

The Scope



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NCPAC

**North Carolina
Professional
Appraisers
Coalition**

Newsletter for the NCPAC

Feeling the Pressure to Increase Value? By Julia Iden

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- 2005-2006 Officers:**
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Have you received an appraisal request where you are basically told what the value needs to be? Or should the question be... *how often* do you receive an appraisal request where you are told what the value needs to be? Do you at times feel pressured by mortgage brokers or loan officers to bring the values in at levels they dictate, or risk losing their business? Appraisers walk a fine line between USPAP & state board rules, morals, and making a living. I am happy to say that the appraisers I know, and over the past 18 years I have worked with many, are ethical professionals who are committed to their profession. I can say the same thing about the mortgage brokers and loan officers I know. Unfortunately, it only takes a few "bad apples" to spoil it for all of us.

Of the all cases investigated for fraud by one of the leading mortgage insurance companies in 2005, 18% were acted on based on fraud by an industry related professional; 20.5% no action was taken because professional misconduct could not be proven though fraud

was detected; the remaining 61.5% of the cases were categorized as no action required. The result of this particular investigation showed that in 82% of the cases, no deliberate fraud was committed by the industry professional. In reality, the industry individuals really want to help the consumer client and truly believe higher value is the way to do it. However, these kinds of actions ultimately lead to defaulted loans which result in investigations that lead to prosecution for fraud and the loss of millions of dollars.

Recently the appraisal / mortgage industry has changed standardized appraisal forms. As you are well aware, these changes mainly revolve around preventing mortgage (valuation) fraud. In particular, it is an attempt of our industry to prevent mortgage fraud as a result of misrepresentation of collateral value. The majority of the burden has fallen upon the appraiser in the form of more work, more time, more expense and considerably more legal exposure. (continued on page 2)



Feeling the Pressure to Increase Value? By Julia Iden

(continued from page 1) The real foundation is found in mortgage originators refraining from the typical value coercion placed on property appraisers. We as industry professionals must broaden our world of mortgage industry knowledge, thus allowing more options to consumer clients and working in a manner that ultimately grows our industry.

That is the goal of Mortgage Education. In 2004 Mortgage Education came out with the "Understanding the Mortgage Industry" course which was designed to broaden the sphere of mortgage industry knowledge for mortgage professionals. Currently, it has been approved as a 4 hour continuing education course by the NC Real Estate Commission (#2633) for NC Real Estate Agents; the NC Banking Commission

(CEO124) for NC brokers & loan officers and approved for the SC Dept of Labor, Licensing, and Regulation (CEE285001) for all SC Real Estate Agents. We are working to have this class and several others approval in every state.

The time to act is now. As mortgage professionals, it is time to equip ourselves with the knowledge and tools required to grow in this ever changing fast paced business we call the mortgage industry. The next time you are "Feeling the Pressure" suggest to the person applying the pressure that they take this class. Mortgage Education President, Julia Iden, welcomes the opportunity to speak at conferences, professional

The time to act is now.

events or your next office meeting. To schedule a class in your office or locate a class in a city near you visit our website at this address www.mortgageducation.com or call our office at 919-556-4822. We can help you grow...

Article submitted by Julia Iden, Mortgage Education president. "Raising the level of mortgage industry knowledge one homeowner and mortgage related professional at a time which fosters industry growth."

If you have an article you would like to submit from a non-appraiser, but from a related profession, please feel free. Articles like this help address issues that we are all concerned with and may shine a new perspective on our profession. We welcome Julia to our sponsor group and are pleased that she took time to share her thoughts and ideas with us.

Local Meeting of the NCPAC by Carl Foster

NCPAC IS IN THE TRIANGLE! Since September 2005 some of the local members of NCPAC have been meeting monthly in Chapel Hill to bring the NCPAC message to appraisers in the Triangle area.

NCPAC is an organization of professional appraisers for and about professional appraisers, an organization of "volunteerism and participation". And we ask you to join with us to provide for and protect your chosen profession. We encourage your commitment to a group dedicated to improving the perception of appraisers in the local real estate market.

Currently we are meeting monthly on a Wednesday, around the middle of the month. We usually start around 4 in the afternoon and run for 1-2 hours depending on the agenda and the topics of interest brought up at the meeting.

The agenda is open and flexible. At our January meeting, we had a guest speaker, Baldy Williams, current NCPAC president to highlight topics of interest. We invite you to join with us at our next meeting to meet others in the area with similar

Triangle Chapter of NCPAC!

concerns and cares for the local appraisal business, your business.

Please contact me for meeting time and place or more information, at olfos@aol.com or you may phone me at 919-477-6404.

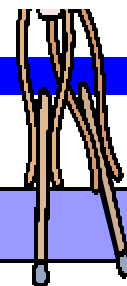
Article by Carl Foster

Help Wanted: Website Committee

The website committee is looking for individuals who have backgrounds in the technology field for help with maintaining the NCPAC website...

contact Andy@ncpac.org for more information.

