

# Philadelphia Metropolitan Chapter

Volume 7 Issue 3

## A Message from the President

Paul Quinn, MAI, AI-GRS



Welcome to the Fall of 2016. I hope the membership is doing well and is gearing up for a strong finish to 2016. Our efforts to attract new talent into the industry continued over the past several months with Ed Falkowski, III and Beau Cantera most recently visiting Widener University. Also, Susanne Curran has been successful in coordinating efforts to speak to the Temple Student Real Estate Organization. If any member has an existing relationship with

additional institutions of higher learning, I suggest you contact Ed or Susanne to coordinate efforts.

In conjunction with our efforts for attracting young appraisers into the profession, we all should be diligent on suggesting this career path to experienced real estate professionals that may be looking for something different from their current responsibilities. In all, we need to expand our base of candidates to insure the future of the organization. As you are all aware, the significant efforts made by National to convert candidates into members over the past several years has been very successful. However, this has left a vacuum in the candidacy program, which, in part, impacts our ability to provide educational offerings. These educational offerings are significant to the financial viability of our local chapter.

On August 4th, we held a joint membership meeting with the South Jersey and Delaware Chapters at Citizens Bank Park. Included with this meeting were two hours of CE, lunch and the Phillies extra inning loss to the San Francisco Giants. Lauren Gilchrist, Vice President, Director of Research for JLL spoke about current market conditions and the economy and was very receptive to attendee's questions. Thank you to those that attended.

In late July I attended the National meetings in Charlotte, North Carolina. I was impressed with both the size and scope of this event. The amount of wisdom shared by experienced appraisers was only matched by the enthusiasm and energy of the newer members and candidates that were in attendance. A highlight of the conference was a lecture given by Jack Uldrich, a "global futurist". His vision and grasp of the rapid changes going on in our "technology driven" world was quite impressive, if not shocking.

In addition to the guest speakers and extensive educational offerings, there were seven national award winners honored at this year's event. Terry R. Dunkin, MAI, SRA; M. Ralph Griffin, MAI, AI-GRS and Calvin Reynolds, MAI, SRPA, SREA, SRA were all honored with the Lifetime Achievement Award and Sandra K. Adomatis, SRA received the Outstanding Service Award. The Presidential Award recipients were M. Lance

Coyle, MAI, SRA; John P. Robinson Jr., SRPA, SRA and Stephen S. Wagner, MAI, SRA, AI-GRS.

Our Chapter Board of Directors met in September for its third quarter meeting. Main topics for this meeting included our education plan for 2016 including the 3<sup>rd</sup> Annual Real Estate Trends seminar and the Chapter dues structure for 2016. Designated members will be seeing a \$25 increase in their dues. Candidate dues will be determined by National at a later date.

Thanks again for your continued support of the Philadelphia Metropolitan Chapter of the Appraisal Institute. Feel free to contact me directly with any questions, concerns or suggestions.

## Golf Outing Rescheduled

Due to inclement weather, the 2016 Golf Outing has been rescheduled for Tuesday, October 11, 2016.



The event will begin with a shotgun start at 12:30 pm at the Makefield Highlands Golf Club in Yardley.

The price of \$100 per player includes range balls, cart, green fees, 1-hour open bar (house, call liquor, beer and wine) heavy hors d'oeuvres (including 20% gratuity).

If you would like to be sign up, please contact Tiffany Lewis at 610.326.0100 or at [contact@aiphilametro.org](mailto:contact@aiphilametro.org).

## Save the Date – 2016 Holiday Party

The 2016 Holiday party will be held on **December 6, 2016** at Manufacturers' Golf and Country Club. Invitations will be mailed by mid-October and RSVPs are due by the end of November.

## Fall 2016 Widener Career Fair

By Ed Falkowski, SRA

Beau Cantera, MAI and Ed Falkowski, SRA represented the Appraisal Institute at the Fall 2016 Widener Career Fair. This experience allowed our chapter to get in front of soon-to-be college graduates and to share with them the advantages of Appraisal Institute membership. We were very encouraged by the volume of students attracted to our table and we heard a variety of questions. The most common question, which I'm sure that many of our members are familiar with, was: "What is the Appraisal Institute and what do you do?" We were able to give a compelling synopsis of the benefits of membership as it relates to not only careers in real property valuation but careers in real estate in general. One student, even before we started our discussion, remarked: "The Appraisal Institute! I've heard about you in our class!" We found that to be the most

encouraging remark of the day as it shows evidence that the Appraisal Institute is starting to become a talking point during classroom discussion.

