THE IOWA APPRAISER

A Letter From The Editor

DataPro is officially up and running. The Professional Licensing Bureau launched the new online database on September 11, 2017. We've already received a plethora of applications. There are a few things to know about this new system.

First, Version 11 of internet explorer is not compatible with DataPro. PLB recommends using Chrome, Firefox, or some other browser.

Second, your application has not been submitted to the State for review when there is a status of pending. Directly after submitting your application to the State, it will say pending internal review. Once the State reviews your application, it can be placed in a wide range of statuses from on hold, pending with reason, approved ready for payment, and closed with reason. Please contact me if you are unsure if your application has been submitted. I am happy to help you through the process.

Third, you can submit an anonymous complaint online by placing fake information in the complainant fields such as John/Jane Doe, Scobby Doo, etc. Not comfortable submitting it online anonymously-don't worry-we've kept the paper complaint form available under the forms page on the Board's website.

Fourth, did you know there's an app for that? You can download the Salesforce1 app for your apple or android device. Be sure to change to a custom domain and use iowaplb.force.com.

On page six, you will find this issue's frequently asked questions which will provide more guidance on DataPro along with the other top questions received during this quarter.

IDOBanking
Iowa Division of

Finally, since our next issue won't come out until February, I'd like to wish everyone and their families a safe and happy holiday season. May the winter winds blow blessings your way and the sparkling lights of the season put a twinkle in your heart.

–Brandy March,
Executive Officer

In Every Issue...

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Welcome Appraisers

ASSOCIATE APPRAISER

Comstock, Ashley AR03558

Flattery, Jonathan AG03565

Gettel,M. AR03578

Glaser, Clinton AG03566

Mann, Darren AG03579

Schaefer, Benjamin AR03570

INITIAL CERTIFICATION

Funke, Melissa CR03225

Pettinger, Kathy CG03326

Tressel, Mark CG03107

Volk, Ryan CG03304

RECIPROCITY

Belsky, Scott CG03564

Bryant, Kyle CG03572

Corbett, John CG03562

Daberkow, Rachel CG03560

Detling, Robin CG03574

Hellend, Peter CG03571

Kancel, Randall CG03561

Kirchner, Patrick CG03568

Knitter, Richard CG03575

McElveen, Michael CG03573

Payne, Daniel CG03577

Schuliga Cardena, Galina CG03563

Snyder, Larry CG03559

Temple, William CR03569

Williamson, Dennis CG03576

REACTIVATION/REINSTATE

Argianas, Charles CG01460

Maurer, Kevin AR03541

Miller, Shelly AR03222

Staley, Bradley CG01335

Welcome AMC Registrants

Appraisals 2U, LLC 00093

Service 1st, LLC 00092

ValuAmerica, Inc. 00091

AMC renewals start on November 1 and are due by November 30

AARO Fall 2017 Conference, Washington, D.C.

AARO is the Association of Appraiser Regulatory Officials. Their mission Is to be an advocate for the member jurisdictions as to the enforcement and administration of appraiser and appraisal management company regulatory laws. The Association is committed to the success and advancement of state appraiser and appraisal management company regulatory programs and seeks to accomplish these objectives through: Leadership, Cooperation, Communication and Education. They have been in existence for over 25 years and currently offer two conferences each year-one in the spring and one in the fall. AARO's website address is https://www.aaro.net/. The current president is Craig Steinley from South Dakota.

AARO hosted its Fall 2017 conference at the Westin in Washington, D.C from October 13-16, 2017. Overall, there were roughly 180 people in attendance from state regulators, appraisers, AMC representatives, education providers, appraiser associations and other appraiser related organizations. Representatives from Iowa included Brandy March, Executive Officer, Luke Dawson, Assistant Attorney General, Amanda Luscombe, Board Chair, and Teresa Selberg, Board Member.

While the conference is primarily made up of panel discussions, there were the round robins, break out sessions, committee meetings, and advisory council meetings. The three round robin sessions topics were *Best Practices in State Appraiser Program Management, Potential Changes to the Real Property Appraiser Qualification Criteria; and AMC Basic Requirements and Misperceptions*.

