

# IllinoisAppraiser

## Slipping the Surly Bonds

### INSIDE THIS ISSUE:

|                        |   |
|------------------------|---|
| Rave Reviews           | 2 |
| Trainees and Reviewing | 3 |
| Direct Supervision     | 4 |
| Ward to the Board      | 5 |
| Analysis Paralysis     | 6 |



The number one issue facing AMC's in Illinois is maintaining the \$25,000 Surety Bond.

Periodically the Department receives notification from bonding companies that an AMC's bond will be cancelled within a couple of weeks.

I flag those dates in our system and inform licensing that, unless we have confirmation to the contrary, the AMC's last day to operate in Illinois is the day the bond expires.

There is no free reset button.

It's over.

Registration in Illinois is conditional upon strict maintenance of the bond.

### Why do bonds expire?

They, like every other insurance policy, have renewal dates that don't necessarily fly parallel with our even-year renewals for AMC registrations.

Like everyone else, AMC's shop for the most favorable rates and may opt to take their bond business to another carrier.

But there *cannot* be any gap in coverage.

From time-to-time the Department has

received a *Continuation Certificate* from the AMC's original carrier a day or two before cancellation.

While this may be common practice in the bond business, AMC's run the risk of having their registrations cancelled if the USPS or UPS, or FedEx is running late or lost the envelope.

*Continuation Certificates* are carefully scrutinized for appropriate bond numbers, dates, amounts, and especially the *in favor of* section.

*Does the Department contact the AMC to let them know about the pending cancellation of a bond?*

I tried that exactly *once*. I ended up down the AMC's telephone *rabbit-hole* even when trying the Controlling Person's direct line.



From that point on it seemed reasonable to assume that the AMC's all know, or *should* know when their own bonds are up for renewal.

One AMC applicant's bond was cancelled in the midst of the application process. Needless to say, they were never approved.

Bonds are about managing risk. AMC's shouldn't count on *last-minute, knife-edge* continuations.

It may already be too late.

*IllinoisAppraiser***Rave Reviews***IllinoisAppraiser*

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When does a reviewer need an Illinois appraiser's license?

A better question is: **What kind of review requires an Illinois appraiser's license?**

Those are two different questions. Not every review requires licensure.

Under USPAP's definition:

**APPRAISAL REVIEW:** the act or process of developing and communicating an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.

Reviews go by myriad descriptions. Desk, field, technical, quality control, and administrative.

The one feature of *some* reviews that requires licensure is whether the review opines a value or not.

Not all reviews do.

The Illinois AMC Act defines such a review as:

**Quality control review** means a review of an appraisal report for compliance and completeness, including grammatical, typographical, or other similar errors, unrelated to developing an opinion of value.

Under Illinois law, a *quality control* review requires no licensure.

Telling an appraiser that their Cost Approach doesn't calculate correctly *isn't* licensed activity.

However, telling an appraiser what numbers *should* be plugged into their Cost Approach is absolutely licensed activity.

**What if I'm already a Certified appraiser in a different state? Can I review Illinois properties without an Illinois license?**

No. The location of the property, not where you live or work dictates our jurisdiction. If you've read this newsletter you're already familiar with our various Cease & Desist enforcement actions involving unlicensed out-of-state reviews.

You'll need at least a Temporary Practice Permit.

Review laws vary from jurisdiction to jurisdiction as do definitions. What plays in Wisconsin may not play in Ohio. It's up to each reviewer to understand and comply with whatever laws apply.

**One-Unit Residential Appraisal Field Review Report**

File #

|  |  |  |  |
|--|--|--|--|
| The purpose of this appraisal field review report is to provide the lender/client with an opinion on the accuracy of the appraisal report under review.                      |  |  |  |
| Property Address   | City   | State  | Zip Code   |
| Borrower   | Owner of Public Record   | County   |  |
| Legal Description  |  |  |  |
| Assessor's Parcel #  | Map Reference  | Census Tract   |  |
| Property Rights Appraised  | <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe) | Project Type   | <input type="checkbox"/> Condo <input type="checkbox"/> PUD <input type="checkbox"/> Cooperative |
| Loan #   | Effective Date of Appraisal Under Review   | Manufactured Home <input type="checkbox"/> Yes <input type="checkbox"/> No |  |
| Lender/Client  | Address  |  |  |
| <b>SECTION I — COMPLETE FOR ALL ASSIGNMENTS</b>  |  |  |  |
| 1. Is the information in the subject section complete and accurate? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, provide a brief summary. If No, explain |  |  |  |

## Trainees and Reviewing

|             |
|-------------|
| Trainee     |
| Residential |
| General     |

Some trainees have squandered hundreds of hours of experience by placing reviews on their Logs.

