

Sacramento Sierra Chapter



Sacramento Sierra Chapter
2701 Cottage Way, Suite 30
Sacramento, CA 95825
Bus. (916)972-9700
Fax: (916) 972-9750

APPRAISAL NEWS

& Review

Volume 15, Issue 5
November 2004

CPR Not the Rx for OREA

Is the state Office of Real Estate Appraisers dead? Not yet, but if the recommendations put forth in the just released California Performance Review are followed, then yes the OREA's days are numbered. The study, authorized by Governor Arnold Schwarzenegger, is intended to be a comprehensive review of State government with an eye towards streamlining it to be more cost efficient and responsive to the citizens of California. Notable among the many recommendations contained in the voluminous report is that the Office of Real Estate Appraisers (OREA) be eliminated. Its functions would be moved to a new superdepartment to be known as the Department of Commerce and Consumer Protection. Within this department there will be a Division of Real Estate Licensing that will be "responsible for licensing and regulating real estate brokers, salespersons and mortgage brokers as well as real estate appraisers." This division will oversee the licensing functions of both the OREA and the Department of Real Estate (DRE).

So how will this affect you? Will it speed up licensing or renewal periods? Will it reduce licensing fees? At this point, no one really knows. The recommendations contained in the Performance Review are just that: recommendations. There are no specific plans for any new departments. Furthermore, the process to implement the recommendations is sure to be long and politically contested. Keep your eye on this one and we will keep you posted as developments occur.

**Sign-Up for Chapter Events
Online at the website:
www.sac-ai.org**

News from the California State Government Relations Subcommittee

The May 2004 California State Government Relations Subcommittee held its semiannual meeting in Sacramento and hosted Tony Majewski, the State's Acting Director of the Office of Real Estate Appraisers (OREA). News from "the OREA front" follows:

As expected, the State's budget tightening has impacted the OREA. Their current staffing of 25 is a 30% reduction from prior levels and any expansion in personnel is doubtful. With that, in 2003 the agency processed about 6000 appraiser applications and about 4100 renewals. Based on the number of applications received so far this year, OREA expects to duplicate the volume for 2004. Interestingly, OREA has only six qualified application processors, a fact which sheds light on the current 90-day initial-application and 45-day renewal time frames.

Director Majewski points out that a common deficiency in renewal applications is the failure to provide Continuing Education certificates. Luckily, "Self-certification" may be on the horizon, and this is a concept the CSGRS enthusiastically supports. Several state license departments have already successfully implemented this method, such as California-licensed attorneys who are able to "Self-certify" and obtain "Distance Education" (on-line) course credits. Also, being considered is the possibility of OREA accepting "on-line" credit card payments for administrative, license application and license renewal fees.

Inside This Issue:

| | |
|------------------------------------|-------|
| <i>CPR Not the Rx for OREA</i> | 1 |
| <i>News from California Gov...</i> | 1,2 |
| <i>A Few Minutes with...</i> | 2,3,4 |
| <i>New Fannie Mae Forms...</i> | 4 |
| <i>Mike Pattison Honored</i> | 4 |
| <i>Update Member Account...</i> | 5 |
| <i>What's New From National</i> | 5,6,7 |
| <i>Common Misconceptions...</i> | 7 |
| <i>Best Seller List</i> | 7 |

Reminders:

If your license renewal application is late, so that it is not processed before expiration, you cannot solicit or accept FRT appraisal assignments. Also noted is that if your application is late and your license expires, you may be required to pay a late fee and obtain an additional 7-hours of Continuing Education.

Current requirements are 56 Hours of CE over four years, which, should be earned at the rate of 14 hours per year. The OREA reminds us that Distance Education course credit currently requires ACE (American Council of Education) approval. This is an important regulation to keep in mind with Continuing Education.

In taking new classes please keep in mind that they will require Appraisal Qualification Board (AQB) approval and effective January 1, 2008 new requirements are as follows: AT License - 90 hours; AL License - 150 hours; AR License - 200 hours (21 college semester units or AA degree); AG License - 300 hours (30 college semester units or AA degree). Visit the OREA website (www.orea.ca.gov) for criteria details.

News from the California State Government Relations Subcommittee *(continued)*

Interesting Notes

As of May 3, 2004, there were more than 15,000 appraisal licensees - 31% were trainees.

- OREA forecasts a decline in applications and a fall off in appraiser trainee renewals;
- OREA has about 206 disciplinary cases open and receives about 30 complaints per week;
- OREA receives 150 to 180 calls per day
- A visit to the OREA website can answer most questions.
- Proposed regulation revisions: AR experience time period set at 24 months; Trainees must have 2000 hours of experience to upgrade to AL licenses and complete all required education within five years of the application date;
- License testing will be limited to 5 times per year (note: the current pass rate is below 50%);

California's Appraisal Institute chapters now boast 2,239 members (15% of state licensees). With that size there are lots of new challenges for our Chapters and its involvement with State Government. The CSGRS is lucky to have lobbyist Mike Belote of California Advocates in Sacramento to represent members' interests and help our Chapters maintain a good line of communication at the State level.

