

The Oregon Appraiser

Spring 2004

Attention appraiser assistants and supervising appraisers!

By Bob Keith, Administrator



The Summer 2003 edition of *The Oregon Appraiser* contained a notice of proposed rulemaking hearing that included proposed changes to the administrative rules that pertain to appraiser assistants and supervising appraisers. At the subsequent rulemaking hearing, no one appeared to present testimony regarding the proposed rule changes and no one submitted written comments for the Board's consideration.

At this point the Board could have adopted the proposed rules, but chose not to. This decision was based on the Board's belief that the lack of public input at the hearing reflected the appraisal community's lack of understanding of the magnitude of the proposed changes and/or the impact they would have on appraiser assistants and supervising appraisers.

To provide a second opportunity for the public and appraisal community to provide input, the Board is issuing a second notice of proposed rulemaking hearing and statement of need and fiscal impact. Both of these documents are contained in this edition of *The Oregon Appraiser* newsletter to provide official notice of the Board's intention to change its administrative rules, but to first consider input from the public.

The need to strengthen our appraiser assistant and supervising appraiser rules results from a disturbing trend that appraiser assistants generally are not being adequately supervised and trained. This places the Board and its staff in a reactive mode, having to process and investigate complaints and expend considerable resources on disciplinary actions. Instead, the Board prefers to become more proactive by insuring that appraisers are trained correctly from the onset of their development.

The following is a summary of the proposed rule changes:

The definition of *direct supervision* by a supervising appraiser is expanded to require that the supervisor:

- physically accompany the appraiser assistant during the inspection of the subject property and comparable properties for the first 1,000 hours of the appraiser assistant's registration or for a period of six months following their initial registration, whichever occurs last;
- review the appraiser assistant's appraisal report(s) to ensure that research of general and specific data has been adequately conducted and properly reported, application of appraisal principles and methodologies have been properly applied, that any analysis is sound and adequately reported, and that any analysis, opinions, or conclusions are adequately developed and reported so that the appraisal report is not misleading; and

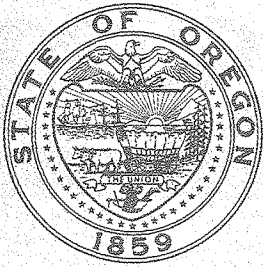
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Claim Alert — Using trainees “the safe way.”

Lower interest rates have generated so much work that professional appraisers everywhere are struggling to keep up. Many of these appraisers hire trainees as a solution to meeting their client commitments. While this may appear to be a good solution, be aware of the potential hidden costs and risks to your firm.

Exposure

In the past it was not unusual for a licensed appraiser to hire and supervise one or two trainees. Today, it's not uncommon to see five to ten trainees under one licensed appraiser. With the added trainees, we often see a single licensee signing as many as 1500 appraisals per year. One only has to look at these statistics to understand the increased exposure!

We now have claims that are the result of a supervising appraiser doing nothing more than signing off on a report improperly completed by a trainee. In addition to the risk of legal action, improper supervision of trainees may result in the loss or restriction of your license.

Regulations

Most state appraiser boards regulate trainees and have established guidelines for the supervising appraiser. When working with trainees, be sure you know the answers to these questions:

- If the trainee is performing the inspection, should you, as the supervising appraiser, be in attendance?
- Should the trainee's name be mentioned in the report as someone who assisted in the preparation?
- Should the trainee sign the report?
- Should you sign the report indicating your review, even though you did no inspection?

Since the answers vary from state to state, it is up to the supervising appraiser to adhere to your state's regulations. If you cannot confidently answer these questions, check with your state appraiser board before hiring trainees.

If done properly, the addition of trainees to your appraisal practice may provide a cost-effective increase in volume and allow you to maintain the quality you have worked so hard to achieve. Before looking for trainee candidates, you must commit to make available many hours of training and supervision.

The trainee cover-up

One particular claim involving a trainee will always stick in our minds. A lender sued an appraiser for over-appraising a commercial building. It was claimed that the building was virtually worthless because it had no plumbing or electricity. The loan balance would not have been recovered if the necessary improvements were to have been made. The lender argued that the loan never would have been approved had the true building conditions been reported.

Initially, the appraiser seemed baffled by the allegations. At first, he claimed that what he thought was a bathroom turned out to be a closet. He found the door closed and did not go inside. The matter of the electricity was another story. He swore that the building was occupied with people, sitting at desks, working on computers and adding machines and that lights were on.

After further investigation, we learned that the building in question shared a common wall with the building next door. The same individual owned both buildings. People

