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MESSENGER

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MARCH 2013

PRESIDENT'S COLUMN

Jason Teynor, MAI

Greetings Designated Members, Candidates and Affiliates! The Appraisal Institute has made some rather significant changes in 2013; most notably by transitioning to the new "professional society" business model that will focus on getting Candidates for designation through the educational process to become Designated Members. When the changes were announced last year we were unsure what the effect on our membership would be. Well, I'm happy to announce that our total membership increased from 328 in 2012 to 329 in 2013 with a breakdown as follows:

46	MAI
37	SRA
5	SRPA
61	Candidates for Designation
105	Practicing Affiliates
<u>75</u>	<u>Retired</u>
329	Total

It looks like the Chapter is on-track to gain about a dozen new MAI and SRA members in 2013. Recent designees for 2013 include Michael Esser, SRA, Edward Potter, SRA, Kevin Duffman, MAI and Kathryn Thompson, MAI. I expect several more members to become designated in the next 30 days as two members recently completed the Capstone program and another member is waiting on the final factual verification of his Traditional demonstration appraisal report as I write this column.

One of the cornerstones of the new Candidate for Designation program is that Candidates will be paired up with a Designated member who will act as an "advisor" by periodically checking in with the Candidates to help ensure that Candidates continue to make forward progress on their path to designation. If you are currently a Designated member and haven't yet signed up to become an advisor, I would encourage you to log-in to your account at www.appraisalinstitute.org and check out the 1-hour online tutorial that will explain the benefits of becoming an advisor to help mentor one or more Candidates who are pursuing their designation.

It is my understanding that all Candidates will be paired up with an advisor by early spring of 2013 so if you are a Candidate and haven't yet been paired up with an advisor, you should be hearing something very soon.

On March 6th the Wisconsin Chapter Board of Directors held our first meeting and discussed a number of issues. The Chapter agreed to send up to four members to the Leadership Development Advisory Council (LDAC) in Washington D.C. this spring. LDAC has proven to be very instrumental in helping to get members involved in Chapter leadership and we have found that those who attend LDAC get a real "fire in the belly" to volunteer for many positions within the Chapter and we hope to see this trend continue.

We also discussed our chapter finances, which appear to be quite healthy and upcoming educational offerings, which will be detailed elsewhere in this newsletter. Another topic of discussion was the possibility of expanding our Chapter's social networking opportunities. The Chapter has had great success with its "Catch a Drink" events in Milwaukee and Madison. For those of you who

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Office Hours:

8:00 a.m. - 5:00 p.m. Monday - Friday

TREASURER'S REPORT

The Chapter funds as of 2/28/13 are:

Primary Checking Account:	\$30,484.56
Money Market Account:	\$10,417.33
CD Account:	\$7,822.07
Total funds balance:	\$48,823.96

PRESIDENT'S MESSAGE

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haven't made it to a "Catch a Drink" event yet I would encourage you to keep an eye out for our upcoming events in 2013 as they have proven to be very popular with past attendees. Looking ahead, we will be exploring the possibility of organizing Chapter golf outing or possibly a volunteer opportunity such as helping out an organization like Habitat for Humanity for a day. We are still looking for ideas so if anyone has an idea for a new social networking opportunity please let us know.

Part of my duties as Chapter President is to outline a "mission and goals" statement for the Chapter. Well, there are many goals that I will be working toward in 2013, but the two main goals I would like to focus on will be to successfully implement the new Candidate for Designation program by making sure that all new Candidates have an advisor who will help the Candidates stay on track in their path to designation. My other main goal is to expand our Chapter's social networking opportunities for Designated Members, Candidates and Affiliates.

Finally, I would like to thank everyone for the opportunity to serve as Chapter President in 2013. So far it has been a challenging, yet rewarding experience. I have gained a new appreciation of just how much time and effort our volunteer Board and Committee members contribute to help make the Wisconsin Chapter such a great organization. I look forward to working with everyone and I'm looking forward to meeting many new faces in 2013.