Panel discussions consisted of the below.
* ACS (Appraisal Subcommittee) & TAF (The Appraisal Foundation) updates;
* Words From A Former OCC Regulator
* The Role Of Appraisal Review In A Regulator's Mission
* AARO Business Session
* Trainee Regulatory Programs-New Concepts & Best Practices In An Evolving Industry
* Home Measurements-Should It Be Regulated?
* Active Shooter-Preparedness & Response
* FTC VS. LA Real Estate Appraisers Board-The Board's Perspective

Most presentations (power points) are available on AAROs website for review by clicking on resources and conference presentations. AARO's program committee stays abreast of current issues in the appraiser industry and provides relevant discussion topics at each of its conferences.

Appraisers may request continuing education pre or post approval for attending an AARO conference.

Discipline (August 1, 2017 - October 31, 2017)

There have been ten new complaints received by the Iowa Real Estate Appraiser Board. The Board has closed a total of four complaints. There has been one consent order, suspension, or voluntary revocation during this period.

Consent Order
17-27 Seaton, Greg (CG01961) Ames, IA
The Board issued a Notice of Hearing to Respondent, a certified general appraiser. On August 31, 2017, respondent was charged with reporting inaccurate information to the Board on his renewal application in violation of Iowa Administrative Code rule 193F-7.3(1) and renewing his certificate and continuing to practice when not qualified to do so in violation of Iowa Administrative Code rule 193F-7.3(5)(a) and Iowa Administrative Code rule 193F-9.4(4). On September 27, 2017, the Board entered into a consent agreement with respondent which required respondent to complete 14 hours of continuing education by October 22, 2017 and be not be allowed to renew electronically for his next renewal. If respondent fails to complete the 14 hours of continuing education by October 22, 2017, he shall be assed a civil penalty of $500.00 due by November 21, 2017 and his license shall be immediately SUSPENDED pending further order of the Board. The respondent completed the required continuing education and the Board voted on October 26, 2017 to release the respondent from the consent order.

As always, you may find consent orders and public discipline on the Board's website under the disciplinary index page at: https://www.idob.state.ia.us/reap/.

Word From The Board

In October of 2017, representatives from the Iowa Real Estate Board traveled to Washington D.C. for the AARO's bi-annual regulatory conference. AARO is the Association of Appraiser Regulatory Officials. AARO is the only nationally chartered organization dedicated to the regulation of real property appraisers.

A few of the topics covered at AARO included: ASC & TAF Updates, CFPB & HUD updates, OCC Regulation, Appraiser Board Member Best Practices/ Roundtable, Best Practices in State Appraiser Programs Man-

agement, Appraiser Independence & AMCS, & a legal overview of the FTC vs. Louisiana Real Estate Appraiser Board case.

The ASC has published revised Policy Statements for comment in the September 20, 2017 issue of the Federal Register. The document can be viewed at https://www.federalregister.gov/documents/2017/09/20/2017-19998/appraisal-subcommittee-pro posed-revised-policy-statements. Instructions on how to submit comments can be found under the "Addresses" section of the document. Comments will be accepted through November 20, 2017. Iowa appraisers and market participants are encouraged to read through the statements and submit comments.

Since the passage of the Dodd-Frank Wall Street Reform & Consumer Protection Act, expectations placed upon appraiser regulatory agencies have grown far beyond what was originally envisioned in Title XI of FIRREA. These higher expectations were compounded in 2015 with the implementation of major changes

to the Appraiser Qualification Criteria. During the next few years, all state appraiser regulatory agencies are required to enact legislation for the purpose of regulating Appraisal Management Companies (AMCs) or they must choose to opt out. Iowa recently enacted legislation for AMCs. These new requirements will bring with them an important set of challenges to our jurisdictional agencies.

Lastly, Iowa was honored by the Appraisal Subcommittee (ASC) for achieving and retaining an "Excellent" rating on the 2017 program audit. At this time, the board would like to thank Ms. Brandy March, our Executive Officer, for all of her hard work and long hours striving to make this rating a reality. Ms. March also serves on AARO's Board of Directors. In addition, we'd like to thank to Mr. Luke Dawson from the Iowa Attorney General's office for his countless hours of work.

