



Field Notes

The Greater Oregon Chapter of the Appraisal Institute Official Newsletter

President's Message

By **Richard "Rick" Herman, MAI, SRA**

The principle of change once more presents challenges to our economy and our industry. While the events and consequences of the last 2 years are dissimilar to previous episodes such as the infamous Savings and Loan debacle of the 1980's, there is nonetheless one constant in the ever changing universe - the need to blame. As all of us are so very much aware, unethical and incompetent appraisal practice was identified by congress as one of the primary contributing influences that helped precipitate that failure. As a result, our industry became federally regulated at the State level. We all paid a very heavy price not only in time and money, but more importantly in dealing with the seemingly insurmountable task of restoring public confidence in what we do and how we go about our business. It took several years for industry to again trust the results of our



Rick Herman

endeavors. Now, nearly 20 years later, our industry is again under scrutiny. Wall Street and the mortgage banking industry, along with the MBS insurers, are certainly on the forefront of examination this time. However, it is an inescapable conclusion that appraisers will sooner or later have to bear at least some of the outfall. This is already manifesting itself in the form of a significant increase in litigation directed at appraisers, as discussed in this month's Valuation article. The more things change, the more they stay the same.

How we are viewed in the marketplace impacts all us individually and cumulatively. As the market deteriorates and uncertainty regarding property values prevails, real estate appraisers largely remain the only resource available to establish a basis for asset valuation. The issue then becomes are we a resource that is sought out because of the value added by our expertise, or by

default as the last/only choice. It is my sincere hope that all of us recognize the significance of this moment in time and the extraordinary risks and opportunities associated with it. As Congress is now finding out, and as we have always known, "technique and technology and are important, but adding trust is the issue of the decade" (Tom Peters; business author). The survival of our profession critically depends on your honesty, integrity, ability and candor. It always has and always will. Our clients deserve the best effort that we can muster and the best advice we are capable of providing. That is what we do. All of us need to invest ourselves in the fundamentals of what made the appraisal profession one of the most rewarding professional experiences there is. I am hopeful that at the conclusion of this chapter of history the facts will demonstrate that the appraisal industry will continue to play a significant role in the restoration and health of our financial system and that its practitioners are worthy of the trust that they have worked so hard to earn in the marketplace.

Professional Practices Project Team

C. Spencer Powell, MAI

At the request of his Board of Directors, Appraisal Institute National President Wayne Pugh recently appointed a new project team to study ethics and standards issues. The motion passed by the Board was:

To direct that the President appoint a Project Team to study whether to establish an "Appraisal Review Committee" type system, including how such a system would function and what such a system would cost.

The Project Team's charge includes the following:

1. Study the need to revise and/or strengthen the peer review process;
2. Ascertain the frequency of "widely divergent opinion(s) of market value expressed by two or more designated mem-

bers of the Appraisal Institute involved in litigation-related assignments," the typical reason for such divergences, and what problems, if any, occur as a result. Further, determine the need for reinstating an Appraisal Review Committee or similar peer review process; and

3. Study the association's existing standards, regulations and guide notes, and determine the need for revision of their definition, application and enforcement.

President Pugh, MAI appointed 1996 Past National President Spencer Powell, MAI as chair and seven members from various parts of the country representing Appraisal Institute committees directly involved in standards and ethics enforcement.

The committee delivered an interim report to the June 2008 Board of Director's

meeting. Their final report will be presented to the November Board meeting in San Antonio, Texas. Thus far, the committee has studied past Appraisal Review systems followed by the American Institute of Real Estate Appraisers and interviewed a wide variety of individuals sharply critical of what they see as a lack of standards and ethics enforcement. Further, they have compiled a survey of members in an attempt to define the scope of issues and frequency of divergent testimony.

The United States Department of Justice has been a key voice in helping to identify the scope of the problem as well as frequency of divergent opinions. One of the reasons the American Institute abandoned the ARC was its sheer cost and heavy involvement of members on a voluntary ba-

sis. Further, it was largely ineffective, taking many years for a file to slowly wind its way thru the system.

The standards and ethics enforcement policies currently in place are vastly different from the old system. Most standards

enforcement issues are handled by a paid member, the Director of Screening. This system uses a network of assistants, also paid, who take care of each case. Ethics cases are referred to a Grievance Committee by the Director of Screening.

The issues facing the Project Team are to identify the frequency of divergent testimony and if appropriate devise a system to process these cases. Finally, to give the Board an idea of the estimated cost of implementing a new review system.

