

IAAO Should Leave TAF

Re: Proposed Bylaw Change (*Fair & Equitable*, May 2013, p. 34)

At its April 5–6, 2013 meeting in Kansas City, the IAAO Executive Board passed a motion to strike “Bylaw 13.1 The Appraisal Foundation” from the *IAAO Bylaws*. This proposed bylaw change is now being exposed to the membership for comments until July 3. If the IAAO Executive Board approves the change, then it will be empowered to make a decision on the relationship IAAO has with The Appraisal Foundation (TAF), based on the best interests of IAAO at any time. This proposed change by the board has set off another “should we stay versus should we go” debate about TAF. This letter presents my viewpoint that IAAO should withdraw from TAF as a sponsoring organization.

History of IAAO and Appraiser Education

The book *75 Years of IAAO* (IAAO, 2009) is a great history of the association. IAAO was founded in 1934 by John Donehoo, whose vision was to create an association exclusively for assessors. From the very beginning, education has been the driving force of the association. Throughout the years, many outstanding members focused on IAAO education, and this is still true today. The book discusses the IAAO business plan to prepare and deliver educational services:

It's the backbone, the wholesaler of courses. It takes \$40–50,000 for each five day course to be rewritten. A two and a half day workshop takes \$25,000 to be redone. Courses are a profit center—approximately 40–50 percent of the revenue of IAAO. Rewriting books is an ongoing process. Each book's shelf life is now five to eight years, rather than 15. (p. 17)

The business model of IAAO is primarily to be a wholesaler of education.

History of TAF

TAF was established in 1987 as not-for-profit organization and was authorized by Congress to perform certain limited functions relating to appraisal standards and appraiser

qualifications. In 1989, Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act authorized TAF to promulgate appraisal standards for federally related transactions and minimum qualification criteria for appraiser certification and licensure. It was done with the understanding between Congress and the appraisal stakeholders that TAF would not offer education—the body of knowledge and education on methods and procedures would remain in the domain of the professional appraisal organizations and academia.

The TAF Draft Strategic Plan

Fast forward to spring 2012, when a draft of the TAF Strategic Plan was released for comments, which were due October 1, 2012. The draft addressed topics such as the TAF budget and sources of revenue and recommended ways to generate new revenue. A new TAF mission statement was adopted that for the first time expanded beyond what Congress authorized:

The Appraisal Foundation is dedicated to promoting professionalism and ensuring public trust in the valuation profession. This is accomplished through the promulgation of standards, appraiser qualifications, and guidance regarding valuation methods and techniques.

The 2012 IAAO USPAP and Appraiser Regulatory Advisory Committee reviewed the draft. As reported in the minutes of the committee's August 3–4, 2012 meeting, regarding topic 3, “the future educational role of TAF,” the committee approved a motion that the proposed changes are not in the best interests of IAAO and the appraisal profession. Topic 6 dealt with restructuring the TAF Board of Trustees, eliminating the guarantee of a “seat at the table” for sponsoring organizations. The overall conclusion of the committee was to not support the draft as proposed. 2012 Chair Jim Todora, CAE, communicated the committee's responses to

the IAAO Executive Board in a letter dated August 15, 2012. The committee encouraged the board to respond to the draft and recommended the reply come from the President or Executive Director.

The Executive Board held a conference call on September 18, 2012, to discuss the committee's recommendations. Chair Todora participated in the call, reporting on the committee's conclusions and recommendations. Central to the discussion was the future educational role of TAF. Chair Todora provided materials from TAF including a letter to the chair of a congressional subcommittee dated July 26, 2011, from then-Immediate Past Chair of TAF David C. Wilkes:

... TAF has endlessly made it clear to AI leadership that we view appraisal education (beyond those tasks specifically assigned to us by our Sponsors, such as the development of USPAP training) as the province of our Sponsors and not TAF. I repeatedly emphasized in Task Force meetings the TAF position that any eventual best practices work product could not stray into educational offerings that were beyond the TAF mission and that our goal should rather be to enhance and highlight the work of our Sponsors wherever possible in way that promoted the public trust and increased the level of competence among appraisers.

Todora stated that TAF has reversed itself and now proposes there are not enough entry-level courses available. The IAAO USPAP and Appraiser Regulatory Advisory Committee disagreed with that recommendation. After discussion, the board decided by unanimous vote that IAAO should respond to the TAF draft strategic plan with strongly worded comments as outlined by the committee. The letter was to be developed by President Asbury, Executive Director Daniels, and Chair Todora, and signed by Asbury and Daniels. Also during this conference call,

then-President Elect Turner requested that an analysis be conducted on the impact on IAAO if IAAO were to withdraw from TAF sponsorship.

Even though not a sponsor, the Appraisal Institute (AI®) commented on the draft strategic plan, as follows:

Concurrently, it appears another goal of TAF is to make traditional professional associations obsolete, even while it acknowledges the "intellectual" contributions of sponsors.

Although legally separate, AVE will be anything but independent from TAF. On AVE's seven-person Board of Directors will be three people appointed by the TAF Board of Trustees. Only 3 of the current 11 sponsoring organizations will have representation on the AVE Board. TAF has indicated it would enter into a management service contract between TAF and AVE for an initial period of 12–24 months, meaning subsequent contracts will likely follow. TAF is willing to provide start-up funds as well as administrative overhead and staff services through an in-kind donation and an interest-free loan.