Your committee works hard to keep you informed of proposed changes in State and national regulations that may affect your career. In California, the chapter's lobbyist advises that the total number of State bills is down but an important labor code violation bill (SB796) will be carefully watched as to its effects on appraisal firms. Other highlighted ballot initiatives include:

- Reformed unfair labor competition,
- Mandatory, universal health care;
- Another Indian-gaming initiative,
- An income tax increase and
- An "open primary" election format

Gregg Whittsley, MAI of the Southern California Chapter is our Region 7 representative and tells us that the AI is working diligently on a visibility campaign which is being tested in the Houston and Tampa markets. (Information is available on the AI website). He indicates the AI is

also working on governance restructuring and improving communications with both the Chapters and its Members. Recently, the AI testified in Congress against the RESPA reform proposed by HUD, for improvements to the appraisal regulation structures, and for appraiser independence.

Lastly, the CSGRS has been looking into the number of reports of "offshore" phone calls from "reviewers" of institutional loan appraisals. While lenders maintain that these callers are not "reviewing" appraisals, they are simply "checking the blocks," many appraisers detect that their questions delve into the technical aspects of the appraisal which may constitute an appraisal review. We would be interested in learning more about this to determine recommendations to the Appraisal Institute, the Appraisal Subcommittee and the State's OREA. If your firm has been contacted in this regard, the CSGRS is interested in learning the form and content of the institutions' outsourced, offshore investigation. Your California State Government Relations Subcommittee is charged with looking out after our best interests and we look forward to hearing from you.

Dave Yerke, MAI, SGA
Chairman, California Government Relations State Subcommittee

A Few Minutes With: David Jarrette

Although you might not know Dave Jarrette personally, chances are that you've seen his name in the Business Journal. Dave is the current Chairman of the Education Committee for the Sacramento Sierra Chapter. He and Chuck LaFlamme MAI are largely responsible for putting together the terrific education schedule that the Chapter has been able to offer over the past several years. Dave is also a principal in Giannelli, Jarrette, Waters & Holland. No that's not a law firm; it's an appraisal firm located in Roseville. I first met Dave many years ago when he worked with Smokey Stover MAI. Since then, I've come to know Dave as an extremely organized guy and very knowledgeable appraiser. Now its time for other people to get to know the oft-quoted Dave Jarrette. Here's the interview.

Dave, tell us about your background: Where you grew up, what your family was like.

I was born in Los Angeles and grew up in Manhattan Beach. I have an older sister and a younger brother. I like the outdoors a lot and surfing was my passion from junior high school until I left southern California in 1974. My dad passed on when I was 15. My mom worked and took us on lots of surfing trips until my friends and I could drive. I married in my senior year of college in 1970. Dianne and I have five grown children; four boys and one girl.

Did you go to college? What was your degree in?

I went to El Camino College in Torrance and transferred to CSU Long Beach where I got a degree in Business Administration in 1970 with a concentration in Marketing. I obtained a MBA in Real Estate from Golden Gate University in 1982 in Sacramento. I also have two AA degrees: one from El Camino College and one from Butte College.

I understand you were in the Marines for a while. How did that come about and what were your experiences like?

Growing up, I always wanted to join the Marines. In college I signed up for the Platoon Leaders Class officer program. I attended Officer Candidate School for two six-week sessions in 1968 and 1969. Upon graduation from CSU Long Beach, I was commissioned a 2nd Lieutenant Basic School in Quantico, VA from Nov. 1970 to May 1971. I became an infantry officer and subsequently served with the First Marine Division at Camp Pendleton and the Third Marine Division in Okinawa. After three years of active duty, I left the Corps, had a brief civilian job in the Long Beach area, and packed up my family and moved to Butte County in the summer of 1974.

During my three years of active duty with the Marine Corps, I had some great and challenging assignments, such as rifle platoon commander, weapons platoon commander, company commander, officer in charge of Rifle Squad Combat Competition for the 4th and 9th Marine Regiments in Okinawa, and assistant operations and training officer.

From June 1976 to October 1998 I was quite active in the Marine Corps Reserve, starting at the rank of captain and retiring at the rank of Lt. Colonel. During that period, I spent about two years outside of my specialty as a Platoon Commander and Company Commander of the Motor Transport Maintenance Co. in Sacramento from 1976 to 1978. I spent

A Few Minutes With: David Jarrette (continued)

several tours and about 8 total years with the 23rd Marines, and infantry regiment, in the Bay Area. Some of my assignments there were Training Officer, Assist. Operations Officer, Operations Officer, Intelligence Officer and Plans Officer. Our regiment was activated for about 3 months in early 1991 for Operation Desert Shield and Desert Storm, at which time I was the regimental Plans Officer. We deployed to Camp Pendleton and the Marine Corps Air Ground Combat Center (MCAGCC) at Twentynine Palms, CA. We were preparing to be a follow-on fighting regiment in Kuwait and possibly Iraq if things got really bad. The ground campaign was over in four days and we never left California.