2009 Education Offerings

Matthew Larrabee, MAI

2009 will be a productive year for education offerings through GOCAI, with several new courses planned. The chapter web site (www.oregonappraisers.org) offers a basic outline of anticipated courses; however, additional course offerings will be added in the upcoming months as the 2009 schedule is finalized. Of note are the following offerings:

- USPAP 7-Hour Update (January 30)
- Evaluating Residential Construction (March 30)
- Evaluating Commercial Construction (March 31)
- Business Practices and Ethics (April 2009) - This course has been rewritten and updated, and is required continuing education for designated members.
- Scheduled 45-hour SRA designation course (June 2009). The course includes Advanced Residential Applications and Case Studies (Part 1) and Advanced Residential Report Writing (Part 2)
- Two courses will be offered for those of you working toward your MAI designation:
 - Course 530, Advanced Sales Comparison & Cost Approaches (April 20-24)
 - Course 510, Advanced Income Capitalization (November 2009)
- The 75-hour trainee package will be offered in spring and fall 2009. The package includes:
 - 15-hour USPAP
 - Basic Appraisal Procedures
 - Basic Appraisal Practices
- Two qualifying education packages for those working toward general certification:
 - Back-to-back courses for General Report Writing & Case Studies and an elective (March 2009)
 - Back-to-back courses for General Income Approach Part A and Part B (October 2009)

Greater Oregon Chapter Offers 4 Hour Seminar on Loss Prevention

Friday, November 14, 2008, with a Social to Follow.

Hayden's Lakefront Grill, 8187 SW Tualatin-Sherwood Road, Tualatin, OR.

Registration 12:30-1:00pm, Seminar 1:00-5:00pm Social 5:00pm.

Seminar & Social \$35/members \$45/non-members

Seminar only \$25/members \$35/non-members

Social only \$20/members \$30/non-members

This 4 hour seminar will address actual claims and the most effective defenses against these claims. Presenters: Robert A. Wiley, Liability Insurance Administrators, Ventura, CA. and Claudia Gaglione, JD, Gaglione & Dolan, Attys., Los Angeles, CA.

The presenters will advise you of common claim allegations, effective defenses and loss prevention techniques that can help limit an appraiser's liability exposure. Knowledge can be the appraiser's umbrella against the stormy world of litigation.

Diligent Loss Prevention will: Reduce the possibility of being sued and aid in your defense

Seminar Highlights

- Who sues appraisers?
- What happens when I get sued?
- What kind of things do appraisers get sued for?
- If you are sued, what are the best defenses?
- Loss Prevention overview and tips
- Appraising under the new HUD guidelines
- Claims-made vs. occurrence coverage
- Prior Acts
- Claim Reporting Requirement
- Diligent Loss Prevention will reduce the possibility of being sued and aid in your defense
- Effective vs. ineffective limiting conditions
- Sample engagement letter
- What to do if you have a claim

Attend the Seminar, and you will receive a one-time, premium credit certificate from Liability Insurance Administrators good for \$25 (residential) \$50 (general) toward the purchase of insurance through their company.

The Appraisal Institute, State of Oregon and Washington have approved this seminar for 4 hours of continuing education.

To register email the chapter office at: aioregon@oregonappraisers.org or call 503.316.1979.

GOCAI welcomes and extends congratulations to 10 newly designated members since the beginning of 2007

By Carl Stillman, MAI

Blake D. Vigna, SRA October 10, 2007 Vision Real Estate Services
Jeremy A. Snow, SRA November 27, 2007 PGP Valuation
Allan W. Rodrick, SRA November 27, 2007 Gorge Appraisal
Dawn A. O'Leary, SRA November 27, 2007 Dawn O'Leary Appraisal
Rachel A. Feldman, SRA December 28, 2007 Green Appraisal Services
Barry H. Binder, SRA May 12, 2008 Binder & Associates
Robert D. Katz, SRA May 21, 2008 Valuation Trust Corp.
Greg Hinton, SRA August 20, 2008 Umpqua Willamette Appraisals
Loren A. Wright, MAI June 18, 2007 Ameritus Appraisal & Consulting
Daniel J. Hanson, MAI April 17, 2008 Hanson Valuation

In an effort to encourage those among us who are nearly finished with the designation process, the most recently designated MAI and SRA members (Dan Hanson, MAI and Greg Hinton, SRA) are profiled. Hopefully their stories will provide a little push to members who need it!

Dan Hanson, MAI - Profile: Dan is the most recently MAI designated member of the GOCAI, receiving his designation in April, 2008. Dan grew up in Oregon, attending high school in Milwaukie and graduating from the University of Oregon in 1989 with a degree in finance.

