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New York State Society of Real Estate Appraisers
a division of the New York State Association of REALTORS®, Inc.

Becky Jones, Communications Chair

Fall 2004

52nd Annual Fall conference is a hit!

We are pleased to report that the 52nd Annual Fall Appraisal Conference at the Turning Stone Casino and Resort in Verona, New York on Thursday and Friday, October 21 and 22, was a top rated event!

On Thursday, Conference Chairman Bob Galliher, MAI of Utica welcomed everyone to the conference. Jim Murette of Albany instructed the seven-hour USPAP class and did a great job, as always.

Walter Hang of Toxics Targeting in Ithaca gave an eye-opening presentation on Friday about protecting yourself from environmental risks.

Hang's research has received extensive attention on network television news, "60 Minutes," "Nightline," *The New York Times*, *The Wall Street Journal* and *Time Magazine*.

Many of the attendees said Hang's presentation was the best they ever heard, describing it as very informative and thought provoking.

We have been fortunate each year to have Deputy Sec-

retary of State Keith Stack and Investigator Paul Matthews from the New York State Department of State attend the conference as featured speakers during the luncheon session. This year was no exception. Stack and Matthews gave an update on activities of the New York State Board of Real Estate Appraisal, which attendees found to be very useful. They also responded to several questions from attendees.

Paula Konikoff, MAI, JD of the Appraisal Standards Board provided a brief overview of changes to the Uniform Standards of Professional Appraisal Practice for 2005. She also gave an update on the Scope of Work Project and other ASB activities. Her presentation was well received by the participants.

Raffle tickets for the Spring Basket benefitting Camp Good Days and Special Times, a camp for children with life threatening illnesses, are sold



Shirley Neff accepts her prize from NYSSREA Governor George K. Wonica.

at the Fall and Spring Conferences each year. We are happy to report that this year's conference raised \$342. A special thanks to Past President Regis Mooney of Rochester, who delivers the check to the camp each year. Many of you may remember Mooney from his many years hosting the Fall Conference.

Shirley Neff of Syracuse won this year's basket, which in-
See Conference, p. 8

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NYS Society of Real Estate Appraisers, 130 Washington Ave., Albany, NY 12210-2220
Phone: 518-463-0300 • Fax: 518-462-5474 • Website: <http://www.nyrealestateappraisers.com> • E-mail: nysarea@nysar.com

2004 Officers and Staff

Robert Eisenoff

President
Eisenoff Realty, Inc.
16620 Union Turnpike
Flushing, NY 11366

Domenic Zagaroli

President-elect
9 Dante Drive
Harrison, NY 10528

Michael Johnson

Secretary/Treasurer
Realty USA
505 Center Street
Lewiston, NY 14092



Charles M. Staro

Chief Executive Officer
NYS Assoc. of REALTORS®
130 Washington Ave.
Albany, NY 12210-2220

Sherry Marr

Divisions Liaison
NYS Assoc. of REALTORS®
130 Washington Ave.
Albany, NY 12210-2220

P resident's Message

We have recently returned from the Fall Appraisal Conference, which was very successful. I would like to thank Bob Galliher, MAI of Utica, who has been serving as conference chair for several years. The speakers gave top-notch presentations and the program was terrific again this year. I would also like to thank NYSSREA Governor George K. Wonica who did a great job assisting Galliher with the afternoon session of the conference. Finally, I would like to thank NYSAR Staff Members Anne Groski and Charlene Craig for assisting with all of the details for the conference.

In October, we had a very successful meeting in Saratoga Springs where a number of items were discussed. Mike Bucci and Becky Jones will continue working on ways to improve the website. Joann Perna was selected to receive the "John J. Noto Memorial Scholarship Award" and four new membership applications were approved to join the society! Dom Zagaroli will be working on the Spring Conference, which is planned for April/May of 2005. We will notify you of the site and date, via e-mail, as soon as it is confirmed. Also, during the meeting, the governors unanimously approved renaming the Spring Conference, the "Arthur G.



Robert Eisenoff

McCartney Spring Appraisal Conference." As many of you know, Art was instrumental in starting the Spring Conference ten years ago. Sadly, Art passed away in January. He will always be remembered by his fellow colleagues.

I would like to congratulate the officers for 2005, which include President Domenic Zagaroli, Westchester; President-elect Michael Johnson, Buffalo and Secretary/Treasurer Carol DiSanto, Ithaca.

The following individuals were elected to serve as governors of the society: R. Timothy Doherty, Rochester; Robert Tarbox, Rochester and George S. Wonica, Staten Island.