Probably my most rewarding experience in the Marine Corps was being the Officer in Charge of the reserve officers and SNCO's at the Tactical Training and Exercise Control Group (TTECG) at the MCAGCC, Twentynine Palms in the 1990's. We fully integrated with a small active duty staff, and trained and evaluated active and reserve Marine units in live fire and maneuver training, using all of the fire power available to the Marine Corps, from M-16's to tanks, artillery, and close air support – Cobra gunships to F-18 Hornets, etc. This is the most realistic combat training in the free world. Besides being the Reserve OIC for the "Coyotes", I served as the higher headquarters representative with the exercise force Command Element during the final live fire exercise at the end of the 21-day Combined Arms Exercise (CAX) training cycle. I had the opportunity to work with some of the finest Marines I ever had the pleasure of serving with, including warfighters from Desert Storm to the current Commanding General of the First Marine Division currently in Iraq.

So how and when did you get into appraising?

I did some single-family appraising in the Oroville area of Butte County in 1975 and 1976 when I was a Loan Aid for 15 months with the Farmers Home Administration. At this time, I returned to college, attending Butte College and concentrating on real estate. I became very interested in the real estate appraisal profession at this time.

My main entry into appraising began in June 1976 when Richard E. "Smokey" Stover, chief appraiser at Security Pacific National Bank, hired me as an appraiser. Within six months of being hired, Smokey and George Sloss, both left the bank, Al Kaiser became the Chief Appraiser, and I became one of the chief commercial appraisers early on. I stayed with the bank for seven years.

My family and I moved to Sacramento in August 1976 after I started working with the bank. I did a lot of work in western Nevada County, and in the fall of 1979 our family moved permanently to our current home in Grass Valley. In 1983 I left the bank and joined Smokey Stover, MAI at his new firm, Stover Company.

Did Smokey hire only military guys? I mean for a while there his shop included Bert Giannelli MAI (Marines), Jerry Filipiak (Marines), Stephen Harrington MAI (Marines), and Steve Rosenthal MAI (Navy). And were you court-martialed for missing a deadline?

Not only did Smokey hire only military guys, most of them were Marines. After I came aboard in May 1983, I was followed shortly thereafter by Bert Giannelli and Jerry Filipiak, who had just retired from active duty. Steve Harrington joined the firm several years later after retiring from active duty. The company did accept those from other branches of the military, and Steve Rosenthal (USN, Captain, Retired) worked for the firm in the 1990's. We even had "civilians" working for us, including none other than Cydney Bender Reents. Had court martials occurred for missing deadlines, most of us would have been long gone back then.

Seriously though, do you think your military background helps you with appraising? Self-discipline or anything like that?

The military background was very helpful in appraising. Not only the self discipline, but the professionalism, dedication, perseverance, desire to do the best at every assignment, welcoming challenges and never giving up or settling for second best. Basically, a "can do" attitude, with lots of camaraderie, loyalty, and a continuing desire to learn and improve.

Do you specialize in any particular fields or property types in your current appraisal practice?

Although I work on all types of income property appraisals, over the years and to this day, I probably do more land

appraisals than anything else, from agriculture to transition land to planned communities.

So Dave, why is it that Mike McCarthy always quotes you in the Business Journal? Is he your brother-in-law or something?

Mike McCarthy started calling me in 1986. I guess I had "a take" on particular real estate articles he was working on. Like me, Mike has been involved in the real estate growth and development scene in the Sacramento region for over 20 years. He is no relation, and I think we have only met in person once or twice. He's good at what he does, and is very well connected to the movers and shakers in our local real estate community.

You've given a lot of time to the Sacramento Sierra Chapter over the past several years. Tell us what positions you've held?

Basically, I have served on the Education Committee off and on for the past few years, serving as chairman a couple of times.

In what way can the local chapter, or National for that matter, improve itself?

The local chapter should just keep up the good work. There has been good leadership, good educational offerings, etc. Producing highly qualified, professional appraisers will be its lasting legacy.

What advice would you give to people who are thinking about making a career out of appraising?

Take as many real estate courses as possible, work with good appraisers, read everything possible relating to economics, real estate, and demographic information on our local market, keep up with growth and development trends, stay abreast of state and national economic trends, etc. Try to obtain the "big picture" in order to have a good context of how the market area an appraiser is working on fits into the grand scheme of things.