Associate Real Estate Trainee Appraisers may **not** submit reviews for experience when applying for an upgrade.

But...the Administrative Rules state the following:

### Section 1455.200 Acceptable Appraisal Experience Credit

a) Acceptable appraisal experience shall include, but is not limited to, fee and staff appraisal, ad valorem tax appraisal, condemnation appraisal, *technical review appraisal*, appraisal analysis, real estate consulting, highest and best use analysis, and feasibility analysis/study. All appraisal experience shall conform to USPAP and shall meet the requirements of the AQB. All experience credit must have been obtained after January 30, 1989.

What gives?

Remember, Certified Residential Appraisers are amongst those seeking to upgrade to Certified General.

Certified Residential Appraisers *can* and *do* perform reviews.

We frequently get asked why can't trainees get credit for helping their supervisor on a review.

Trainees by definition, are *learning* the profession. It makes no sense that they should be judging the work of Certified Residential or Certified General Appraisers.

The Rules also state that "*All appraisal experience shall conform to USPAP and shall meet the requirements of the AQB.*"

This means that all reviews, no matter their product title, *must* comply with USPAP Standard 3.

Form 2000 reviews may not comply with Standard 3 without additional language.

### What about significant contribution on a review?

Absolutely not. Again, a trainee is in no position to render an opinion on another appraiser's work.

Editing a review for grammar and spelling is not significant contribution.

The Board needs to see that trainees have a complete understanding of putting an appraisal together before they embark on critiquing the work of others.

Illinois does not recognize *seasoned trainees*, *senior trainees* or any other nomenclature that attempts to distinguish and layer skill sets of trainees.

The most experienced trainee under any supervisor is still a trainee. A trainee nearing the end of their training period is still a trainee.

Trainees need to focus on their field and analytical skills in developing appraisals.

Leave the reviewing to Certified appraisers.



## Direct Supervision

Trainee

Residential

General

### Section 1455.316 Supervisor and Trainee Requirements

A supervising appraiser shall instruct and **directly supervise** an Associate Real Estate Trainee Appraiser for any classification of license or certificate in the entire preparation of each appraisal. A supervising appraiser shall provide **direct supervision, being personally and physically present, during the first 500 hours of experience** for no fewer than 25 assignments.

Let's focus on *direct supervision* as a point of understanding.

What is it, exactly?

For new appraisers its teaching them how to prepare for an assignment long before they get into their car.

It's showing them how to call the borrower, tenant, or agent in an effort to gain access and *pre-appraisal* information about the subject property.

Working a phone is more than pushing buttons and saying good-bye when the conversation is over. Finessing information from uncooperative brokers or property managers is a skill learned over time.

Direct supervision means demonstrating to an appraiser how to measure a structure...correctly. Even a box needs more than just two sides to be measured.

It means guiding them through the equipment and technology that they'll need to be maximally efficient. From

gadgets to software. From apps to XML. It's a complicated business.

It's instructing them on how to capture a photo that says something. The three-quarter shot over the straight-on shot. Avoiding sunspots. Teach them that pixels are cheap.

It's teaching them how to *see* something. Not just *look* at something.

Whether its deferred maintenance, neighborhoods, or stats. Appraisers look at lots of things. Too few actually see what they're looking at.

It's instilling in them a desire to be complete. To be thorough in a short amount of time.

It's teaching them how to write. By writing I mean *using* words. Appraisers write all day, everyday. Knowledge is of no use unless you can transfer it onto the page.

It's teaching them to deliberately take circuitous routes to a subject property rather than a bee line. Let the cable guy and the pizza guy take the direct route. Appraisers need to get a sense of where they are. Bing maps can't provide that.

Direct supervision is difficult and time-consuming for both the trainee and the supervisor.