I've enjoyed serving as your president this year. I would like to wish you a very happy, healthy and prosperous New Year!

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Eisenoff". The signature is fluid and cursive.

Robert Eisenoff
President

Appraisal Committee reports from the NAR Conference and Expo

The following is a report from the Appraisal Committee during the 2004 National Association of REALTORS® (NAR) Conference and Expo in Orlando, FL. in early November. The committee reviewed the status of the following legislative and regulatory issues that impact REALTOR® appraisers.

Appraisal independence

Banks are responsible for ensuring that policies and procedures are adopted that establish an effective, independent real estate appraisal and evaluation program that covers all lending functions. Selecting qualified and experienced individuals, independent of the transaction, and not subject to external or internal influence, is key to any transaction. Members report that lender pressure continues to be a problem and encouraged NAR to support legislation that would help resolve this problem.

Uniform Relocation Act

The Uniform Relocation Act governs the relocation and land acquisition programs of nearly all federal departments and agencies. It also helps set the requirements for appraisal and appraisal review in support of federal and federally-assisted acquisition of real property used for government

projects. Before the end of the year, the Federal Highway Administration is expected to issue final regulations simplifying and streamlining the real property transfer process so that the financial and economic impact on businesses and homeowners is minimized. It is anticipated that the final regulations will state that appraisers, including review appraisers, must be qualified, competent, and state licensed or certified and may not be pressured to adjust their estimate of value for the purpose of justifying such settlements.

Expanding the VA Panel of Appraisers

The VA is in the process of adding 2,000 appraisers to its approved roster in order to increase national coverage and to ensure the timeliness and general quality of appraisals. Applications are being accepted from licensed and state certified appraisers with a minimum of three years experience, letters of reference, and a demonstration report. Currently, the VA has only filled 600 positions and has extended the application process through 2005.

Final Lender Accountability Rule for FHA loans

HUD issued a final rule clarifying the responsibilities of FHA-approved lenders in re-

gard to appraisals. The final rule states that lenders are accountable for the quality of appraisals on properties utilizing FHA insurance, and specifically provides that lenders who submit appraisals, which do not meet FHA requirements are subject to the imposition of sanctions by the HUD Mortgage Review Board. The rule is designed to ensure that lenders are aware of their responsibilities with respect to appraisers, and homebuyers receive an accurate statement of the appraised value of their homes. NAR supports the final rule because it incorporates several of the comments we had submitted on the proposed rule.

The committee reported the tenth anniversary of the appraisal designation program during the meeting. There are currently 515 RAA and 469 GAA designees.

The committee also reported that the appraisal networking session was well attended. Speakers included Alan Simmons and Danny Wiley. Simmons spoke about USPAP and the new Fannie Mae forms. Wiley, chairman of the Appraisal Standards Board of the Appraisal Foundation, presented information on the Scope of Work project and other initiatives of the Appraisal Foundation.

USPAP questions & answers

These communications by the Appraisal Standards Board (ASB) do not establish new standards or interpret existing standards. The ASB USPAP Q&A is issued to state and territory appraisal regulators to inform all states and territories of the ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the Uniform Standards of Professional Appraisal Practice (USPAP) in specific situations; and, to offer advice from the ASB for the resolution of appraisal issues and problems. The ASB USPAP Q&A do not constitute a legal opinion of the ASB.

Q: Are appraisers required by USPAP to disclose receipt of things of value that are connected to the procurement of an appraisal assignment in the appraisal report?

A: Yes. The comment to the management section of the ethics rule states that:

Disclosure of fees, commissions, or things of value connected to the procurement of an assignment must appear in the certification and in any transmittal letter in which conclusions are stated.

Q: What is the difference between a client and an intended user?

A: The term “client” is defined in the definitions section of USPAP as the party or parties who engage an appraiser (by employment or contract) in a specific assignment.

The term “intended user” is defined as the client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report, by the appraiser on the basis of communication with the client at the time of the assignment.

Eventual receipt of a copy of an appraisal, appraisal review, or appraisal consulting report does not make the recipient an intended user. To be an intended user the recipient must have been identified as such by the appraiser.

Q: Frequently, the borrower in a lending transaction is provided with a copy of the appraisal report; and in some cases, the appraiser knows that the borrower will be receiving a copy of the appraisal report. When the appraiser is aware that the borrower or any other third party will receive a copy of the appraisal, does this make that third party an intended user?

A: No, the fact that a borrower or anyone else receives a copy of the appraisal report does not make them an intended user. The concept of an “intended user” in USPAP is framed within the context of the appraiser-client relationship. An “intended user” is defined in USPAP as follows:

The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment.