Now for a few easier questions; who is the person you admire most and why (and it can't be Mike McCarthy)?

My wife, Dianne. Her unconditional love, generosity, patience, good heart, and love for mankind are truly inspiring.

What was the last book you read?

"Wooden, A Lifetime of Observations and Reflections On and Off the Court". I am finishing up "The Glorious Cause", a

A Few Minutes With: David Jarrette (continued)

novel of the American Revolution by Jeff Shaara.

What's your favorite restaurant and/or type of food?

Various restaurants in the Grass Valley/ Nevada City area. I love all types of food, especially Mexican.

Do you have any hobbies?

Keeping up with current events, working in our garden and in the woods on our property, traveling with my wife, and extreme hiking with my boys in the Sierra Nevada area.

Our family has lived in Grass Valley for 25 years. Each of our five children have graduated from college; our youngest son will finish in November. Two are married now and have children of their own, which makes us new grandparents. This is a whole new wonderful experience. We have loved living in this beautiful area and raising our children here. We have had some great hikes and camping trips over the years. We love being a part of our community and enjoy supporting Nevada Union High School football, Music in the Mountains, and we are also very active in our local church.

Congratulations on becoming a grandparent Dave and thanks for taking the time to answer my questions.

New Fannie Mae Forms Debut

Fannie Mae released its new 1004, 1004B, 1004D, 2055, 1073, and 1075 forms this past June. The forms are preliminary at this stage and are going through a kind of public hearing process by Fannie Mae. For this reason, the forms are authorized, but not required, for use by Fannie Mae. According to the July 2004 Newsletter published by a la mode, Inc., the initial concerns from appraisers who have used the forms include:

· The new 1004 eliminates too much narrative space and replaces it with uniform checkboxes. According to one appraiser's line-by-line analysis of the new form, more than half the subject property description and market analysis fields have been deleted in order to move a shrunken Sales Comparison Approach section to page one of the form. There are five lines provided to "provide an analysis of the listing history of the subject

property and the sale or transfer history for subject property and each of the comparable sales." Virtually any detailed descriptions of the subject or anything else will have to be produced in addenda, and there is concern that reviewers and underwriters don't read the addenda as it is. De-emphasizing narrative has inevitably led to a concern that the new form is more useful in automated valuation databases than the old.

· There is a perceived effort on the part of Fannie Mae to make the appraiser liable for fraud which may be beyond his or her control. The new 1004B requires the preparing appraiser to certify and agree that 18 items are true with respect to the appraisal, among them: "I acknowledge that any intentional or negligent misrepresentation(s) contained in the appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws." Beyond speculation as to what signing that and certifying 17 other things might do to E&O rates, it's still true that the mortgage broker or loan officer doesn't have to sign anything with this kind of meat on it. And as we've been in the lead in trying to tell people and the media, no appraiser inflates a value on his or her own.

· The form requires appraisers to be Fannie's "detectives," rooting out information to make underwriting decisions that goes beyond an opinion of value. The new URAR requires the appraiser to check "yes" or "no" to the question: "are the prior sales or transfers of the subject property and/or the comparable sales arm's length transactions?" This is something any responsible appraiser considers, but in reality, especially with regard to the comps, it's almost always impossible to tell for sure. And there is no "don't know" box. The new form also requires the appraiser to verify the current ownership of record of the subject in a purchase money transaction. A responsible appraiser will want to verify this at the county, but depending how friendly the person who answers the phone at the recorder of deeds is and how outlying the county is, this could be a burden. And it's not lost on appraisers that in purchase money transactions, a title report and commitment are almost always ordered — from people who are paid to research the title history of the property.

On the other hand, the a la mode Newsletter notes that appraisers are receptive to the idea of making the cost and income approaches optional on the new URAR (provided this can be reconciled with USPAP). However, the newsletter notes that "every silver lining has a cloud" and that "there is concern that the elimination of the two approaches might lead lenders, and especially management companies, to cut appraisal fees."

Fannie Mae wants to hear comments

from the residential appraisers who uses these forms and so do we. Please email our comments to me at connorc@slc.ca.gov.

Mike Pattison Honored

The International Right of Way Association (IRWA) has announced that Michael "Mike" Pattison, SR/WA is the 2004 winner of the Association's Frank C. Balfour Professional of the Year Award. Pattison received the award in front of more than 800 attendees at the IRWA annual Presidential Installation Banquet held June 24 in conjunction with the Association's 50th Annual International Education Conference in Philadelphia, PA.

Named after IRWA founder Frank C. Balfour, the award is granted to an individual who has demonstrated exemplary support to IRWA and the Association community in the past year. As such, the Balfour Award is the highest honor bestowed upon right of way professionals worldwide. In presenting the award, Elections Committee Chair Juan A. Zaragosa, SR/WA noted that "Mike's lifelong commitment to education and professional development and tireless effort on behalf of his chapter, region, and IRWA makes him a worthy recipient of the highest honor the Association offers."