2013 PROPOSED EDUCATIONAL OFFERINGS

For more information on each offering and
TO REGISTER, please go to:

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

<u>Date</u>	<u>Course/Seminar</u>
April 30-May 1	Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book) - 16 Hours Instructor: Brian Flynn, MAI (IRS)
May 7-8	USPAP - 15 Hours Instructor: James Coutts, SRA
May 22	10th Annual Condemnation Symposium - 6 Hours NEW DATE!
August 22-23	Evaluating Commercial Construction: Class, Quality & Condition (ECC) Seminar - 15 Hours Instructor: James Canestaro, AIA, AICP
October 4	USPAP 2012-2013 Update - 7 Hours Instructor: Cheryl Kunzler, SRA
November	Year-in-Review Symposium

All seminars/courses will be offered at
WCAI's facility located at:
11801 W. Silver Spring Drive, Suite 200
Milwaukee, WI 53225

QUESTIONS?

Please call the WCAI office at (414) 271-6858
or visit www.wisai.com.

*These event have been proposed and are not finalized.
Additional educational and social events will be added
throughout the year.*

MORE ABOUT OUR 2013 PROPOSED EDUCATIONAL OFFERINGS

Uniform Appraisal Standards for Federal Land Acquisitions: Practical Applications

Insure that your work for the federal acquisition agencies meets the highest standards. Federal land acquisition programs have unique appraisal needs. This two-day seminar will acquaint participants with these needs and provide practical procedures and solutions to insure appraisal reports fulfill them. Any experienced residential or general appraiser interested in expanding their client base to include federal acquisition agencies will learn to apply the Uniform Appraisal Standards for Federal Land Acquisitions.

10th Annual Condemnation Appraisal Symposium

Co-sponsored by the Wisconsin Chapter of the Appraisal Institute and Michael Best & Friedrich, this will be our 10th anniversary of this informative program and networking opportunity. The topic continues to be of great interest in the appraisal and real estate industry and we expect our best program and turnout.

Evaluating Commercial Construction

This seminar presents how light industrial, office and retail buildings are assembled and then deteriorate over time. More than 1,250 construction slides and a 150-page Reference Manual illustrate site improvements, structure, envelope, interior, and environmental system components of a commercial building and how these elements can affect value. This seminar offers you critical skills necessary to better inspect, describe, and analyze commercial property. Once you have taken this program, you will better identify building characteristics, conditions, and deficiencies; succinctly describe what you see in an appraisal report; and then factor your insights into the replacement cost, income capitalization, and market comparable calculations. Participants have highly praised the seminar for its useful content and relevance to commercial real estate appraisal, brokerage, and lending.

BOARD MEETING MINUTES

December 12, 2012

Steve Lauenstein called the meeting to order at 4:40 pm at the office of Wisconsin Association Management, 11801 West Silver Spring Drive, Milwaukee, WI.

Members Present

Jason Teynor, Ryan Gieryn, Steve Lauenstein, Cheryl Dodson, Dominic Landretti, Curt Kolell, Todd Delahunt, Bill Sirny, Katie Thompson, Chris Ruditys, David Thill, and Elizabeth Goodman were in attendance. Joining the meeting on teleconference was Tim Warner.

Secretary's Report

Minutes from the September 20, 2012 board meeting were approved. (Motion made by Gieryn, 2nd by Goodman).

Treasurer's Report

Approval of Financials - The financials for November 30, 2012 were reviewed and approved. (Motion made by Warner, 2nd by Sirny). Ryan Gieryn and Chris Ruditys provided the treasurer's report and indicated there is currently a net loss reported due to education figures being down. The Year-In-Review and the Litigation course fees are not included in the income figures reported. Both of these courses are anticipated to generate a profit. Candidate fees are higher than fees from the previous associate program; however, the chapter does not benefit from these additional fees. For 2012, the chapter decided to preserve funds and as a result offered less educational courses and seminars. Overall, the chapter is performing better than originally anticipated for the year. During 2013, more seminars will be held at the chapter. AI membership dues lag; therefore, these funds will not be received by the chapter until early 2013.