There are several things to note in this definition. First, intended users of the appraisal report must be identified by the appraiser. Secondly, this identification is made at the time of the engagement process so the appraiser can make a prudent judgment about the scope of work to apply in the assignment and the level of detail to include in the report.

It is also worth noting that the concept of “intended use” and “intended users” are related to the purpose of the assignment. Appraisal reports for loan transactions are typically used to substantiate real property value as underlying collateral for a particular loan. The fact that the lending in-

stitution is required by law or regulation to make certain disclosures to the borrower about the loan and the basis for the loan decision does not alter the purpose, the intended use, or the intended users of the appraisal assignment.

SMT-9 further clarifies this issue by stating:

A party receiving a report copy from the client does not, as a consequence, become a party to the appraiser-client relationship.

Parties who receive a copy of an appraisal, appraisal review, or appraisal consulting report as a consequence of disclosure requirements applicable to an appraiser's client do not become intended users of the report unless the client specifically identifies them at the time of the assignment.

Q: The terms "recertification of value" and "appraisal update" are often used interchangeably. Do they have the same meaning?

A: No, these terms do not have the same meaning. The terms "update" and "recertification of value" are discussed in Advisory Opinion 3 (AO-3).

An "update" is a new appraisal assignment involving a property that was previously appraised. An update is subject to the same USPAP requirements as any other appraisal assignment.

A "recertification of value" is performed to confirm whether or not the conditions of a prior assignment have been met. One example of a "recertification of value" is a "final inspection." When an appraiser is asked to complete a "final inspection," the appraiser is confirming that conditions established in an assignment have, or have not, been met.

"Final inspections" are commonly used in the case of proposed construction where an appraisal is completed subject to completion per plans and specifications.

For further advice on updates of a prior assignment, see AO-3.

Q: Appraisers are receiving conflicting advice regarding the requirements to provide an "as is" value. Can the Interagency Work Group provide guidance on exactly when an "as is" value is required and when it is not?

A: Response from the Interagency Work Group:

"The requirement for an 'as is' value is an implied element in the minimum appraisal standards listed in the agencies' appraisal regulations. Under these standards, an institution must analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings,

non-market lease terms, and tract developments with unsold units.

The agencies' appraisal regulations require an appraisal report to include an 'as is' current market value when an institution finances:

- The proposed construction or renovation of an existing property.
- A property that has not met its leasing goals (non-stabilized).
- A property with non-market lease terms (concessions that impact cash flow).
- A subdivision or tract development with unsold units.

If a transaction does not include any of these types of financing situations, then an 'as is' value is not required. For example, in financing the purchase of an existing home, there typically would be no need to apply deductions or discounts to arrive at the market value of the property since the institution's financing of the purchase does not depend on events such as further development of the property or the sale of units in a tract development."

Congratulations to Joann Perna who is a recipient of the John J. Noto Memorial Scholarship Award!

TRIPLE PLAY 2004 Appraisal Sessions

**Atlantic City Convention Center, Atlantic City, New Jersey
December 7-9, 2004**

*Economics and Appraising, Melanie McLane, ABR, CRB, CRS, GRI, ITI, SRES -
Tuesday, December 7, 8:30 a.m. – 12 p.m.*

This course covers the relationship between the micro and macro economic forces on appraisal values and the appraisal business, including economic forces that affect the real estate industry, such as interest rates, supply, demand, unemployment, housing starts, government controls, and demographics. You'll examine the long-term effects on the housing market of Federal Reserve policy, the performance of the stock market and other macro economic events, then examine the micro effects of their particular market on real estate values and learn how to correlate the two. Micro effects include local employment rates, housing starts, supply and demand and absorption rate, among others. Learn how to track economic information in order to stay on top of the market.

*Market Analysis – or So Your Comps Aren't Perfect – Adjust! Melanie McLane,
ABR, CRB, CRS, GRI, ITI, SRES - Tuesday, December 7, 1:30 – 5 p.m.*

This course discusses how appraisers can identify appropriate comparables, specifically in situations where no paired sales exist, and make market-based adjustments to the comps in order to produce a credible report. You'll use case studies with a pool of comps to decide which comps are most appropriate for the subject. Given market data, some of which is paired sales, you'll make inferences about the markets. Case studies will be used to make an analysis about a particular market sector and determine what the most important features are for that kind of property (such as acreage, square footage, style, age, etc.).

USPAP Update, Jim Murrett - Wednesday, December 8, 8 a.m. – 5:30 p.m.