Mike is an Associate Member of the Appraisal Institute and is a principal in the appraisal firm of Pattison & Associates in Sacramento, CA.

Appraisal Position WANTED

Professional, experienced Associate Appraiser Trainee seeking a mentor or position with an Appraisal Group in Northern CA. The past year of experience is with various lenders, and public agencies - retail buildings, apartment properties, vacant industrial property, subdivision land, and right of way construction projects. Experience prior to 2002 is with the Bell Operating Companies as an Outside Plant Telephone Engineer and Project Manager. Education is in the Business Administration Program / BS University of Phoenix, and the Telecommunications Management Program / Golden Gate University, San Francisco. Present office is "Paulette Mitchell Appraisal" in West Sacramento, CA. Please contact Paulette Mitchell at pam-appraisal@earthlink.net or 916-371-7979. Resume and OREA log available.

What's New From National

Update on AI Curriculum Changes

This February, the Appraiser Qualifications Board approved the new real property appraiser core curriculum requirements to be implemented January 2008. The Appraisal Institute will release four of the new courses that are currently under development to chapters later this year. Current courses that have similar content will be retired as the new courses are released. The new courses under development have been submitted to state regulatory agencies for either qualifying education or continuing education.

90-Hour Residential Licensure Package Available in December

To be more competitive with the market and to get a jump start on what will be required in 2008, the Appraisal Institute has developed a 90-hour Residential Licensure Package that will be available to chapters in December 2004. The package includes the rewritten Basic Appraisal Principles course, the rewritten Basic Appraisal Procedures course, the new Residential Highest & Best Use/Market Analysis course, and The Appraisal Foundation's National Uniform Standards of Professional Appraisal Practice, 15-Hour course.

Please note that the Principles and Procedures courses have been reduced to 30 hours each. The exam for these four-day courses will be offered at the end of day four.

| New Course | Replaces | Hours | Approved for QE/CE | Premiere | Release to Chapters |
|---|----------|--------------------------|--------------------|-----------|---------------------|
| Basic Appraisal Principles | 110 | 28 classroom + 2-hr exam | QE | Sept 2004 | Dec. 2004 |
| Basic Appraisal Procedures | 120 | 28 classroom + 2-hr exam | QE | Sept 2004 | Dec. 2004 |
| Residential Highest & Best Use/Market Analysis* | NA | 14 classroom + 1-hr exam | QE & CE* | Sept 2004 | Dec. 2004 |

* Check with your state regarding QE approval for Residential H&B Use.

UPDATE YOUR MEMBER ACCOUNT ONLINE

Did you know that you can update your Appraisal Institute membership information online? Heck yeah. Rather than sending correspondence or making a phone call to the National headquarters in Chicago, you can update your membership information online at the Appraisal Institute website (www.appraisalinstitute.org). Information such as your business address, home address, telephone number, fax number, email address, chapter affiliation, where to send your dues invoices, and whether or not your available for fee assignments can all be changed with the click of a button. And a little typing. Designated members can also give brief descriptions of the type of work they do and the market areas they cover.

You must first sign-up for an account (no, you won't have to pay anything; it's not that kind of account) and create a user name and password. Then, after you've signed in, you click on the "Update Account Information" text in the Members Only box in the upper left side of the web page. From there, just fill in the blank fields and click the boxes. Have fun. Go crazy.

New Real Estate Finance, Statistics, and Valuation Modeling Course

This new two-day course will be available to chapters in August. The course was developed to meet the AQB's new certification criteria for 2008. Although most states will not adopt the new criteria until 2008, some states have indicated an earlier implementation date. Consequently, the course will be ready for those states.

The course, which premiered in May 2004, provides an introduction to statistics, real estate finance, and modeling with applications for residential and commercial real estate appraisers. On the first day, participants develop an understanding of basic statistics and statistical analysis and learn how those skills can be used in valuation and evaluation practice. On day two, participants gain an understanding of real estate finance markets, learn about credit conditions and their impact values on appraisal, and calculate and interpret fundamental numbers on loan payments and balances.

The course has been approved for continuing education; it will be approved for qualifying education within the next two years. Participants take the exam at the end of day two. Ken Lusht, MAI, Ph.D., developer of the course, and 10 additional instructors have been approved to teach it. Add Real Estate Finance, Statistics, and Valuation Modeling to your schedules today!

