

# IllinoisAppraiser

## Third Party Blues

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Most lenders would rather not do the work of cultivating and curating a panel of appraisers.

This is largely why AMCs exist.

AMCs, in turn, quietly off-load some of *their* activities to other subcontracted entities.

Some AMCs contract out state licensing and registration compliance responsibilities to outside concerns.

A few use portals to send out engagements to their panel of appraisers. Others farm out payroll and invoicing. Still others outsource their QC work.

This begs the question: What exactly do some AMC's provide...directly?

Some appraisers, too, don't seem to be interested in running all aspects of their businesses.

Some engage others to take comp photos or rely on photos already stored and ready for purchase (i.e. Co Star).

There are companies out there that will provide inspections. They send someone out to observe the subject property, obtain images and offer opinions on the home's condition.

Like everything thing else in this world...there's an *app* for that.

**What is the significant part of significant contribution?**

*From USPAP:*

*USPAP does not include a definition of significant appraisal assistance.*

*However, aspects of this phrase can be explored to clarify its meaning.*

*First, the adjective significant means that the contribution must be of substance to the development of the assignment results. In other words, the individual must contribute to the valuation analysis in a noteworthy way.*

*An individual who merely collects or provides data for use in the analysis does not provide significant appraisal assistance.*

*Secondly, the reference to the term appraisal assistance means that the contribution is related to the appraisal process or requires appraiser competency.*

*One misconception is that non-appraisers who provide assistance should be identified in the certification.*

*This is incorrect because the certification requirements in USPAP apply only to appraisers. Thus, only appraisers sign the certification or are identified as providing significant appraisal assistance.*

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## Third Party Blues



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*For example, the use of an environmental expert to determine wetland boundaries would not be considered significant real property appraisal assistance.*

*Examples of contributions made by appraisers that constitute significant real property appraisal assistance include the identification of comparable properties and data, inspection of the subject property and comparables, estimating accrued depreciation, or forecasting income and expenses.*

The problem for appraisers is this:

If you *rely* upon someone else to inspect the subject property — whether a complete interior inspection or a simple curbside visit; this is considered to be *significant* contribution.

Does it matter whether or not that the “inspector” holds a license as an appraiser?

No.

The original, signing appraiser is *relying* on the work of someone else.

The simple litmus test is whether the work performed by a third party was so integral to the assignment that the appraiser couldn’t complete the report without their help.

What about someone who just takes pictures?

This has been going on in appraising for as long as I can remember.

An appraiser sends out a photographer

to capture images of the subject and/or the comparables.

Is this a violation of USPAP?

It can be. It depends upon the level of disclosure.

First, many, if not most assignments require the signing appraiser to make a personal inspection of the subject and comparables.

From the **URAR Scope**:

*The appraiser must, at a minimum: (1) perform a complete visual inspection of the interior and exterior areas of the subject property, (2) inspect the neighborhood, (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.*

It doesn’t say to use a surrogate, Google Earth, or MLS images.

If you have to see it yourself; why send someone else?

As for AMCs who not only permit third party inspections but promote them, they have a problem.

Under Qualifications for Registration:

*(6) a certification that the applicant will utilize Illinois licensed appraisers to provide appraisal services within the State of Illinois;*

It doesn’t say surrogates, does it?

## Upgrading Timelines

**Trainee**

**Residential**

**General**

The system by which trainees need to wait two to two and a half years before upgrading to certified was not an Illinois invention.

That's the AQB.

If you don't like the current system; let them know.

I began tracking upgrade timelines in July of 2011.

- Who is in process?
- Are they looking to become a 553 or a 556?
- When did they apply?
- When did Licensing send me the Experience Log?
- When did I select the five or so assignments for Board review?
- When was the applicant issued?

The big question is always, how long does it take?

Since July of 2011, 245 individuals have upgraded to Certified.

Most have moved up from trainee to Certified. A very small number have gone from Certified Residential to Certified General.

Days to Issue	Applicants	Percentage
1-59	23	9.39%
60-89	46	18.78%
90-119	33	13.47%
120-179	54	22.04%
180-365	61	24.90%
366+	28	11.43%

What was the shortest time from application to issue?

24 days.

What was the longest?

1,272 days.

Why the disparity?

The "24" applicants sailed through by following directions and by having clean work samples.

The "1,272" person had a lot of problems with their samples.

About 60% of all applicants take between three months and a year in order to complete the upgrade process.

There are four legs to the process:

- *Application*
- *Passing the National Exam*
- *Accumulating experience*
- *Board approval of the work samples*

Why do some take more than a year?

Some trainees can't find a supervisor. Others can't get enough work because lenders or AMCs block their participation.

Still others have life changing events. Families. Different career paths. Some lose interest in the process and pick it up later.

How long does it take to upgrade?

That answer rests mostly with the applicant.

## The C&R Fee Study

**"Sec. 10-17. Survey.** Within 12 months after the effective date of this amendatory Act of the 97th General Assembly, the Department or its designee shall conduct a survey of fees for appraisal services for single-family residences, two-family residences, three-family residences, and four-family residences. The fee survey *shall exclude assignments ordered by known appraisal management companies and complex assignments*. The Department may conduct additional surveys as necessitated by rules adopted pursuant to the federal Dodd-Frank Wall Street Reform and Consumer Protection Act. The Department may assess an additional fee at the

time of licensure or renewal to cover the expenses of carrying out this Section".