-Amanda M. Luscombe,

Iowa Real Estate Appraiser

& Board Chair

AMC Renewals

Appraisal Management Company Renewals have officially started (as of November 1, 2017). Renewals must be submitted prior to December 1, 2017. Late renewals will be accepted through December 31, 2017 with a late fee of $50.00. AMC registrations who have not completed the renewal, or late renewal, will lapse on January 1, 2018 and must apply for reinstatement. Reinstatements will only be granted between January 1, 2018 and February 28, 2018. After February 28, 2018, an AMC must apply for initial registration if conducting business in Iowa.

Renewal applications will be submitted online in DataPro. Required submissions include the Iowa Panel Exhibit, an ownership organizational chart, and other documentation needed from the system based on the applicant's responses. Only the controlling person may link the AMC registration to their contact and submit the renewal for the AMC due to the required certification statements and attestation.

Renewals Are Due By 11/30/2017

Industry Headlines

The Equifax Data Breach: What to Do

Approximately 143 million Americans had their personal information exposed during Equifax's data breach which took place mid-May through July. Individuals can visit Equifax's website to determine if their information was compromised. The FTC recommends using an encrypted network and secure computer anytime you enter your social security number. Other recommendations from the FTC include monitoring your credit report and monetary accounts, placing a freeze on your files, and filing your taxes early.

ASC Revised Policy Statements

On September 20, 2017, the ASC published the revised policy statements. Comments will be accepted through November 20, 2017. These policy statements ensure States comply with Title XI of FIRREA.

ASC Final Rule on the Collection & Transmission of Annual AMC Registry Fees

On September 25, 2017, the final rule pertaining to the collection and transmission of the AMC registry fees was published in the federal register. Fees will be $25.00 per panel member who performs a covered transaction during the state's reporting period.

Zillow wins dismissal of "Zestimate" lawsuit in US

Reuters put out an article on August 23, 2017 regarding the federal lawsuit against Zillow Group Inc which alleged illegal appraisals. Zillow won the dismissal with U.S. District Judge Amy St. Eve saying that Zillow's estimation tool is simply a starting point and an estimate, not an appraisal. Zillow also saw the claim alleging violation of the Illinois Real Estate Appraiser Licensing Act dismissed. How has Zillow responded? According to Reuters, they are offering a $1 million dollar prize to individuals or teams who find the best way to improve the accuracy of Zestimates.

Submit A Story

We'd love to hear from you. If you have a story to submit, or are aware of something going on in the profession, let us know. Maybe you have an interesting story that pertains to the profession or one that would benefit our readers. Email Brandy March at: brandy.march@iowa.gov with the subject line, Story Submission. Your story may be published in the next newsletter.

FAQ (Frequently Asked Questions) A Hodgepodge Of Concerns

Q: How can I search for a licensee?
A: From the Board's website, www.idob.state.ia.us/reap, click on "License Search". It's located on the large, light blue bar, just below the picture of the keyboard with a magnifying glass. You can download or email the results to yourself if you wish to receive the list of all appraisers. Downloading the list will allow you to search by name, city, county, and other dataset fields. When the results are exported, the licensee's phone number will be included. If you search by name, click on the license number of the appraiser to see more details such as license effective date, expiration date, status and discipline history.

Q: How do I obtain a letter of good standing? Is there a fee?
A: Licensees and AMCs will need to access the online system (DataPro) and complete the *General - Request for License Verification (License History)* application. There is no fee for a verification request and they will be processed within 5 business days.

Q: How do I obtain a fingerprint packet now that there is an online system? Can I still use fingerprint cards from the local authorities? Can I request only the waiver(s)?
A: Anyone needing a background check packet, whether it is the entire packet or just the waivers, must enter DataPro and submit the *General - Request for Background Check Packet* application. Prior to submitting the application, there is a space to add comments. If you only need the waivers, please specify this in the comment section. You may still use the fingerprint cards from the authorized finger printer, granted you have submitted the online request and paid the applicable background check fee and have included the waivers with your finger print cards.