Following college Dan began his appraisal career with PGP Valuation in Vancouver, WA working with Dave Groth, MAI and Mark Lawwill, MAI. Dan joined Cassinelli Jackson, LLC in 1999, and left in August, 2008 to start his own firm - Hanson Valuation in Beaverton. He concentrates on commercial properties and has developed expertise appraising offices and subdivisions.

Getting the demonstration report

done was a major hurdle on the road to designation according to Dan and requires a commitment to set aside enough time to get it done. Dan said that after 12 to 13 years appraising it was time to get serious about getting designated and it took about two years to get through the process, including the demo report and comprehensive exam.

Dan and his wife Patti welcomed their first child (Ben) to the world about a month ago. The Chapter congratulates Dan on a job well done - both as an appraiser and a father!

Greg Hinton, SRA-Profile: Greg grew up in Douglas County. He began his appraisal career in Eugene in 1997, training under Carl Goschie, SRA. After working for Carl for nearly 2½ years and earning his certified residential appraiser license, Greg set out on his own. He initially concentrated on the Douglas County market for a number of years. More recently his company, Umpqua Willamette Appraisals, serves both Douglas and Lane Counties. Greg would like to

see the Appraisal Institute actively promote the SRA designation by convincing large lenders and appraisal management companies to allow clients to choose to receive appraisals only from designated appraisers.

Greg completed the demonstration report requirement using the class room alternative. He describes the class as intense, involving many hours of work over the week long course, but well worth the effort. He compliments the instructors of that course. Greg indicates that the experience review process is also constructive and informative. Greg also singles out Terry Bernhardt, SRA for a special thank you for his positive attitude and encouragement over the years.

Greg and Linh, his wife of 15 years, have three children ranging in ages from 4 to 14. Those who know Greg and Linh know them to be extremely active and involved in their children's lives and activities.

Congratulations to Greg on a job well done.

Chapter Hosts Strecker Memorial Golf Tournament

by Scott Henningsen, MAI

GOCAI held the annual Strecker Memorial Golf Tournament on Monday, September 8, 2008. This year's event was held at Rock Creek Country Club, and 48 golfers attended.

The winning team in this year's scramble format, and holder of the revolving Strecker Memorial trophy, is the foursome of Dan Hanson, Scott Murphy, Steve Rude, and Perrin Smith. This team shot a score of 57, or 15 under par. Very impressive scoring for a small tournament of this size.

The second place team consisted of Matt Meyer, Ron Albano, Kento Hirata and Jeff Hirata. Other golf winners included Rich Galster (putting contest), Keri Erving (women's KP), Jeff Hirata (men's KP) and Scott Murphy (long drive). Joel Jorgensen was the winner of the raffle drawing, and won a two-night's vacation rental at Lincoln City.

We would like to thank the various sponsors and contributors who donated prizes for this year's event. These include GOCAI, John Satterberg at Community Financial Corporation, Floor Coverings International, Unitus Community Credit Union, RMLS, among others. A big thank you for providing us with this year's prizes.

Please make plans to attend next year's tournament. Each year we are able to make a donation to the scholarship fund set up for the Strecker children. The larger the group, the more fun we have, and the more we are able to donate.

Last, but not least, a note of thanks to Vicki Champ and John Rose who dedicated their time and effort in organizing this year's event. Without them, it would not have been such a success.



Left to right: Scott Murphy, Steve Rude, Dan Hanson, MAI, First Place Team



Left to right: Mark Nuss, Todd Andrews, Kathleen Buono, Jeff Buono



Rich Galster, contest winner

THE OLD GUYS

C. Spencer Powell, MAI

After almost 40 years as an independent commercial appraiser I have become one of those gray haired “old guys”. I used to make fun of them when I went to Society or American Institute of Real Estate Appraisers meetings. AIREA Oregon Chapter used to meet at the Imperial Hotel (now the Lucia). It was fondly called the *Inferior Hotel*, home of “*mystery meat and secret sauce*”. Unlike today, attendance was typically 60 or more. Candidates were required to attend meetings so members could get to know us. We learned mostly by listening to the “old guys”.

At 62 I am now one of the “old guys”. When the current real estate downturn materialized I remember (not fondly) the late 1970’s when Paul Volker raised the Prime Rate 400 basis points and Powell & Totten’s phone didn’t ring anymore. We seriously used to pick the phone up just to make sure we still had a dial tone. That one continued into the mid 1980’s.

I recall complaining to an old (gray haired) local Bank President that things were bad and I didn’t see us recovering. He put his arm on my shoulder and told me I was a nice kid but really dumb. “Why, whatever to you mean?” I retorted. He carefully and slowly told me “nothing goes down or up forever”. In fact, it’s those very ups and downs that give you appraisers a job. If it always went up or down, most of your job would be easy. So, “snap out of it and pay attention to the markets so you can tell us when things have changed”.