That's what was written back in 2011. The previous administration couldn't commit the funds for the survey...so the survey was never initiated.

Today, the long anticipated **Customary and Reasonable Fee Survey** is finally under way.

The University of Illinois has already begun the work of contacting Illinois appraisers via email.

I received an email from Mohammed Khan (Ali) on April 20th.

After numerous fits and starts since committing to the fee study; it's finally underway.

Don't ignore it.

Don't let it go to your spam folder.

This isn't junk email. This is what you've been dying to submit.

Please take it seriously.

The study is analyzing the **1004**, the **1025**, the **1073**, and the **2055** formats, *only*.

They are looking for information on *non-AMC* generated orders.

This would include any lender-direct assignments from banks or mortgage brokers...if you receive such engagements.

If you fail to participate...you will be tied to everyone else's answers.

For the sake of the study, the state will be broken up into specific reporting regions.

The university will send out reminder postcards for the on-line survey. You will be provided a link for the survey.

Your participation is essential.



## A Game of Horseshoes

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**Bryan Schneider  
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**Kreg T. Allison  
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In the realm of appraisal complaints, the Board sees a lot of problems when it comes to *exposure time*.

Rather than rehash the definition, take a look at the *Comment* in **USPAP** within the definition.

*Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market.*

Appraisal after appraisal that the Board sees contain lengthy explanations and painfully long definitions related to exposure time. Still, many appraisers seem to have no clue how to arrive at a reasonable exposure time.

To some, marketing time and exposure time are the same no matter what.

**Marketing Time:** 90-120 days

**Exposure Time:** 90-120 days

There are appraisers who include paragraph-long explanations of what exposure time *means* without ever providing the exposure time.

Others cast huge exposure time nets such as, "*the subject's exposure time ranges from 30 days to 2 years.*" This way, they can't miss, right?

Close enough...like in horseshoes.

I don't understand why the **ASB** includes comments in **USPAP** definitions. To me, if you need to explain the meaning of the definition, then that should be part of the definition.



In this case, the comment is *essential* as a definition segment.

Exposure time is proven by history.

It's measurable.

It's not a guess or the

flip image of marketing time.

For the residential appraiser who is used to reporting DOM for the comparables that they use, the task is somewhat easier.

**Days on Market** can be synonymous with exposure time.

If your six comparables had DOMs of 56, 77, 65, 91, 89, and 79 days, we shouldn't be seeing an exposure time of 180-360 days, should we?

If we see this, then the appraiser needs to explain why the six comparables sold so quickly.

We see the same issues in commercial and industrial reports.

Exposure time varies from market to market and from improvement class to improvement class.

Marketing time requires the appraiser to forecast change.

Exposure time has market changes "*baked*" in due to it preceding the sale.

Remember, although providing a marketing time *may* be an assignment condition, it is not a **USPAP** requirement.

Reasonable exposure time *is* a requirement under USPAP.



## The Urge to Purge

### IllinoisAppraiser

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While AMC's maintain the legal right to remove appraisers from their panel, they need to be mindful of our Administrative Rules on how to accomplish this:

### Section 1452.110 Prior Written Notice

*a) The registrant shall notify the appraiser, in writing, within 30 calendar days, prior to removing the appraiser from the list of approved appraisers. The notice shall include any and all causes leading to the removal.*

*b) The registrant shall notify the Division within 30 days after appraiser removals based upon a reasonable belief that the appraiser prepared an appraisal report in violation of Illinois law, administrative rules and/or USPAP.*

### What do these two subsections mean?



Illinois registered AMC's are required to send written notice to the appraiser *before* they actually remove the appraiser.

It cannot be a real-time removal or an after thought.

While AMC's are not required to engage the appraiser during this 30-day window, they cannot sever ties instantly.

Written notice can be email, snail mail, by fax, or carrier pigeon...but it must be in writing.

Any and all causes means exactly what it states.

If there were performance issues, USPAP issues, or even if the lender-client of the AMC simply wants to jettison an appraiser, it must be spelled out to the appraiser as to exactly why.

In many cases, AMC's are already looking to pare down their panels to minimize the impact of pending federal fees.

Hundreds of appraisers from across the country are receiving notices that specific areas are being adequately served by others and that maintaining them on the panel is no longer an option.

If that's the reason; tell the appraiser—in writing.

A robocall from vendor management won't comply.

Part *b* speaks only to removals related to USPAP violations or Illinois Act and Administrative Rule issues.

Any appraiser removed from a panel under subsection *b* requires the AMC to notify the Department within 30 days as to who was removed and what violation led to their removal.

IDFPR does not need to know anything about any other type of removals.

AMC's are cautioned to refrain from punitive removals due to appraisers "killing deals" or "calling out too many repairs".

Such removals are a violation of AIR and will not be tolerated.

From the AMC Act:

*Appraisal management companies are required to be in compliance with the appraisal independence standards established under Section 129E of the federal Truth in Lending Act...*