Q: I've completed all my experience and am ready to start my certification process. What exactly is the process?
A: Oh boy! First of all, congratulations on your progress.
Let's start by providing you with the list of applications you will need to submit.
* *RE Appraiser - Certified Experience Exam*
* *General - Request for Background Check Packet*
* *Other* (The Executive Officer will complete this on your behalf)

* *Certified Appraiser Application*

Let's review the various timeframes.
* The *exam and experience* application comes first. It starts the certification process. It can be completed as soon as you've completed all of your Qualifying Education and Experience requirements.
* The *Other* application is created by the Executive Officer (EO) when she starts the Work Product Review (WPR) process. This application is created within 0 days to 5 days of the approval to the exam and experience application. The entire WPR process takes about 3 months. NOTE-an applicant can be deferred at the end of the WPR process and may be required to obtain additional experience before their WPR is approved.
* A background check must be completed before you can be converted to a certified appraiser. The background check process takes anywhere from 4-6 weeks to complete. Background checks are valid for 180 days from the date the FBI performed the check.
* The WPR approval is valid for 60 days. The certification application must be submitted prior to the deadline or the applicant will need to redo the WPR process. Yes, this means the background check must also be completed prior to the 60 day deadline.

Let's go over the fees.
* Exam Application $100 to State of Iowa
* Exam $145 to PSI Exam Services
* Background Check $51 to State of Iowa
* WPR Fee $300 for residential; $650 for General to State of Iowa
* Certification $195 or $390 depending on renewal being less than one year or over one year.

Let's incorporate this into a real-life example. Don't forget that the Executive Officer is more than happy to answer questions and assist you along the way.
* Day 1-submit exam and experience-Communication occurs between the applicant and the EO
* Day 6-you receive your exam approval
* Day 8–the EO emails you the 3 properties selected for your WPR
* Day 6-39-you study-study-study
* Day 22 you submit the WPR appraisals and work files.
* Day 25-60 you start the background check process
* Day 40 you take your exam (and pass it with flying colors)
* Day 75 you receive an email to meet with the Board's WPR Committee
* Day 92 You and your supervisor meet with WPR Committee
* Day 95-Your background check is completed
* Day 100-the Board voted and your WPR was approved
* Day 120-You get your certification application submitted
* Day 125-You're now a certified appraiser-Congrats

Spotlight Interview—Kathy Pettinger (CG03326)

Kathy Pettinger received her certified general appraiser credential on September 11, 2017. Kathy is an Iowa State University graduate who spent 15 years in programming until her friend advised her of an opening in the appraisal department at Hertz Farm Management. She received the job and started training and gathering her experience at Hertz Farm Management in December of 2013.

Kathy grew up on a small farm in southwest Iowa with her three sisters and two brothers. She is married to Mark Pettinger, an agronomist and they both love talking about their careers. Kathy and Mark have "three amazing children, a wonderful son-in-law, awesome daughter-in-law, and in April, will be blessed with another daughter-in-law." She added that she and Mark may "quite possibly have three of the most adorable grandchildren ever." As you can tell, family is important to Kathy and Mark.

When questioned about major changes since entering the appraiser field, Kathy said technology has initiated better efficiency; the national exam was changed to six hours, instead of eight, making it a little less taxing; and the new FAA ruling, allows for added value by using drone photography to see a more complete and current picture of the appraised properties.

Kathy was asked to comment on a positive attribute as an appraiser. She had a list of them. She stated appraising is never boring and each assignment is different and thought-provoking. Besides that, she enjoys learning and with appraisal work, it seems like there is always something new to learn. She feels that continuing education is a great way to network and learn from others. In addition, getting out of the office to inspect the subject and comparables is a great way to see the countryside.

Kathy's next undertaking will be to obtain her Accredited Rural Appraiser (ARA) and Accredited Land Consultant (ALC) designations. Her hope is to continue to appraiser past retirement.

Seeing as Kathy recently went through the Work Product Review (WPR), she was probed to comment on the process. Kathy said the process was daunting; however, the Executive Officer was good about answering her questions. Kathy provided a tip to those who will be going through the process: Study the appraisals selected and try to anticipate questions you may be asked.

Lastly, Kathy wanted to mention that being an appraiser, has allowed her to grow personally and meet several wonderful people along the way. She looks forward to the new experiences and challenges each day has to offer. Even though she is no longer a trainee, she continues to ask questions from her peers and learns something new every day.

COMPLIANCE CORNER: AO 37 (2018-2019 USPAP)

SUBJECT: Computer Assisted Valuation Tools

APPLICATION: Real Property

THE ISSUE:

Appraisers rely upon market data as the basis for their opinions and conclusions. This data is used by appraisers to analyze and report on market trend information (e.g., median sale prices, rent trends, marketing time, etc.), or the impact different features have on their subject's value (i.e., appropriate adjustments).

