

IAAO Should Stay in TAF

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

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The IAAO Executive Board is proposing to strike "Bylaw 31.1 The Appraisal Foundation" from the IAAO Bylaws. The bylaw mandates that IAAO maintain a sponsor organization relationship with The Appraisal Foundation (TAF). If the Executive Board eliminates this bylaw, it would have the power to choose whether to remain or withdraw as a member of TAF at any time without input from the membership. The board is asking for feedback from members about this proposal (the deadline for comments is July 3, 2013). IAAO is an original sponsoring organization of TAF; IAAO participated in the writing of the Uniform Standards of Professional Appraisal Practice (USPAP); and the late Michael Austin, CAE, a Past President of IAAO, served as the first Chair of the TAF Board of Trustees (BOT) in 1989 and 1990.

The issue of whether IAAO should continue its membership in TAF is not new. The "stay or go" issue was the topic of spirited debate at the 2007 annual conference and in two articles, both titled "Appraisal Foundation—Do We Stay or Do We Go?" published in *F&E* in December 2007 (pages 19–25). The issue then was concern about increasing Appraisal Qualifications Board (AQB) education requirements for appraisers and whether they were realistic for implementation in an assessor's office. At that time, the IAAO Executive Board made the wise decision to continue its membership in TAF.

This letter advocates the point of view that the power to determine whether IAAO should continue to maintain a sponsor organization relationship with TAF should be vested in the IAAO membership, not in the Executive Board. Further, IAAO should continue its sponsor orga-

nization relationship with TAF because it serves the best long-term interests of IAAO and its members.

In 2012, TAF published a strategic plan for reorganizing its BOT and adopting a new vision for the education of appraisers. Along with these proposed changes, the AQB revised the educational qualifications for certified appraisers. These proposals sparked controversy and conversations between TAF and IAAO. These conversations and proposals are the subject of this debate and the catalyst for the IAAO Executive Board's recently proposed Bylaws change.

IAAO must take two steps to achieve full secession from TAF:

1. Remove Bylaws Section 13.1, which requires IAAO to be a member of TAF.
2. Formally resign as a founding member of TAF.

If step one is attained, then a simple majority vote of the Executive Board could result in IAAO's resignation as a founding member of TAF. I believe that the decision whether to remain with or to leave TAF should not be achieved by a simple majority vote of the board—that is why Section 13.1 of the *IAAO Bylaws* was enacted in the first place.

In 2012, TAF proposed to become involved in developing and wholesaling real property education offerings to appraisers. In response to concerns by founding sponsor organizations, TAF decided to establish a separate 501(c)(3) not-for-profit organization, the Alliance for Valuation Education (AVE), apart from TAF and its sponsoring organizations. According to a recent press release, AVE "is an organization dedicated to providing greater availability of consistent, quality, valuation education."

Creation of AVE alleviated concerns about direct involvement of TAF's congressionally authorized boards, the Appraisal Standards Board (ASB) and AQB, in the offering of education. These boards will have no management responsibilities within AVE.

Professional Standards

IAAO members are subject to state-level standards that directly affect the appraisal practice environment. Membership in IAAO requires compliance with *USPAP*, which is published by ASB. Many IAAO members operate in states that have adopted *USPAP* in statute or regulation, in whole or part, as governing guidelines for assessment practice. Remaining a founding member of TAF publicly affirms IAAO's commitment to maintaining its preeminent role as the leader in mass appraisal. The requirement to comply with *USPAP* and remain involved with TAF sends a message that IAAO holds itself to the highest level of professional standards and ethical behavior. Simply stated, it promotes *public confidence* in professional assessment practice.

As a founding sponsor of TAF, IAAO maintains a formal position recognized by both the Federal Government and state governments. *USPAP* has a direct influence on local assessors in every state.

As a founding sponsor, IAAO has a guaranteed position on the BOT. The BOT comprises 25 members—15 appointed and 10 at-large—who maintain an oversight role over TAF boards. The American Society of Appraisers, the American Society of Farm Managers and Rural Appraisers, the National Association of Independent Fee Appraisers, and The Royal Institution of Chartered Surveyors are just a few of the organizations that sit at the TAF table with IAAO.

The BOT appoints members of the other TAF boards (i.e., AQB, ASB, and the Appraisal Practices Board [APB]).

By having BOT representation, IAAO has input on the makeup of these boards. Several IAAO members currently serve on these three boards. Note that, BOT members are funded by TAF to attend BOT meetings, participate in committee tasks, and attend APB, AQB, and ASB meetings. No IAAO funds are required for this participation.

Remaining a founding member of TAF publicly affirms IAAO's commitment to maintaining its preeminent role as the leader in mass appraisal. The requirement to comply with USPAP and remain involved with TAF sends a message that IAAO holds itself to the highest level of professional standards and ethical behavior.

USPAP Standard 6 has not been reviewed or updated in many years. With the increased interest in automated valuation models (AVMs) and other alternative valuation processes by the single-property appraisal community, it is likely that an update of *Standard 6* will occur in the near future. Unless IAAO maintains its authoritative presence with ASB and BOT, commercial entities that use AVMs may preempt IAAO as the prime source for future *Standard 6* updates. I believe it is in the best interests of IAAO to maintain its preeminent role as both the leader and source for any changes in these standards.