On that point, our chapter will continue to pursue opportunities to participate in College/University career fairs as well as to speak in front of real estate, accounting or finance classes in an effort to bring the message and benefits of Appraisal Institute membership to students. It is our sincerest hope that these efforts will not only encourage students to pursue a career in real property valuation, but will show them that the Appraisal Institute can bolster the career of real estate professionals across a broad spectrum of services (investors, developers, financiers, underwriters, etc.). In addition to Widener, we have sent representatives to speak to a class at St. Joseph's University and have made good strides with both Temple University and the University of Delaware. If you have any connections at any other area Colleges/Universities which may be beneficial in this effort, please contact Tiffany Lewis at [contact@aiphilametro.org](mailto:contact@aiphilametro.org).

## Chapter Leadership Program Update

By Trip Lukens, MAI, SRA

Chapter Leadership training was conducted in Chicago on September 22 and 23. This training provides an overview of the responsibilities of incoming Chapter Presidents and the resources available from National to facilitate successful Chapter operations.



The Candidate for Designation Program continues to encourage Candidate's to complete the designation requirements. In 2015 the Appraisal Institute has conferred 415 MAI and 147 SRA designations. It also designated 201 AI-GRS and 68 AI-RRS members.

There remains a need for Candidate Advisors. If you would be willing to serve as Candidate Advisors, please go to the AI Website at <http://www.appraisalinstitute.org/advisors/>.

## Government Relations Update

By Louise Jeffers, SRA; Chair

Per the CPREA (Coalition of Pennsylvania Real Estate Appraisers), here is the activity in Harrisburg as we near the end of the 2015-16 legislative session:

HB 31 also known as HB 1600: This bill addresses changes implemented by the Appraisal Foundation with respect to trainee background checks and reciprocity of certifications. It recently passed and was signed into law by Governor Wolf. The State Board of Real Estate Appraisers is working on the Rules and Regulations and Pennsylvania should be in compliance with Federal law by the mandated date of 1/1/17.

HB 321 – This bill states that Assessors in Philadelphia County must earn a Certified PA Evaluator (CPE) license within 3 years. This bill passed the House and is now in the Consumer Protection and Professional Licensure Committee. As of this writing, there are no progress updates.

HB 2347 was just introduced at the end of September. This is the new version of SB 869 put forth in 2013 by Senator Tomlinson with the backing of the Pennsylvania Association of Realtors. This bill supported opening RELRA (Real Estate and Licensing Registration Act) to make changes to the requirements and educational standards for real estate agents and brokers, and also allowed for real estate agents in PA to perform a residential or commercial Broker Price Opinion for everything except a first or second mortgage. As you may recall, the grass roots efforts of CPREA, stopped this bill from becoming law in the previous session. The CPREA states that the newly proposed bill takes a number of steps in the right direction but is still deficient in some areas and they intend to continue to work on those areas in the near future.

## Appraisal Qualifications Board (AQB):

The second exposure draft is available for your review at the Foundation's website. The first draft and its comments are also available. The web link is:

[http://www.appraisalfoundation.org/imis/TAF/Standards/Exposure\\_Drafts/TAF/Exposure\\_Drafts.aspx?hkey=5b393d7e-4ed0-4c45-bf13-21ed4e2d14c5](http://www.appraisalfoundation.org/imis/TAF/Standards/Exposure_Drafts/TAF/Exposure_Drafts.aspx?hkey=5b393d7e-4ed0-4c45-bf13-21ed4e2d14c5)

The second exposure draft covers possible changes in qualifications to become a state certified appraiser which also take into account comments received after the first exposure draft.

After much deliberation the AQB increased the qualifications to become a state certified appraiser several years ago. Many believe they went too far and sought to modify the current criteria. In the meantime, Lenders and AMCs (Appraisal Management Companies) took this opportunity to push for lower standards. They blame a large 'shortage' of appraisers for delays in loan closings all over the country and if there were more appraisers, there would be fewer delays, so lowering the qualifications for certification will accomplish both goals. Here is some background and history to help understand the current situation.