Appraisers have access to technology that enables them to automate some aspects of the appraisal process. Regression analysis is a common example, but there are others as well. These tools generate information that once had to be calculated by hand. The information generated by this technology can enable appraisers to produce appraisals and appraisal reviews with greater credibility, but its misuse can have the opposite effect. What steps should an appraiser take to comply with USPAP when using information generated by these types of resources?

BACKGROUND:
This Advisory Opinion addresses an appraiser's obligations when relying upon adjustments, trend analyses, or other information generated by software or various online services. Two such examples of these tools are:

> **Examples Of Computer Assisted Valuation Tools:**
>
> **Regression Analysis Tools & Multiple Listing Services**

• Regression Analysis Tools: A regression analysis tool is a computer software program that analyzes data using an automated process. It is a statistical process used for determining relationships among variables. For example, an appraiser may wish to determine if the market recognizes a relationship between the size of a property and its price per square foot.

• Multiple Listing Services: These services publish listings of properties for sale in a given marketplace. Typically, these services have a function that can provide subscribers with an analysis of past sale trends, such as average prices, sales volume, days on market, etc. Automated Valuation Models (AVMs) and Discounted Cash Flow Analysis (DCF) are addressed separately in other advisory opinions, AO-18 and AO-33, respectively. The output of an AVM or DCF may become a basis for appraisal or appraisal review if the appraiser believes the output to be credible for use in a specific assignment. The output of computer assisted valuation tools are most often used as analytical tools within one or more approaches to value.

Stand-alone software or various online services can be useful tools that allow appraisers to enhance their appraisals. Some residential lenders are increasingly requiring appraisers to provide additional support for their adjustments. In the past, these forms of analysis would have been prohibitively difficult for an appraiser to provide in the normal course of business. Appraisers sometimes meet this request by providing a regression analysis, or a software generated matched-pair analysis. There are software packages available to appraisers that make this relatively simple. Some residential form software vendors include these functions as an integral part of their product. Many modern Multiple Listing Services now have integrated analytical tools to accommodate the needs of their appraiser members. Some appraisers create their own tools using commercially available spreadsheet software.

ADVICE FROM THE ASB ON THE ISSUE:
Relevant USPAP and Advisory References
• The Conduct section of the ETHICS RULE states, in part:
- *An appraiser must not communicate assignment results with the intent to mislead or to defraud.*
- *An appraiser must not use or communicate a report or assignment results known by the appraiser to be misleading or fraudulent.*

• The RECORD KEEPING RULE states, in part, that the workfile must include all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP, or references to the location(s) of such other data, information, and documentation.

• The COMPETENCY RULE states, in part:
Competency requires: (1) the ability to properly identify the problem to be addressed; (2) the knowledge and experience to complete the assignment competently; and (3) recognition of, and compliance with, laws and regulations that apply to the appraiser or to the assignment.

• The Comment to the COMPETENCY RULE states, in part:
Competency may apply to factors such as, but not limited to, an appraiser's familiarity with a specific type of property or asset, a market, a geographic area, an intended use, specific laws and regulations, or an analytical method.

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• The SCOPE OF WORK RULE includes:
- *The scope of work must include the research and analyses that are necessary to develop credible assignment results.*
- *Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal or appraisal review assignment.*
- *An appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results*
-*An appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased.*

• Standards Rule 1-1(a): *An appraiser must be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.*

• Standards Rule 1-1(b): *An appraiser must not commit a substantial error of omission or commission that significantly affects an appraisal.*

• Standards Rule 1-1(c): *An appraiser must not render appraisal services in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affect the credibility of those results.*

• Standards Rule 1-6(a): *An appraiser must reconcile the quality and quantity of data available and analyzed within the approaches used;*

• Standards Rule 1-6(b): *An appraiser must reconcile the applicability and relevance of the approaches, methods and techniques used to arrive at the value conclusion(s).*

• STANDARD 2: *In reporting the results of a real property appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.*

• STANDARDS 3 and 4: *In developing an appraisal review, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal review. In reporting the results of an appraisal review assignment, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.*

• Advisory Opinion 18, *Use of an Automated Valuation Model.*

• Advisory Opinion 33, *Discounted Cash Flow Analysis.*

Competency
The COMPETENCY RULE specifically states that competency may apply to an analytical method. Technology that performs statistical analyses is simple to use but still requires competence. When using computer assisted valuation tools in an appraisal or appraisal review assignment, an appraiser should have a basic understanding of how it analyzes data to determine whether the computer assisted valuation tool measures and reflects market activity for the property that is being analyzed.