As an Appointing Sponsor, IAAO has a distinct advantage over Nominating Sponsors (nonfounding sponsors); Nominating Sponsors can only nominate candidates for consideration as at-large BOT members but cannot directly appoint representatives.

Education Requirements and TAF

Escalation of designation requirements imposed on IAAO because of its status as an Appraisal Sponsor has been a contentious issue in the past. Appraisal Sponsors of TAF must have, at a minimum, designation standards equal to the minimum standards set by AQB. The board increased the minimum qualifications in 2008, and these qualifications will be increased again in 2015. The appraisal profession is not alone in experiencing a trend of increasing experience and education requirements. This trend is occurring in all professions and reflects the changes and complexity of today's world. It is part of the amorphous action of moving from being a trade to becoming a profession.

The increasing requirements for participation in the valuation profession simply reflect the increasing complexity for appraisal professionals to maintain a competent practice level. For instance, the U.S. Census reports that in 1970 approximately 11 percent of the population older than 25 years had a college degree or more. In 2012 that percentage has exploded to 31 percent.

AQB is assisting in the effort to rework the experience credits section of qualifications. There is a critical need for IAAO to have input in these efforts to gain credit for mass appraisal experience in the licensing process. IAAO can achieve positive results for its members in these efforts only with the influence that sponsorship brings. Many local assessors were instrumental in gaining credit toward state licensing requirements. This same influence and result are possible on a national level only through the active involvement of IAAO as an Appraisal Sponsor in TAF through each of its boards. Assessment professionals who do appeal work and regularly are confronted with the comparison of a fee single-property appraiser perceive great relevance in this effort. It cannot be accomplished from outside.

The Alliance for Valuation Education

In 2012, TAF organized the National Education Partnership Task Force, which produced a plan for TAF to move into the educational arena. IAAO, along with other Appraisal Sponsors, directly petitioned TAF to reconsider this initiative. As a result of these communications, many concerns of the Appraisal Sponsors were recognized. In an August 2012 meeting of the task force, TAF approved the formation of the AVE as a separate 501 (c) (3) entity. The AVE is a new organization that will prepare educational material for education providers like IAAO. The AVE will not compete with existing education providers by holding classes, but it will generate material that education providers can use in their offerings. TAF was the catalyst for the creation of AVE. At the suggestion of organizations like IAAO, AVE will be a separate 501 (c) (3) organization governed by the participating Appraisal Sponsors of TAF.

The IAAO USPAP and Appraiser Regulatory Advisory Committee believes that the concerns and objections expressed in the August 2012 meeting were addressed, and as a result, the final format proposed for the AVE received the committee's unanimous support for IAAO to participate in and support AVE.

Creation of AVE is not an attempt to replace or compete with the educational offerings of IAAO. Nationwide, there are approximately 80,000 licensed real estate appraisers; of these, 55,000 are not affiliated with any appraisal organization like IAAO. The Appraisal Subcommittee (ASC), a part of the Federal Government, has continued to express significant concern regarding the quality of education obtained by appraisers not affiliated with any professional appraisal organization. This concern is the primary motivation for the AVE effort.

Efforts by TAF in this area could have been implemented with greater deliberation and, in particular, outreach to Appraisal Sponsors. However, TAF did address the concerns of the Appraisal Sponsors, and benefits for IAAO include the following:

- The option to participate as an Alliance Sponsor of AVE and receive the associated benefits for IAAO members
- Access to AVE courses at a substantially reduced rate (\$10 per student versus \$35 per student) (These courses could in turn be offered by IAAO to course providers or directly to students.)
- The automatic qualification of sponsor instructors to teach AVE courses and seminars.

IAAO is in the mass appraisal business and therefore falls outside of the specific areas of concern identified by the ASC. The primary focus of AVE appraisal education is to support the continuing education needs of single-property appraisers. Competition between IAAO mass appraisal-oriented courses and seminars and AVE offerings is minimal if not nonexistent. In addition, IAAO incurs no cost for membership in AVE, and if IAAO participates, its members may be solicited for their input. As reflected in the minutes of its April 2013 meeting, the IAAO Executive Board chose not to participate in the AVE program and notified TAF of its decision. Of the ten current TAF Appraisal Sponsors, IAAO was the only one that chose not to participate in the AVE program.

Substantive changes in how AVE was viewed and conceptualized over the past 10 months were a direct result of IAAO membership in TAF and the constructive feedback provided by IAAO representatives and others, and would not have occurred had IAAO chosen not to participate.

Conclusion

It is in the best interests of IAAO members for IAAO to continue its current role with TAF and participate in the activities of AVE. This participation allows IAAO to be influential from the inside of TAF in its long- and short-term planning, education initiative influence, rewriting of standards, and career guidance. This proposed bylaw change is being exposed to the general membership so that the Executive Board can gain important input. Let your wishes be known.

This letter was prepared with the assistance of the IAAO USPAP and Appraiser Regulatory Advisory Committee through its extensive work on an opinion paper, which was provided to the Executive Board in 2012. It is the opinion of this entire committee that Section 13.1 should not be struck from the bylaws and IAAO should continue to maintain its sponsor organization relationship with TAF.



This letter is written by Lath Harris CAE, SRA; county assessor; past member of the IAAO Executive Board; past member of the IAAO USPAP and Appraiser Regulatory Advisory Committee; past member of the Appraisal Foundation Board of Trustees; long-term member of IAAO; IAAO Senior Instructor