Approval of 2013 Budget - The 2013 budget was reviewed and approved for the meantime with the understanding that modifica-

tions will be anticipated in the beginning of 2013. (Motion made by Teynor, 2nd by Goodman).

Suggestions on ways to generate additional income for the chapter were discussed:

- Chris Ruditys noted that sponsors could be obtained to fund educational breakfasts. Further, any future Catch-a-Drink events could be sponsored by various appraisal firms that may be interested in helping the chapter. Chris also recommended more home grown courses and trying to grow the Year-In-Review seminar which typically results in a profit. A post card mailing may help assist in generating income through new membership and to market the February Basic Appraisal Principles and Basic Appraisal Procedures courses.
- Tim Warner mentioned that chapter dues and/or tuition costs could be increased. AI does recommend fees. WCAI fees appear to be sometimes higher and sometimes lower than other chapters. Discussions will be made to determine whether or not dues should be increased for 2014. Any increase in fees would require a September or October notification to the national office.
- Jason Teynor requested clarification on dues reimbursements (in terms of affiliates, candidates, members, etc) so the board has a better understanding of the income anticipated from each membership category.
- Bill Sirny pointed out that Illinois licensing renewal quickly approaching and would require educational offerings earlier in the upcoming year. Bill questioned if it was possible to move up dates of certain courses to attract Illinois area appraisers. If courses were held in border communities such as Beloit or Kenosha, this may also result in an increase of Illinois attendees. To save on fees, it is possible that the chapter may be able to utilize a local realtor's office or possibly have the classroom space be paid for through sponsorship. Bill also recommended that WCAI tries to serve other areas

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BOARD MEETING MINUTES

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of the state. For instance, future USPAP seminars could be held in Milwaukee, Madison, the Wisconsin Dells, etc. Finally, the USPAP update should really be pushed in 2014 given that is an update year.

Education Report

Katie Thompson presented the education report. Year-In-Review is scheduled for December 18, 2012 and Ted Whitmar's Attacking and Defending An Appraisal in Litigation seminar was held today. 2013 Education

- The chapter may want to reconsider offering the Yellow Book course as originally planned. As of July, Yellow Book will be available as an online course. Bill Sirny suggested that WCAI co-sponsor Yellow Book with the American Society of Farm Managers and Rural Appraisers to increase attendance and get assistance in marketing to a larger audience. This would allow us to provide our facility for the course, get better attendance numbers, and split the fees in the process.
- Chris Ruditys reminded the group that the Assessors are also another group that would be good to team up with for courses or seminars.
- AI Regional advertising is approximately \$200. Ryan Gieryn noted we should maybe work on marketing the February Basic courses.

Presentation of Designation Certificates

Steve Lauenstein presented the MAI Certificate to Dominic Landretti. Steve also acknowledged that Michael Esser earned his SRA designation. WCAI congratulates both Dominic and Michael on their significant achievement!

Old/New Business

Steve Lauenstein indicated AI needs our chapter to nominate advisors for the new candidate for designation program. Newly designated members would be good options for this program to help guide candidates through the designation process. Jason, Ryan, and Dominic are all interested and Ryan offered to be the candidate advisor committee chair for WCAI.

With respect to the chapter's newsletters, the suggestion was made to provide members with brief updates and news. For instance, other associations may send out email blasts with a summary of news items rather than publishing an entire newsletter that may be overlooked or scanned based on members' busy schedules.

The Past President's dinner will be held in conjunction with the Basic Appraisal Principles course. Joseph Magdziarz is teaching

the class and would be available for the Past President's dinner to present designation certificates to new members.

Adjournment

At 5:30 pm the meeting adjourned. (Motion made by Goodman, 2nd by Landretti).

Respectfully Submitted,
Cheryl A. Dodson
Secretary, Wisconsin Chapter of the Appraisal Institute

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The following article is taken from the State of Illinois's IllinoisAppraiser newsletter (Volume 5, Issue 1, January 2013) written by Brian Weaver, Coordinator Editor of IllinoisAppraiser.

THE VALUE OF EVALUATORS

Every month I'm sent email surveys and countless questions about evaluations as an option to appraisals. The queries come from appraisers, brokers, AMCs, and lenders.