When HVCC (Home Valuation Code of Conduct) became law in 1999, many lenders didn't realize that an AMC was an 'alternative' but not the rule, insofar as how they could run their appraisal departments. Even after HVCC was unseated by Dodd Frank, lenders continued to use AMCs. Consequently, there is a shortage of lenders who understand that they are NOT REQUIRED by any law or entity, to use an Appraisal Management Company (AMC) to handle the appraisal process. Many lenders maintain an internal appraisal department as a required 'buffer' between the appraiser and the loan officer and others making money from the closing of the loan. They meet all federal guidelines and maintain control of the operation. The lack of understanding about this concept caused a proliferation of appraisal management companies, whose main business models are unfriendly to both appraisers and to consumers.

There is a shortage of people in and out of the real estate and regulatory industries who understand how AMCs work for appraisals. AMCs using the most common model, take money from the consumer for 'the appraisal' and divide it between the appraiser and themselves. For example, an AMC contracts with a lender for a base fee of \$600 to be collected from the borrower with \$350 going to the appraiser and \$250 staying with the AMC for their services. (The typical fee in a non-AMC basic scope of work report for the \$600 appraisal is \$400 – an

upsell of \$200 to the consumer.) The AMC then shops or advertises the appraisal to find the appraiser who will do it cheapest and quickest. This takes time away from the appraiser who is expected to finish the report in a very short period while being micromanaged 24/7 by the AMC. The appraisers get 'report cards' based on accepted orders at set fees and meeting turn times. The appraisal report is further delayed by reviewers with checklists (not usually appraisers) who ask questions such as 'are the utilities on?' when photos in the appraisal show lights on, pots of food cooking on the stove and working TVs.

Many appraisers began working with AMCs as their clients moved to that model. Some chose not to and found other work. In many markets there is currently more work than the available appraisers can handle, such as in Colorado, Washington, Oregon and Ohio, where turn times are 6-8 weeks. Appraisers in these markets are quoting based on availability and are being paid fees that are over typical market rates. This is the opposite of how it works in slow times, when fees typically go down. The current high volume will probably not last. The lenders/AMCs are taking advantage of the overflow of work in certain areas to claim there is a shortage of appraisers simply to increase the supply to continue their business model.

The bottom line is, there is a shortage of appraisers in all markets, who will accept the low fees, fast turn times and the 24/7 micromanagement prevalent when working with most Appraisal Management Companies, but there are plenty of appraisers in most areas, willing to work with lenders who maintain professional standards and treatment of appraisers. (Full disclosure: There are some AMCs, not many, who use a zero cost model where the lender pays the AMC directly for services, but consumers pay, and the appraisers receive, customary and reasonable fees for appraisals. These AMCs are generally not the cause of the current 'shortage'.)

Of real concern in discussing shortages of appraisers is the graying of our profession. Up until about ten years ago, appraisers trained with supervisors and this was the normal course of the appraiser life cycle. Currently, there is a serious shortage of Appraiser Trainees. This is caused by at least two factors. First, Lenders and AMCs will not permit appraisers to decide how best to supervise their apprentices and will not allow newly certified appraisers to do appraisals unsupervised. A PA Appraiser Trainee is permitted per Pennsylvania law, to complete inspections on his/her own, after 300 hours of inspecting with the supervisor and once the supervisor feels the trainee has demonstrated competency to do so. Most lenders and AMCs require the supervisor to accompany the trainee for the entire 2,500 to 3,000 hours needed to become certified. Some lenders and AMCs will not allow newly certified appraisers to work for them until they have at least 2 years of post-certification experience. These practices do nothing but discourage supervisors and trainees and the profession is now way behind in bringing in new talent. Lenders/AMCs worried about appraiser shortages should step back and allow the laws and regulations we have on the books to work as written. Permit appraisers to decide how best to supervise their apprentices and encourage newly certified



appraisers to do what they were taught, as soon as they are state certified.

The second factor is the effect on the appraisal profession of lower fees paid by AMCs. Low fees make it difficult for appraisal offices to pay an apprentice and this is true of both commercial and residential arms of the profession. Lenders using AMCs need to either take charge of their appraisal process once again or change to an AMC that doesn't extract their fees from borrowers and appraisers. It's the best and fastest way to bring qualified appraisers back to doing mortgage work again. Appraisers' clients need to stop being part of the problem.

