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The value of a professional residential real estate designation

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For the past two years, residential real estate appraisers have been taking a beating in the United States. With residential markets around the country typically experiencing declines in value, competent and experienced residential appraisers, who are just reporting the facts of value, have been dealing with adverse and negative comments in a manner never experienced before in our industry. Comments from homeowners who are dissatisfied when they find out the truth of the market decline, concerns from real estate brokers that an appraiser may not know the market area in which their property is selling, inferences in media articles that the unscrupulous business practices of a few are common throughout the profession, and statements in blogs by those who just do not understand the appraisal process, have been very discouraging to professional residential real estate appraisers.

Fortunately, membership in the Appraisal Institute offers social, informational and academic support that helps keep the art of appraising in a professional perspective. Current statistics indicate that 25% of all licensed or certified appraisers within the country are members of the Appraisal Institute. Consequently, as emphasized at the annual Leadership Training Seminar held in Chicago this past month, the Appraisal Institute has taken a very active and successful roll in educating those involved in recent appraisal legislation on both state and national levels.

During the past two years, several states around the country have enhanced existing statutes or passed new legislation to create more independence for the professional real estate appraiser. Connecticut is no exception. On July 1, 2008, Section 82 of Public Act No. 08-176 (Substitute House Bill No. 5577) became effective. This section of PA08-176 states that those involved in the real estate industry "shall not influence residential real estate appraisals". Most other states have similar laws that even go further to distinguish that threats (such as withholding payment), promises (such as promising additional assignments), or trying to influence the appraiser's judgment are illegal. Though these changes are welcomed by the real estate industry, despite the laws, the appraiser still needs to remain ACCOUNTABLE.

One major means of staying accountable is by achieving the SRA designation from the Appraisal Institute. Members define the SRA as a "professional membership designation held by real estate solution providers who are experienced in the analysis and valuation of residential real property". Though many often site the costs of achieving the designation as an excuse to forgo this goal, those who have recently obtained the SRA designation often find that the additional opportunities that become available more than offset the cost - often providing a return within a very short period of time. Once achieved, the continuing education requirements to maintain the SRA designation provide a great support system to remain accountable through an appraiser's carrier.

So what is involved in getting the SRA designation? Essentially, it is a five part process. The first part is simply passing the 15 Hour National USPAP Course / Exam and the Appraisal Institute's

Business Practices and Ethics Course, as well as being a Residential Associate Member in good standing and having "good moral character".

The second part requires passing the following courses:

- * Basic Appraisal Principles (required for state certification)
- * Basic Appraisal Procedures (required for state certification)
- * Residential Market Analysis & Highest and Best Use
- * Residential Sales Comparison & Income Approaches
- * Residential Site Valuation & Cost Approach
- * Residential Report Writing & Case Studies
- * Real Estate Finance, Statistics, & Valuation Modeling

The third requirement is an Associate Degree or higher degree, OR successfully passing the following courses from an accredited college (21 semester credit hours):

- * English Composition
- * Principles of Economics (Micro or Macro)
- * Finance
- * Algebra, Geometry or higher mathematics
- * Statistic
- * Introduction to Computers - Word processing / spread sheets; and
- * Business or Real Estate Law

The fourth part is completing 3,000 hours of Residential Appraisal Experience that must be covered over at least a 24-month period.

Finally, the fifth part of the SRA designation process, which historically has been the hardest, is the passing of a Demonstration Appraisal Report. This essentially was a "thesis" appraisal report that demonstrates the appraiser's knowledge and application of residential appraisal methodology. Completion of the Demonstration Appraisal Report is a time consuming, but rewarding process. Recognizing that there were a large number of members who have completed the first four steps but could not afford to take the time to complete the final step to obtain the SRA designation, the Appraisal Institute has developed a two part 45 hour residential package course as a substitute. This alternative to the SRA Demonstration Report is being widely accepted. The Connecticut Chapter Associate Members who received their SRA designations in the past year have elected this alternative option.

Once the SRA Designation is obtained, there is a continuing education requirement that must be maintained. It is this requirement that provides supportive discipline for the Residential Appraiser to stay on the forward edge of the profession. Though legislation is definitely moving in the right direction to support the independence of an appraiser in order to allow those involved in a business transaction to make an informed decision, accountability remains the responsibility of the appraiser. The SRA Designation is recognized by the industry as a symbol of accountability.

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