Courses 410 and 330 Now Available Online

As a result of adding two more courses to our online education program, chapters can expect to have an increased demand for proctored examinations for such courses. Course 410, the 15-hour USPAP Course, and Course 330, Apartment Appraisal: Concepts and Applications, are the newest offerings from the Appraisal Institute's online education department. Students must take a proctored examination at their local chapter to receive credit for completing these courses. As with existing online courses (420 and 320), the chapter will receive 40 percent of the student's tuition, provided the chapter markets the online course and proctors the exam. Courses 410 and 330 are currently being submitted to the states for approval. Students should check with the state to see if approval has been granted. For more information, visit: www.appraisalinstitute.org/ai/onlineed/

The online education department is also pleased to announce four additional offerings to its growing curriculum. Chapters are not required to proctor examinations for these four offerings.

- *Course 400: 7-Hour USPAP Update*
- *The Cost Approach to Commercial Appraising, a 7-hour CE seminar jointly developed with Marshall & Swift*
- *Eminent Domain and Condemnation (August)*
- *Scope of Work: Expanding your Range of Services (August)*

New Seminars to Spark Your Fall & Winter Education Programming

Analyzing Distressed Real Estate (available for chapter presentation August 2004).

Approved for 3 or 4 hours of Appraisal Institute continuing education credit.

Help your members improve their appraisal practice. Attendees will learn how to analyze distressed real estate and provide supportable estimates of value on all kinds of distressed properties. During this seminar, participants will:

- *Review the physical and functional issues that cause real estate to become distressed.*
- *Explore "as is" value concepts and more accurately analyze distressed real estate properties.*
- *Compare "stabilized value" and "as is" value.*
- *Explore highest and best use concepts with distressed real estate.*
- *Distinguish between entrepreneurial profit and cost of capital.*
- *Review adaptive use potential on distressed real estate.*

What's New From National (continued)

Appraising Convenience Stores

Approved for 7 hours of Appraisal Institute continuing education credit.

The developer of this program, Robert Bainbridge, got rave reviews when he presented it at the recent Summer Conference in Toronto. The world of convenience stores and related appraisal issues are brought into the classroom using the latest in DVD video technology. Participants will gain valuable insights into the convenience industry from interviews with owner-operators, industry experts and c-store lenders. Over 250 illustrative photographs, diagrams and video segments, along with discussion questions and a case study, will familiarize students with every aspect of appraising convenience stores. Your students will meet the challenge of appraising the going-concern value. They will separate and appraise the tangible and intangible assets of this specialized, frequently encountered appraisal assignment.

Mathematically Modeling Real Estate Data

Students rave about this program ("I really liked the instructor's presentation, his obvious knowledge, and his ability to use many different techniques.") and eight offerings have already been scheduled in 2004. Why not add this one to your chapter's short list for presentation this fall or winter. In this user-friendly seminar, students will learn about the power of statistical modeling. Statistical modeling techniques, including multiple regression analysis, will expand residential and commercial appraisers' abilities to study the market for the following variables: economic rent, net operating income, gross rent multipliers and overall rates, and absorption rates. Participants will also learn techniques for studying how units of comparison (price, price per square foot, price per unit, etc.) change as size increases. Although apartment house data is used, these techniques are applicable to many different types of properties, including farms, raw land, commercial lots, industrial buildings, single and multi-tenant office buildings, and retail space.

Real Estate Finance, Value, and Investment Performance

All appraisers should be knowledgeable about financial markets, financial mathematics and how financial markets impact real estate values. In this hands-on seminar, students will learn the relationship between debt and investment

risk and value. They will understand how financial markets impact value and influence buyer behavior and investment decisions. Participants will leave this seminar knowing a new terminology that is important for all real estate appraisers today! Six offerings are already scheduled in 2004!

If your chapter is interested in presenting any of these programs, or any other Appraisal Institute seminar, call your ENS coordinator in Chicago at 312-335-4140. If you have questions about seminar content, contact Fran Rosenstein at 312-335-4228 or e-mail frosenstein@appraisalinstitute.org.

"Destination" Offerings of Limited Partnerships Seminar Planned

In 2003 the national office offered CE programs in popular tourist destinations after surveys indicated that students would be willing to travel to attend Appraisal Institute quality education. This year we will be offering the two-day seminar Case Studies in Limited Partnerships and Common Tenancy Valuations in Vancouver, British Columbia; Washington, D.C.; Las Vegas; and New York City. The seminar will help appraisers broaden their practice. The seminar uses an in-depth case study of a minority interest in a real estate limited partnership that holds an office property and a common tenancy interest in the same property. Extracting value-influencing elements from a limited partnership agreement, financial statement adjustments, and developing marketability and common tenancy discounts are covered in the program. Tentative dates (pending hotel contracts):

- September 9-10, Vancouver
- October 1-2, Washington, D.C.
- October 29-30, Las Vegas
- October 29-30, New York City

The seminar on manufactured housing and our partnership with the Manufactured Housing Institute (MHI) continue to be successful. After discussions with MHI regarding areas where there is the most need, the following additional offerings of Appraising Manufactured Housing are being planned from the national office:

- September 13, Florence, S.C.
- September 14; Augusta, Ga.
- September 15; Macon, Ga.
- November 15, Medford, Ore.
- November 16, Redding, Calif.
- November 18, Fresno, Calif.
- November 19, Bakersfield, Calif.