The appraiser does not need to know, or be able to explain, the tool's algorithm, or the intricacies of its statistical or mathematical formulae. However, the appraiser should be able to describe the overall process and verify that the computer assisted valuation tool is consistent in producing results that accurately reflect prevailing market behavior for the property that is being analyzed.

For example, a calculation of both the mean (average) and median of a given data sometimes yield different results. Either may be appropriate for use but it is the appraiser's responsibility to make that determination.

Proper application of these results must also be consistent. For example, it would not be appropriate to compare the mean sale price of office space in one year to the median sale price of office space from a different year. Likewise, an appraiser should not employ terminology (e.g., standard deviation, coefficient of variation, etc.) without understanding what that terminology means.

Data
The credibility of any analysis that incorporates output from computer assisted valuation tools depends on the quality of its data and how well the tool is designed to analyze that data. When using one of the tools in an appraisal or appraisal review assignment, the appraiser must have reason to believe it appropriately uses data that are relevant.

The size of the database does not necessarily mean that the output is directly applicable. A sample of dozens of sales may appear to yield a well-supported correlation between size and price per acre. But if the sales would not otherwise be deemed comparable, they should not be included as part of the sample. The sales may be credible comparisons if the analysis takes into account the differences, but it is the appraiser's responsibility to determine if the source data is comparable as is, or if some adjustments are necessary prior to generating a relationship.

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Use of Computer Assisted Valuation Tools

Standards Rule 1-1(b) states that the appraiser must not commit a substantial error of omission or commission that significantly affects an appraisal. Output from computer assisted valuation tools is typically used only as a portion of the analysis the appraiser relies upon to develop assignment results. A single error, which on the surface may appear minor, could have a compounding effect that could have a noteworthy impact on the results of the assignment.

When using computer assisted valuation tools, the appraiser is responsible both for selecting the appropriate input parameters and also for being proficient in the use of the technology to ensure the correct input of those parameters. The calculations performed by a computer assisted valuation tool may always be mathematically correct and easily duplicated. But if either of these criteria is not met, reliance upon the output of the computer assisted valuation tool's calculation may not provide credible results. Depending on how the appraiser relies upon this data, inappropriate information may impact the results of the assignment.

Statistical tools may be employed to support adjustments. Because of the number of independent variables re-

> **The information generated by these types of valuation tools is merely a calculation that once had to be calculated by hand; it is not a substitute for an appraiser's**

quired for analysis of both residential and non-residential properties, a useful statistical tool is multiple linear regression. The number of variables requires the utilization of an adequate sample size. Multiple linear regression may also be a valuable analytical tool in quantifying and supporting adjustments.

Appraisers must also have at least a basic understanding of statistics. For example, regression analysis is based upon complex calculations. Appraisers do not need to be able to duplicate those calculations, but must understand how to use the output. They must be able to recognize a graph that shows a strong relationship between the variables and one that does not. Reliance on a weak correlation of the data will directly impact the credibility of the conclusion drawn using that information.

The appraiser must also be aware of what information is used as the input and how to properly apply the output. The appraiser may have developed a credible adjustment for market conditions in one appraisal, but the appraiser must consider whether or not the data upon which that adjustment was supported is based upon data that is suitable for comparison to the subject of another appraisal.

A regression analysis that correlates the sale prices per acre of land sales to the size of each lot may either be based upon the unadjusted or adjusted sale prices. If unadjusted, the appraiser may need to perform additional analysis before applying the result to the subject.

When using any of these analytical tools, the appraiser is responsible for the accuracy of the output. Thus, the appraiser must have confidence that the technology uses data that is relevant and that the output is mathematically correct and sufficiently reliable for use in the assignment.