Can appraisers do them?

Can brokers do them?

Is a BPO or a CMA the same as an evaluation?

Can anybody do an evaluation?

What's the difference between an appraisal and an evaluation?

I have no spare time to answer the same questions over and over so let's deal with this in a once-and-for-all format.

History -

The first **Interagency Appraisal and Evaluation Guidelines** came into being in October of 1994. The ink on state licensing of real estate appraisers wasn't even dry before the banks were whining about how burdensome all the standards and ethics stuff was going to be on their deals.

It took a long time to issue the first **Interagency Guidelines** so don't think that they were penned in late September of 1994 then adopted quickly by October of the same year.

This is government we're talking about. Don't forget, it took Congress 108 years to repeal the Spanish-American War 3%

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excise tax on your phone bills.

The Resolution Trust Corporation (RTC) was still cleaning up the S&L mess from the 1980s when all this was being argued.

Do you recall the old de minimis of \$50,000 that doubled to \$100,000 then more than doubled to our current threshold of \$250,000?

That all happened in a period of less than two years.

Back in 1993-1994 when public comments were being reviewed regarding the proposed changes, there was concern from consumer groups and the appraisal profession that raising the de minimus might adversely affect the safety and soundness of financial institutions.

Crazy, huh?

De minimus. What a great Latin word meaning, "a level of risk too small with which to be concerned."

The argument to promote evaluations as an alternative to appraisals was driven by rural lenders who feared a shortage of appraisers might slow down closings.

That was it. That was the main beef. A simple supply and demand issue for banks in the boonies...twenty years ago!

An evaluation was regarded as "a generally simpler assessment of real estate market value."

Evaluation versus Appraisals -

The most recent incarnation of the **Interagency Appraisal and Evaluation Guidelines** emerged in December of 2010. Section XIII provides the suggested content of an evaluation.

It's essentially an overlay of a real estate appraisal with one glowing exception:

- *Licensure*

Licensure confers responsibility on the part of the evaluator. We wouldn't want that, now would we?

Who Can Do These?

Are Illinois licensed or certified appraisers permitted to complete evaluations?

The overlay between an appraisal and evaluation is the same. They accomplish the same purpose and conclude an opinion of value for a collateral asset.

If the question is, may an Illinois licensed or certified appraiser complete a **non-USPAP** compliant document that renders an opinion of value?

Of course not.

But wait...can't certified appraisers who also hold a real estate broker's license provide BPOs or CMAs that aren't **USPAP** compliant?

Sure. But the problem is that a BPO and/or CMA doesn't qualify as an evaluation.

Interagency Guidelines state the following:

A BPO is not by itself an appraisal or evaluation, but could be used for monitoring the collateral value of an existing loan, when deemed appropriate. Further, the Dodd-Frank Act provides - in conjunction with the purchase of a consumer's principal dwelling, broker price opinions may not be used as the primary basis to determine the value of a piece of property for the purpose of loan origination of a residential mortgage loan secured by such piece of property.

Also;

A valuation method that does not provide a property's market value or sufficient information and analysis to support the value conclusion is not acceptable as an evaluation. For example, a valuation method that provides a sales or list price, such as a broker price opinion, cannot be used as an evaluation because, among other things, it does not provide a property's market value.

Essentially, the **Interagency Guidelines** hold that a BPO doesn't provide market value.

We agree.

This kills the *BPOs qualify as evaluations* discussion, doesn't it.

Can a real estate broker complete an evaluation?

Sure. So can my dentist. So can the kid who delivers my newspaper.

It means that the feds have given any carbon-based life form *permission* to do so without an appraiser's license.

It says nothing about whether they know *how* to put one together.

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In fact, the feds offer almost nothing in the way of guidance on how such a program should be established.

What are We Talking About?

We're back to the federal government's *definition* of evaluation:

"a generally simpler assessment of real estate market value."

Decoded, the feds mean - give the banks something quick and cheap that presents like an appraisal; but isn't hamstrung by licensing laws that we insisted that each state undertake when the financial ship was sinking back in the 1980s.