MHI also will forward a list of all of the appraisers who take both the live and online versions of the seminar to their preferred lenders and member manufacturers to help them find appraisers knowledgeable in this line of business.

Finally the CE department will finish the rollout of the new seminar Introduction to Income Capitalization in Metairie, La., on November 3 and Shreveport, La., on November 5.

Student Handbook to Introduce Novices to Profession

Appraisal Institute members and chapters know the benefits of learning their craft and sharing their expertise. Like chapter events and educational offerings, The Student Handbook to the Appraisal of Real Estate is a tool to open up our profession and our organization to new potential members. It shows the uninitiated the important work appraisers do and the right way to do it.

The Student Handbook is a unique supplement designed specifically for education providers engaged in pre-licensing education for real estate appraisers. It is our hope that it will be adopted by community colleges, proprietary schools, and other educational institutions and serve the real estate community as an introduction to the valuation profession—and to the Appraisal Institute. The Appraisal of Real Estate is a classic—as a reference text and as a compendium of appraisal knowledge. It's impressive and inclusive and, for some appraisal novices, a little overwhelming. The Student Handbook should make the textbook accessible to everyone—students, new appraisers, and related professionals.

If strong sales are any indication, the student handbook is already popular with instructors across the country. The Appraisal Institute's marketing staff is compiling a database of schools that use the handbook and can provide contact information to chapters interested in targeting these students for membership.

For ordering information, go to <http://www.appraisalinstitute.org/ecom/publications>.

All Web Site Offers Help in Reporting Client Pressure Problems

The Appraisal Institute has unveiled its Appraisal Independence Action Center on its Web site to assist appraisers in reporting client pressure

What's New From National (continued)

problems. Submitting complaints about inappropriate behavior can be particularly challenging since there are five different types of financial institutions operating in the United States, which, in turn, are regulated by five separate federal regulatory agencies.

Located at www.appraisalinstitute.org/govtaffairs/appraiser-independence/cmplnt_cntr.asp, the AIAC is an effective resource for pointing appraisers in the right direction. The site not only directs one to contacts for federally regulated institutions, but also lists various agencies at the state level for complaints against mortgage brokers, non-banking lenders and real estate agents. The site also provides guidance on filing a complaint against an appraiser. For further information, contact Bill Garber, Director of Government Affairs of the Appraisal Institute at 202-298-5586 or bgarber@appraisalinstitute.org.

MVP Leadership Survey Data Critical to Restructure Process

As Governance Restructure now moves forward, it's important for every member to complete the Member Volunteer Participation and Leadership Survey, accessible through our Web site. Information from the survey will play a critical role in selecting members to serve on future committees and project teams and in other leadership positions. All information collected in the Survey is for internal Appraisal Institute use only. To access the MVP Leadership Survey, go to <http://www.appraisalinstitute.org/membersonly/restrict/mvplshp.asp>.

Common Misconceptions About USPAP

In our June Newsletter we presented a sampling of some common misconceptions regarding the Uniform Standards of Professional Appraisal Practice. As a continuing service to our readers, here are more popular misconceptions, as shown on the Appraisal Institute's website.

Misconception: "If an attorney tells you to do something, you can because you invoke the Jurisdictional Exception."

Reality: The Jurisdictional Exception Rule can be invoked only when a part of USPAP is contrary to law or public policy, and the appraiser must identify in the appraisal report the legal authority (i.e., law or public policy) justifying it.

An attorney's request to do something contrary to USPAP does not in itself constitute "law or public policy." (Lines 296-317)

Misconception: "If you do an appraisal for a government agency, USPAP doesn't apply because of the Jurisdictional Exception."

Reality: The Jurisdictional Exception Rule can be invoked only when a part of USPAP is contrary to law or public policy. If no part of USPAP is contrary to the requirements established by law or public policy, there is no need to apply the Jurisdictional Exception Rule. Also, when the Jurisdictional Exception Rule applies to one part of USPAP, the balance of USPAP still applies. (Lines 301-303)

Misconception: "If a property is unique and there is no market for it, you have to estimate 'use value' instead of 'market value'."

Reality: The purpose of the assignment relates to its intended use. If the intended use of the assignment calls for 'market value', it would be misleading to substitute 'use value' for 'market value'. (Lines 190-192)

Misconception: "If you don't inspect the property, that's Departure and the appraisal is a limited appraisal."