In my office there are nine commercial appraisers and me. Unfortunately, there are only two of us that went thru the early 1980’s, so eight have never gone thru a serious down market. It’s funny, but you really do have to analyze the data and question everything. Further, don’t believe outright the borrower, broker or banker on a commission. The real trick is in seeing the signs

or as Evan Boise, SREA, used to say, “when everyone gets to rowing their canoes in the same direction, it’s time to turn around and go the other way”.

In early 2007 I noticed a lot of folks with farms in urban fringes begin to subdivide the family farms. I also noted the number of “amateur” builders, building houses for sale on speculation. That should have tipped me off right away. But no, I waited until mid 2007 and watched future subdivision land trading for prices that were impossible to believe. In fact, it was impossible for it to sustain itself. When we appraised subdivision lots I began to ask about those transaction dates. “When did a meeting of the minds actually happen”? Those sales recorded in November, were they actually consummated in April? Those listings in November, how long had they been on the market, and at what progressive price? By carefully watching the actual consummation dates and listing histories, gradually a pattern materialized. The market stopped dead in mid-2007 for single-family residential development and sales of all kinds.

Moving on, what did this mean for all other property types? Apartments looked good. As more of the beginning home buyers were squeezed out of the market for lack of a down payment, wouldn’t they move to apartments? In fact, occupancies and rental rates appeared strong. Will that continue? What will happen if the 700 Billion bails out all those bad home loans? Are banks or the government the best owners of real estate? Anyone remember the RTC? When the banks or government owns all those houses, what happens? Will rents stay where they are? Might there be some softening in the rental markets? What about all those construction loans that can’t be renewed forever without takeouts that aren’t now available?

What about office, retail, indus-

trial and special purpose? Those areas looked strong, right? Well, not exactly. Banks became very careful and cautious. Their regulators began to seriously scrutinize the loan files. They issued directives telling the banks that they would be around during their next examination to go thru loan files with a fine tooth comb. The banks began to get very cautious and careful, not wanting to alarm their monitors. Soon, they were making fewer and fewer loans. Soon, they were telling even their best borrowers, “hang on another six months, and we will be back in business”.

Right now the credit markets are on vacation. Even if you have a good track record and your industry has a history of no losses, you might not be able to borrow. What does that mean for values...? Remember the “time value of money”.....

It’s a wonderful opportunity to really test your analytical skills and to learn what those gray haired folks know, first hand.

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EXECUTIVE DIRECTOR

Vicki Champ

The Greater Oregon Chapter of the Appraisal Institute

PO Box 573, OR 97308-0573

ph: 503-316-1979 – Fax: 503-364-1456

www.oregonappraisers.org

aioregon@oregonappraisers.org

Field Notes articles to

the above email address

Meeting and Class Schedule 2008-2009

November 14	Loss Prevention Seminar and Social Hayden's Lakefront Grill, 8187 Tualatin-Sherwood Road, Tualatin, OR
December 4	7-Hour National USPAP Update Course Hayden's Lakefront Grill, 8187 Tualatin-Sherwood Road, Tualatin, OR
December 9	State of the Industry Seminar Multnomah Athletic Club, 1849 SW Salmon Street, Portland, OR
2009	
January 24	Installation of Officers Banquet RiverPlace Hotel, 1510 SW Harbor Way, Portland, OR
January 30	7-Hour National USPAP Update Course The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
February 17-20	Basic Appraisal Principles The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
February 23-24	15-Hour National USPAP Course The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
February 25-28	Basic Appraisal Procedures The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
March 3-6	General Report Writing & Case Studies The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
March 17-20	Residential Sales Comparison and Income Approaches The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
March 30	Evaluating Residential Construction The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
March 31-April 1	Evaluating Commercial Construction The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
April 3	Business Practices and Ethics The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
April 20-24	Advanced Sales comparison and Cost Approaches The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
May 1	7-Hour National USPAP Update Course The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
September 18	7-Hour National USPAP Update Course The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
September 22-25	Basic Appraisal Principles The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
September 28-29	15-Hour National USPAP Course The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
September 30-Oct. 3	Basic Appraisal Procedures The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
October 20-23	General Appraiser Income Approach (Part 1) The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
October 27-30	General Appraiser Income Approach (Part 2) The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
November 2-6	Advanced Income Capitalization The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.
November 12-13	Residential Site Valuation and Cost Approach The Phoenix Inn & Suites, 9575 SW Locust Street, Tigard, OR.



Greater Oregon Chapter
PO Box 573
Salem, OR 97308-0573

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October 2008