Here we are twenty years later with another, larger lending disaster freshly under our belts and we're still haggling over how much protection consumers deserve.

The answer is any consumer above the \$250,000 *de minimus*.

It's ironic that the current fiscal cliff income tax battle have all centered around the \$250,000 threshold just like the *de minimus*. Congress seems to prefer \$250,000 as a general benchmark.

Banks -

If the original premise behind using evaluators was that rural banks might have faced a shortage of appraisers; I'm lost as to why a bank with easy access to hundreds of licensed or certified appraisers within an urban or suburban market suddenly wants to seed an evaluation program.

Many AMCs, while eager to take on the evaluation function, fail to understand who is ultimately responsible for the entire program.

Interagency Guidelines state the following:

An institution that engages a third party to perform certain collateral valuation functions on its behalf is responsible for understanding and managing the risks associated with the arrangement. An institution should use caution if it engages a third party to administer any part of its appraisal and evaluation function, including the ordering or reviewing of appraisals and evaluations, selecting an appraiser or person to perform evaluations, or providing access to analytical methods or technological tools.

Banks cannot hand-off liability to AMCs like a hot potato just because they can't be bothered managing their own evaluation program.

If an AMC makes a mess of the bank's evaluation program, the responsibility of the failure falls squarely back on the bank.

Let's Review -

As far as appraisals versus evaluations are concerned - they are essentially similar in structure as documents go.

If you want to know what the feds meant by *"a simpler assessment"*, go ask them. I'd love to hear that explanation myself.

In Illinois, eminently qualified licensed or certified appraisers cannot provide evaluations even though banks and AMCs would prefer to hire them.

Why not?

Licensed or certified appraisers in Illinois are legally bound to provide **USPAP** compliant reports.

This cuts out the largest pool of qualified individuals who already provide market value opinions.

And for what?

To provide an undefined, cheaper, thinner, quicker product by unregulated individuals.

That was the appraisal profession before 1989, wasn't it?

The whole rubric for evaluations was born out of banking lobby pressures, federal expedience and half-baked congressional compromises twenty years ago.

Turning an *evaluation* into an **USPAP** compliant appraisal takes far less effort than trying to cobble together a cadre of competent and reliable evaluators to provide something that by state statute, *must fall short of an appraisal*.

For AMCs and lenders who wish to embark upon establishing an evaluation program that mirrors their existing appraisal program; good luck.

I'm not familiar with any societies or organizations of evaluators.

Maybe somebody can invent one.

Maybe they'll establish a professional education and adhere to a rigorous set of standards...

Just as real appraisers already do.

Article Submitted by: Ryan Gieryn, MAI

REVIEW OF PAST PRESIDENTS' DINNER

By: **Katie Thompson, MAI**

The annual Past Presidents' Dinner was held this year on February 6th at the North Hills Country Club. Steve Lauenstein, MAI was honored for serving as 2012 President of the Wisconsin Chapter. Current President, Jason Teynor, MAI, presented Steve with an award for his years of service.



Jason Teynor thanking Steve Lauenstein for his dedication

Several other attendees were honored for their past service as chapter president including Richard Zurowski, Tim Warner, Bill Sirny, and Mike Brachmann.

The dinner included special guest, Joseph Magdziarz, MAI, SRA. Joe was the Appraisal Institute President in 2011 and is a long time friend of the Wisconsin Chapter. Katie Thompson was awarded her MAI designation and Mike Esser was awarded his SRA designation by Joe during the event.

The last order of business was the installation of the new 2013 board of directors.

Special thanks to Richard Schneider for donating his photography services for this and other AI chapter events.



Katie Thompson receiving her MAI designation



Mike Esser receiving his SRA designation

Congratulations to all!



ADVERTISING OPPORTUNITIES AVAILABLE

The Wisconsin Chapter of the Appraisal Institute (WCAI) is proud to offer advertising opportunities in its newsletter and website. To sign up to advertise, please fill out the form below.

If you have any questions regarding advertising, please call the WCAI office at 414-271-6858.

AD SIZES	1 Issue	2 Issues	3 Issues	4 Issues
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