Reality: USPAP doesn't have a Standards Rule that says the appraiser must inspect the property. Therefore, if you don't inspect it, that can't be a Departure. (Lines 235-236.) Standard 1-2(c) requires the appraiser to "identify the characteristics of the property that are relevant to the purpose and intended use of the appraisal." (Lines 580-581.) This means that in some cases an inspection will be needed, and in other cases it won't. Whether or not the appraiser inspects the property – and to what degree (e.g., interior, drive-by) – is part of the "scope of work" decision. (Line 473)

Misconception: "If the attorney who hired you says to destroy your workfile on the appraisal, that's okay; USPAP has an exception for litigation."

Reality: USPAP requires a workfile to be retained for a minimum of five years. There is no exception for litigation, unless the Jurisdictional Exception Rule applies (e.g., a court order – which is NOT the same as a request from an attorney).

Misconception: "You can use a hypothetical condition in an appraisal only if there is a reasonable probability that it will become reality in the near future."

Reality: USPAP does not have this restriction. (Lines 637-643) Hypothetical

conditions are not predictions. In some cases, use of a hypothetical condition may be appropriate even if there's no chance it will become reality in the future.

Misconception: "USPAP requires you to provide an 'as is' value."

Reality: USPAP does not use the phrase "as is value." However, USPAP does require the appraiser to identify and report any hypothetical conditions (which would make the value opinion other than "as is").

Misconception: "If you give a report that says the value is at least a certain amount (say, \$1 million), that's a consulting report and you don't have to comply with Standards 1 and 2."

Reality: A report that states an opinion that the value "is at least" or "is less than" a stated amount is an appraisal. A value opinion (appraisal) can be stated as a relationship to a given benchmark amount, or a range, or a single point. (Lines 347-349)

Best Seller List

According to the New York Times Best Seller List, the best-selling hardcover non-fiction book in the United States is American Soldier by General Tommy Franks. Thinking that there must be some mistake, I double-checked the list and then checked the other best selling categories. I was somewhat shocked to find that none of the Appraisal Institute's publications broke the top 10 in any category. I guess it just gets back to personal preference. Myself, I can't wait for the new AI publications to come out. And I know you can't either as evidenced by the brisk sales of AI books this year. Sales through June 2004 totaled \$703,751. The top-selling books so far this year are:

1. The Appraisal of Real Estate, 12th ed.
2. The Dictionary of Real Estate Appraisal, 4th ed.
3. Appraising Residential Properties, 3d ed.
4. Practical Applications in Appraisal Valuation Modeling
5. Golf Courses and Country Clubs
6. Land Valuation: Adjustment Procedures and Assignments
7. Hotels and Motels
8. Convenience Stores and Retail Fuel Properties
9. Market Analysis and Valuation of Self-Storage Facilities
10. Real Estate Valuation in Litigation, 2d ed.

2004 CHAPTER OFFICERS & DIRECTORS

PRESIDENT

Cydney Bender Reents, MAI.....916 978-4900

VICE PRESIDENT

Richard A. Murphy, MAI.....530 246-1635

SECRETARY/TREASURER

Richard VanSteenkiste, MAI.....530 346-7575

DIRECTORS

Colin M. Conner
John Poland
Steve D. Dunn, MAI, SRA
Raymond Smith, MAI
Marshall Meager, MAI
Donna Whitaker, MAI
John T. Nicolau

PAST PRESIDENT

Richard A. Ribacchi, MAI.....916 361-2509

CHAPTER OFFICE

LOCATION

Sacramento Sierra Chapter
2701 Cottage Way, Suite 30
Sacramento, CA 95825

Phone:.....916 972-9700

Fax:.....916 972-9750

E-mail:.....emily@sac-ai.org

Web Page:.....www.sac-ai.org

EXECUTIVE DIRECTOR

Emily J. Bernardis

ADMINISTRATIVE ASSISTANT

Elaine M. Masi

NEWSLETTER NOTES

NEWSLETTER EDITOR

Colin M. Conner

Phone:.....916 574-1241

E-mail:.....connorc@slc.ca.gov

**Articles may be submitted to the
Chapter office via fax or e-mail.**

Statements of fact and opinion are made on the responsibility of the authors alone and do not imply an opinion on the part of the Officers, Directors, or Committee Chairs of the Sacramento Sierra Chapter of the Appraisal Institute.

The appearance of advertising for services or products is intended for the private use of the Sacramento Sierra Chapter members and does not imply nor intend sponsorship or endorsement. Acceptance of advertising is subject to the availability of space.

INSTALLATION DINNER

NOVEMBER 19, 2004

DEL PASO COUNTRY CLUB

3333 MARCONI AVENUE

SACRAMENTO, CA 95821

6:30 p.m. Cocktails—no host
7:00 p.m. Buffet Dinner

\$32.00 per person

RSVP BY NOVEMBER 16, 2004

For more information or to make reservations
call Emily or Elaine at 972-9700



Sacramento Sierra Chapter
2701 Cottage Way, Suite 30
Sacramento, CA 95825
Bus. (916)972-9700
Fax: (916) 972-9750