Regardless of the tool chosen, the appraiser is responsible for the entire analysis, including selection of the source data, the calculations, and the resulting output. An appraiser should use sufficient care to avoid errors that would significantly affect his or her opinions and conclusions. Diligence is required to identify and analyze the factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results.

When using a computer assisted valuation tool, an appraiser must not simply rely on the output of data programs which claim to give support for adjustments without an understanding that the output is credible. Reliance on this data without understanding the output could place credibility of assignment results in doubt.

Additional Considerations

Appraisers may rely upon forms of technology other than computer assisted valuation tools. The advice provided in this Advisory Opinion can, in large part, be applied to those tools as well. One such example is software that calculates the size of the subject property (CAD, or computer-aided design software). Appraisers use these programs to illustrate the floor plan of the subject and, by including dimensions, calculate building size. As with valuation tools, the appraiser is responsible for the accuracy of the measurements, correctly identifying how each area is to be classified (e.g., living area, basement, garage, etc.), and that the resulting calculation is accurate and appropriate for use in producing credible assignment results.

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Reporting Requirements

Standards Rule 2-2(a)(viii) states, in part:

The content of an Appraisal Report must be consistent with the intended use of the appraisal and, at a minimum: summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions.

This could be accomplished by summarizing the input parameters and the analysis in the report and the rationale for selecting those parameters. The summary might also be supported by graphs, tables, charts, screen captures, etc. that are generated by the tools.

This may include all of the input parameters, how the source data was obtained, the resulting output, the software used, including the version number, or the online service relied upon, and the date of the analysis. Events beyond the appraiser's control may make it impossible to reproduce the exact same output results at a later date. For example, a software vendor might refine the algorithm, or there may be a different vendor altogether. The information retained in the workfile must be sufficient to support the analyses that were the basis for the report.

Illustrations:

1. Q: A stand-alone program will calculate the replacement cost of the office building that is being appraised. The software's output is notably different from the actual costs submitted by the builder. On which cost estimate should the appraiser rely?

A: Standard Rule 1-4(b)(ii) requires that the appraiser "analyze such comparable cost data as are available to estimate the cost new of the improvements." Therefore, the appraiser should not simply accept one cost calculation or another without careful analysis. The appraiser should double-check and reconsider the factual data being input. Like-

wise, the appraiser should review the cost contract submitted to verify that it also is based upon the same assumptions (e.g., all items included, any personal property included, arm's-length transaction, etc.) and that the calculations are correct. After doing so, the appraiser can determine whether the proposed cost or the software's output is more credible.

2. Q: An appraiser has purchased a software package that has multiple functions, such as market analysis, deriving adjustments for physical characteristics, automatically inputting information from the local MLS, and more. He uses the program to develop an adjustment for an in-ground pool. The program provides that amount and reports the standard deviation. The appraiser is not familiar with this term. He assumes that a large standard deviation is better so he decides to employ that adjustment. Is the appraiser correct in deciding that the output was credible?

A: No. The COMPETENCY RULE requires that an appraiser have the knowledge to complete the assignment competently. An appraiser must have at least a basic understanding of statistics in order to rely upon the output. By relying upon unfamiliar terminology, the appraiser is not complying with the COMPETENCY RULE.

SUMMARY:

• Computer assisted valuation tools that are available to the appraiser are often used in developing value opinions in concert within one or more approaches.

• The output of computer assisted valuation tools is most often used as an analytical tool within one or more approaches to value.

• The information generated by these types of valuation tools is merely a calculation that once had to be calculated by hand; it is not a substitute for an appraiser's judgment.

• Appraisers may find analytic tools useful for supporting their adjustments.

• Regardless of the tool chosen, the appraiser is responsible for the entire analysis including the controlling input, the calculations, and the resulting output.

• Appraisers must be proficient in the use of their chosen technology to ensure that they have correctly selected and input appropriate parameters.

• If the appropriate parameters are not correctly entered into the program, the information provided may neither meet the requirements of the assignment nor provide credible assignment results.

• Appraisers must have an understanding of statistical analysis and not employ terminology and/or methodology with which they are not familiar.

• It is the responsibility of the appraiser to ensure that the controlling input is consistent with market evidence and prevailing market attitudes.

• Output should be tested and checked for errors and reasonableness.

• Information retained in the workfile must be sufficient to support the analyses.

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