional society, they had limited access to guidance."

I find this event to be most interesting and somewhat revealing about the true state of things. My first reaction was, "do we really need yet another Board?" Consider the following.

The Appraisal Foundation was developed as a non-profit educational organization. Included among the sponsors of The Foundation were the professional appraisal organizations which provided the bulk of education to appraisers industry for many years. The Foundation was happy enough having USPAP.

As a result of many factors, not the least of which was licensing, membership in professional appraisal organizations has declined along with their guidance in terms of appraisal methodology and best practices, areas on which Foundation boards avoided trespassing.

Increasingly, appraisers do not choose (or can afford to) belong to appraisal organizations. Particularly among residential practitioners, appraisers seek education at the lowest cost often at the expense of quality. On line education is increasingly popular and the face-to-face experience, while considered worthwhile, is often sacrificed for convenience and cost.

Appraisers are not getting the invaluable relationships through membership organizations. Similarly, high quality face-to-face education, once considered an essential part of the education of an appraiser, has declined.

The influx of ill trained appraiser during the "boom" and the current state of appraisers poorly equipped to analyze the complex market conditions of the "bust" prompted The Foundation to add an additional function, pouring over into what was the organizations' bailiwick, by creating the

Appraisal Practices Board. Expect to see The Foundation get more involved in education than it already is. Due to 2008 Criteria Changes, the AQB is deeply involved in course approvals, both face-to-face and on line. The Foundation gets strong control over educational content, providers, and the direction of appraisal education, an area that states traditionally held control.

In retrospect, increasing Foundation involvement was inevitable, in retrospect. Is this the lever this forlorn industry needs to effect positive change? Given other fundamental changes such as HVCC, what will the industry look like five years from now?

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