If nothing else, the required proximity of supervisor and trainee will yield benefits to both.





## Ward to the Board



Governor Quinn recently appointed our *much needed* tenth Board Member, **Joel Ward** from Champaign.

Joel Ward is a lifelong resident of Champaign-Urbana, having been born at Carle Hospital in 1952. He Graduated from

Champaign Centennial High School (Class of 1970), and entered the University of Illinois earning a BA degree in Philosophy. The next several years were spent in graduate school in Philosophy at the U of I before Joel turned his attention toward the real estate profession.

Joel began selling real estate in 1980 as a salesperson with Land-mark Real Estate, and in 1983 purchased a partnership and became president of Land-mark Real Estate.

From 1983-1987, Joel functioned as managing broker at Landmark as well as providing brokerage services to private individuals and corporations. In 1987, Joel sold his partnership at Land-mark Real Estate and founded Ward & Associates, which he managed until 1991. In addition to assisting home buyers and sellers as well as corporate clients during this time, Joel was a faculty member of the National Association of REALTORS Real Estate Brokerage Council teaching nationwide courses in financial management for real estate brokers.

In 1991, Joel sold Ward & Associates to its current owner and has not been affiliated with Ward & Associates since that date. Joel and his family took what

he calls a *mid-life sabbatical* and sailed the East Coast and the Caribbean until 1993.

Returning to Champaign-Urbana, Joel founded Joel Ward Real Estate Appraisals in 1994, providing independent fee appraisal services to individuals and mortgage lenders.

In 2004, Joel founded Joel Ward Homes, and moved to new offices at 3115 Village Office Place. Joel Ward Homes began offering residential brokerage services to the public at large.

Also in 2004, Joel founded Joel Ward Seminars, an educational provider for real estate appraisers, salespersons and brokers.

In 2012, Joel Ward Homes began offering professional property management services.

Joel is an Illinois Certified Residential Appraiser, Real Estate Broker and Real Estate Continuing-education Instructor. He is also an AQB Certified USPAP Instructor.

Joel is a past-president and current member of the Champaign County Association of REALTORS.

In 1990, he was selected Champaign County's REALTOR of the Year.

Other professional memberships include the Employee Relocation Council.

We welcome Mr. Ward to the Board.

### Formal Hearings Tentative Schedule

IDFPR v Starkman  
April 24, 2014

## Analysis Paralysis

**Pat Quinn, Governor**

**Manuel Flores,  
Acting Secretary**

**Jay Stewart  
Division Director**

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Joel Ward

Matthew Woods, Investigator

Brian Weaver, Coordinator  
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Luisa Rivera, Admin Assistant  
Mary Bates, Board Liaison

The most critical failure found in appraisal reports that come before the Board, whether residential, commercial, or agricultural, is a lack of analysis.

Appraisers seem to think that *citing* or *reporting* is synonymous with *analysis*.

### Analysis—

*to study (something) closely and carefully : to learn the nature and relationship of the parts of (something) by a close and careful examination.*

The URAR asks:

*I did or did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.*

Yet many will write: *Standard contract. No concessions.*

That isn't analysis, is it?



Analyzing a contract begins with whether the appraiser has *all* of the pages, *all* of the riders, and whether it has been signed by *all* parties.

We rarely see a proper contract analysis.

Throughout the URAR and other forms appraisers certify that they: *re-search, verify, and analyze* data from *reliable public and/or private sources*.

That;

*I researched, verified, **analyzed**, and reported on any current agreement for sale for the subject property.*

And;

*I researched, verified, **analyzed**, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale.*

USPAP uses the word *analyze* twenty times from the Definitions on up through Standard 3.

Analysis requires more than empty sentences like:

*"...the subject property has had updates since the short sale eight months ago."*

*"...the subject's market rent is derived from rental comparables on this form."*

Each appraiser who appears before the Board in a settlement conference says the same thing.

*"I guess I should've written more."*

Filling the document with endless boilerplate about comps over a mile away or about digital signatures being fine and dandy in this day and age aren't what your readers are looking for.

If a property's sale price spikes 80% in a six-month period, yet the property's condition is unremarkable, that's going to need analysis.

Analysis is the reason behind the action or fact. The Board can see it a mile away.