Alliance for Valuation Education
After comments on the draft were received, the TAF National Education Partnership Task Force Report (Task Force) was released on November 1, 2012. Note that there was no IAAO representation on the Task Force. The Task Force recommended a business plan for TAF and its sponsoring organizations to form a partnership to develop real property valuation courses and to license or sell the courses back to its sponsoring organizations (at a reduced rate) and other valuation training providers. The partnership is named

the Alliance for Valuation Education (AVE). AVE will be a course developer, not a course presenter. IAAO could buy the courses from AVE at a reduced price as a sponsor and turn around and sell the courses to its education providers, in effect making IAAO a middleman between TAF and the education providers. Or the education providers could buy the courses directly from AVE. The AVE model to develop and market courses replicates the IAAO model and will compete directly with private appraisal organizations such as IAAO. As a side note, many of the sponsors that embraced the concept are not education providers.

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TAF says it will initially start out with continuing education (CE) offerings but will consider qualifying education (QE) courses as well, for example, Basic Appraisal Principles and Basic Appraisal Procedures (think IAAO courses 101 and 102). The foundation has indicated it may give consideration to developing other valuation discipline education—possibly mass appraisal? A distance education program and remedial education courses are also on the drawing board.

There is no authorization or need for TAF to develop education. Congress restricted TAF to two areas: appraisal standards and appraiser qualifications. Congress did not authorize

TAF to develop and market appraisal methods and techniques. The premise that there is an immediate need for more consistent and timely course offerings is bogus. Ample educational offerings are widely available to all appraisers. Congress and the sponsoring organizations never envisioned that TAF would compete with its sponsors by providing educational offerings, either directly or indirectly. TAF says the *intent* of AVE is not to compete with the sponsors; remember that it also stated views that appraisal education is the province of its sponsors.

There are enormous conflicts of interest with TAF being the appraisal profession's exclusive standards-setting body, *providing education*, and *approving education*. This environment creates an unfair playing field and could result in a monopoly. In my opinion this has the potential to make professional appraisal organizations, including IAAO, obsolete.

Back to IAAO

The IAAO Constitution lays out the association's mission:

The mission of the association is to promote innovation and excellence in property appraisal, property tax policy and administration through professional development, education, research, and technical assistance.

It also lists the commitments of the association, the first two of which are

- a) to support and promote professional development
- b) to prepare and deliver educational services.

The Vision Statement says:

IAAO will be the internationally recognized leader and preeminent source for innovation, education and research in property appraisal, assessment administration and property tax policy.

I fail to see how participating in AVE is consistent with IAAO's mission and vision statements.

The good news is there is life after being a sponsoring organization of TAF. The AI Board of Directors withdrew the institute as a TAF sponsor in September 2010 after facing sanctions from TAF for conduct of the AI related to an amendment to Title XI that precluded TAF from developing education.

The decision by the AI Board to withdraw as a sponsor was difficult and not popular with all its members. But the leadership of AI acted in the best interests of all its members and today is a better organization because of that decision. Even though the AI has continued to operate outside of TAF, its members are still bound by *USPAP*. The Appraisal Institute of Canada left TAF years ago and is still going strong.

What happens if IAAO withdraws as a sponsoring organization from TAF? IAAO reclaims its autonomy, which is extremely important. As a sponsor, IAAO is bound to support and promote the vision and mission of TAF—sponsors shall not engage in conduct which undermines the purposes, interests and work of the foundation. How can IAAO compete without its independence?

From my viewpoint, this is not a *USPAP* issue; the IAAO Code of Ethics still requires compliance with *USPAP*.

Conclusion

I am greatly concerned about the reality that IAAO will have to compete with TAF in the area of education; this is going to happen regardless of what IAAO decides to do. The IAAO education program accounts for 40 percent of IAAO revenue on a yearly basis. The association's bread and butter courses, 101 and 102, account for nearly 35 percent of all students; 45 percent of all students attend one of the IAAO 5-day courses. If IAAO sits back and does nothing, these courses could face extinction. In addition to the detrimental effect on the IAAO

education program, the perceived need for membership in IAAO will be negatively affected.

This mission creep by TAF to develop appraiser education goes way beyond just holding IAAO's designation program hostage. In my opinion, it has upped the ante exponentially. I think this is a real threat to the long-term financial well-being of the organization. How can IAAO compete with an organization that has a *stamp of approval* from Congress? How can IAAO compete with a foundation that is the appraisal profession's exclusive standards-setting body, that develops and provides education, and that approves education? In my opinion, IAAO can no longer serve two masters. The interests of IAAO must come first, and IAAO members must do what must be done to preserve the existence of IAAO.



This letter is written by Randy Ripperger, CAE, the Polk County (Iowa) Chief Deputy Assessor. Randy currently serves on the IAAO Executive Board and is a member of the IAAO Budget Committee, an IAAO Senior Instructor, Grading Chairman of the IAAO Professional Designations Program, past chair and member of the Professional Designations Subcommittee, and Past Professional Designation Advisor for Iowa.