This interactive presentation focuses on the recent changes to Uniform Standards of Professional Appraisal Practice (USPAP) requirements for ethical behavior and competent performance by appraisers. The material also includes information intended to clarify some commonly misunderstood aspects of USPAP. The course will aid appraisers in all areas of appraisal practice who are seeking updated competency in USPAP, including those subject to state licensing or certification and continuing education requirements imposed by professional organizations, client groups or employers. *\$50 materials fee and pre-registration required.*

*You Want WHAT on WHICH Line? Melanie McLane, ABR, CRB, CRS, GRI, ITI, SRES
Thursday, December 9, 8:30 a.m. – 12 p.m.*

The large players in mortgage underwriting – FannieMae and Freddie Mac – keep providing new forms to appraisers. Often confusion results about what an appraiser should put and where. Additionally, sometimes the forms are confusing or require additional comments by the appraiser to make sense of the report. This is a hands-on, step-by-step, fill in the blanks course that will show the novice or the old pro how to fill out forms in accordance with FNMA guidelines.

Registration is available on-site during the convention. Continuing education (CE) credit is available for these sessions at a nominal fee. Plus, take advantage of many other valuable non-credit sessions and the expanded trade expo. For more information, visit www.realtorstripleplay.com.

Education Courses

The following courses are sponsored by the Westchester Community College, 75 Grasslands Rd., Valhalla, NY 10595. For more information, call 914/785-6830.

National USPAP Qualifying Course

15 hours
Available in December
Call for details

Valuation of Individual Condominium Units

3 hours appraiser CE
Saturday, January 8
9 a.m. - Noon

Understanding the Appraisal Principles in the Estimation of Value

4 hours appraiser CE
Monday, January 24
6 - 10 p.m.

R-1: Program

Day and evening sessions will be offered in January
Call for details

Analysis of Market Sales: When are they comparables?

3 hours appraiser CE
Monday, February 21
6:15 - 9:15 p.m.

The following courses will be held at the Merrill Institute, 90 South Ridge St., Rye Brook, NY. For more information, call 866/563-7720.

AQ-1: Fair Housing, Fair Lending and Environmental Issues

Tuesday and Thursday
December 7 and 9

Highest and Best Use Seminar

4 hours appraiser CE
Wednesday, December 15
1 - 5 p.m.

Desktop Underwriting Seminar

3 hours appraiser CE
Thursday, December 16
2 - 5 p.m.

R-3: Program

Available in February
Call for details

The following courses are sponsored by the Greater Utica-Rome Board of REALTORS®, to be held at the Utica-Rome Education Center, 811 Court St., Utica, NY 13502. For more information, call 315/724-5159.

Mold & Its Effect on Valuation

7.5 hours
Saturday, December 11
9 a.m - 5 p.m.
\$79 (includes materials)

Expert Witness

7.5 hours
Saturday, December 18
9 a.m - 5 p.m.
\$79 (includes materials)

Watch your e-mail for information on NYSSREA's Spring Appraisal Conference.

Applications for the John J. Noto Scholarship Award can be found online at, www.nyrealestateappraisers.com.



Conference

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cluded chocolates, crackers and a complimentary certificate for next year's conference, among many other great items. Congratulations Shirley!

This year's prize donors donated wonderful prizes including wine, chocolates and Yankees tickets. Many thanks to the following individuals, for

their generous donations.

Calvert Bailey, Oneonta
George Bergleitner, Otsego-Delaware
Shirley Coyne, Syracuse
Tom Deamer, Windsor
Carol DiSanto, Ithaca
Tim Doherty, Rochester
Sarah DuMond, Syracuse
Robert Eisenoff, Long Island
Richard Fulton, Alexandria Bay
Antohny Girasole, Niagara Falls
Thomas Greco, Fulton

Brian Hawley, Penn Yan
Steve Heller, Penn Yan
Allen P. James, Oneida
Shirley Norquest, Horseheads
Doreen Ross, Schenectady
Bob Sebesta, Vestal
James N. Williams, Fayetteville
George K. Wonica, Staten Island

Special thanks to Dennis Supraner of Professional Liability Consulting Services, Inc. who was a sponsor of the conference.

Important changes to appraiser qualifications!

Effective January 1, 2008, certified residential appraisers will be required to have an associate's degree or 21 semester credit hours covering specific subjects, in addition to fulfilling 200 education hours (currently 120). Certified general appraisers will be required to have a Bachelor's degree or 30 semester credit hours covering specific subjects, in addition to fulfilling 300 education hours (currently 180). *College level courses and degrees must be obtained from an accredited college or university.* License education requirements will increase from 90 to 150 hours.

New York State _____

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Happy Holidays!