The AQB needs to know your opinion of reasonable appraiser qualifications, even if you agree with them as they currently stand. If you think they should be changed, please let them know what you believe would be best for the profession. But it is mandatory that the AQB understands that in most areas of the country, any 'shortage' of appraisers is related directly to appraisers' clients and their business models, rather than anything that appraisers are doing or not doing in completing mortgage related work.

Comments are due by 11/4/6.

## Trend MLS Update

Recently Trend MLS, the local MLS in our area, sent letters to some of its members, indicating they would have fees increased by \$224 per year. Fees to other appraisers affiliated with a local board and to realtors were increased only \$36 per year. This caught many appraisers by surprise. However as of this writing, Trend's CFO states he has had few complaints from appraisers.

Currently appraisers have no official representation on Trend's board. Trend is working on starting a new MLS in 2017 which will expand their coverage down into Maryland, DC, and west to Lancaster and other areas. The new board will be large as it's a combination of many other MLS systems.

I spoke with Anne Marie Matteo, CEO of Suburban West Realtor Association's CEO who is on an executive planning committee for the new MLS. She indicated that they did discuss having 'specialists' such as appraisal, property management, and commercial Realtors represented specifically on the board, but decided that it would not be efficient unless in our case, that member was both a practicing agent and an appraiser.

She indicated Suburban West has had great success with quarterly forums for appraisers where individual appraiser members and agents get together to discuss current issues and concerns. Trend has often had a presence at these meetings when invited. Bottom line is, despite the presence of the quarterly forum, appraisers don't have direct MLS board representation and won't have it in the near future.

If you received a letter indicating your board fees increased by \$224 a year, please call Trend (610-783-4650) and let them know what you think of the higher fees. **If they don't hear from you, the message they are getting is that you don't care - that an increase of \$224 is OK. If they think that you are OK with the increase, expect more in the future. Those of you whose fees stayed the same as the Realtors, might also consider calling and supporting your peers.**



## FHA Handbook Revision (as of 9/30/2016)

Here is the link to the new handbook changes starting on page 480. Please keep it handy. As it was just released on Friday, I can't give you specifics, but you should be aware there are changes that will affect anyone doing an FHA appraisal.  
<http://portal.hud.gov/hudportal/documents/huddoc?id=40001HSGH.pdf>

## Upcoming Educational Offerings

November 2-5, 2016

General Appraiser Income Approach- Part 2

Registration is available for all courses and seminars at the following site:

<http://www.appraisalinstitute.org/education/PhiladelphiaMetro/>



## Employment Opportunities

To post opportunities on the website or in the newsletter, contact Tiffany Lewis with information about the position you have available ([contact@aiphilametro.org](mailto:contact@aiphilametro.org)). We are happy to post on our site.



### Commercial Real Estate Appraiser Wanted

Location: Conshohocken, PA

A.R. Hughes & Company has positions open for both an entry level and an experienced/licensed commercial real estate appraiser. Entry level position requires a Bachelor's degree. This is your opportunity to join an experienced team which includes four individuals who hold the MAI designation, including two past Presidents of the Philadelphia Chapter. Assignments are completed for bank financing, litigation and consulting work. We are a leading local firm providing a flexible compensation plan commensurate with experience.

Please email your resume in confidence to [myersb@arhughes.com](mailto:myersb@arhughes.com).

## 2016 Officers and Directors

The following is a list of Chapter officers and Directors for this year. Our Chapter's success is dependent upon our leadership each year. Please feel free to contact the Board with any questions, comments or concerns.

President	Paul Quinn, MAI, AI-GRS <a href="mailto:pquinn@lqres.com">pquinn@lqres.com</a>
Vice President	Reaves C. "Trip" Lukens, MAI, SRA <a href="mailto:tlukens@valbridge.com">tlukens@valbridge.com</a>
Treasurer	Craig Gleason, MAI <a href="mailto:gleason17@verizon.net">gleason17@verizon.net</a>
Secretary	Robert Lagreca, SRA <a href="mailto:Rlagreca@Lqres.com">Rlagreca@Lqres.com</a>

### Directors

Martin Anderson, MAI, SRA, AI-GRS  
David Arnoldi, MAI  
Baker Bell, MAI, AI-GRS  
John Crognale, MAI  
Cathy Donley, MAI  
James Dougherty, SRA  
Robert Myers, MAI  
Christin Phillips, MAI  
Donald J. Reape, MAI, SREA

Immediate Past President:  
James Klementisz, MAI, SRA