Life without the Crutch an opinion by Don Clark



Appraising without relying on Departure.. For the first time in many years appraisers will be able to do their work without the use of the most misunderstood, misused, abused, and misleading crutch ever conceived by the mind of man....."Departure". After 10 years of use it is still the least understood concept ever formulated by The Appraisal Standards Board of The Appraisal Foundation, not by intent, but in it's application. It is equivalent to giving a patient a crutch to use as they would not otherwise be able to stand on their own. Or a political lawmaker in the congress trying to pass a law that says "you shall, and/or must do this, unless...". Laws are rarely written that way. They are generally straight forward, and explicit. Our standards of practice have suffered in their reliability, in my opinion, because of departure. It is being replaced by a much clearer and hopefully more understandable concept, The Scope of Work Rule.

The Scope of Work Rule will drive the appraisal process, not modify the process as departure often has. Many, if not most, professions have a scope of work whereby they plan and implement their objectives and goals. Appraisers use the scope of work to clearly define the objectives set out by intended use, and the intended users of our work. It is the who, what, why, and how of formulating an opinion of value for a specific purpose, given the latitude or limitations of the work to be performed, and the resulting analysis and opinion based on such parameters. The opinion derived from the use of a properly written scope of work can and should vary, given the extent of or the constraints identified in a particular scope of work.

In EXAMPLE, An appraiser is requested to perform an appraisal and offer an opinion of value on a property that the appraiser has never seen, and is required to refrain from even driving by the property to view it's exterior. This request is made by the client who does not wish for the property owner(s) to be aware that an appraisal is being performed. Reasons may be of a legal nature, or that the client has his or her own client who is a well known public figure with substantial resources and believes that if his or her interest in the property becomes known, the property owner(s) may suddenly develop a higher opinion of the properties value. Can the appraiser perform such an assignment? Yes, provided the appraiser has enough data to produce a credible appraisal. This is defined in The Uniform Standards of Professional Appraisal Practice (U.S.P.A.P.) STMT -7 and STMT-9.

Identifying the problem to be solved is required in order to make critical judgments in determining the appropriate scope of work. Therefore, the assignment elements necessary for problem identification in an appraisal, appraisal review, or appraisal consulting assignment also serve as reference points in determining whether the scope of work performed was appropriate to provide credible results.

USPAP recognizes that the appropriate scope of work may differ significantly for different assignments; the SCOPE OF WORK RULE provides flexibility in determining the scope of work. The competency necessary to determine an appropriate scope of work within the allowed flexibility resides with the appraiser. Therefore, while it is common and reasonable for the client to provide input to the appraiser regarding a

scope of work, the responsibility for determining the appropriate scope of work resides with the appraiser.

The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results.

The client, for example, might request that the appraiser include, or exclude, specific inspections, data collection, or analysis in the scope of work. The appraiser may accept an assignment with these types of assignment conditions provided that the assignment results are credible in the context of the intended use. The SCOPE OF WORK RULE addresses this issue in the Scope of Work Acceptability section:

An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use.

An appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased.

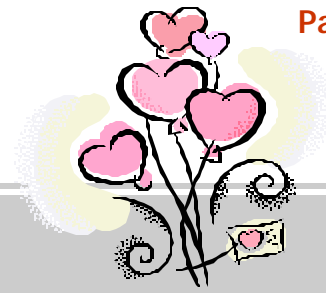
It is in the best interest of all appraiser to become knowledgeable and aware of the new SCOPE OF WORK RULE, and the two Advisory Opinions (AO-28 & AO-29). The new scope of work rule goes into effect on July 1, 2006. As of that date the DEPARTURE RULE will be dead, may it rest in peace.

(Based in large part on AO-28)


Opinion by Charles Don Clark

State Certified Residential Real Estate
AOB Certified USPAP Instructor #10051

Calendar For February



February 2006

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1 NCPAC meeting	2	3	4
5	6	7	8	9	10	11
12	13	14 	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

This Month:

NPAC Meeting February 1st

Coming up next Month:

St. Patty's Day



NCAB Meeting Minutes by Andy Ledford

We are still looking for someone to take over attending the monthly meetings of the North Carolina Appraisal Board. Andy Ledford, current treasurer of NCPAC, has up to now attended all the meetings and took the minutes for over three years. We would like to see if a NCPAC member or members

would like to volunteer to attend these meetings for us, so that we can report the outcome here.

For more information on this month's meeting, go to their NCAB website at this address: www.ncappraisalboard.org This information should be posted on

the meetings update.

In the meantime if you are interested in finding out more about what is involved, please write to Andy. You can contact him at Andy@ncpac.org for more information.

NCPAC

Our Contributors
Amanda Creek—Publisher
Bob Reeves- Editor
Andy Ledford- Minutes
Guest Contributors

Official Newsletter for the
North Carolina
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The Scope

Check us out online
www.ncpac.org



NP Organization

2005-2006 At-Large Board Members

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[Oscar Davis](#)

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[Doug Winner](#)

Can you believe it?

Editorial by Amanda Creek

My valentine wish for you is that you don't have to deal with an AMC asking you to reduce your fees... I know we hit on this topic in previous months but it steams me up when companies like AMCs ask us to cut our rates. So I turn around and ask them to cut their fees or better yet charge no fees! So today this particular company wanted to add \$100 to our costs for their "services" and by charging my normal rate that would cut into their portion.

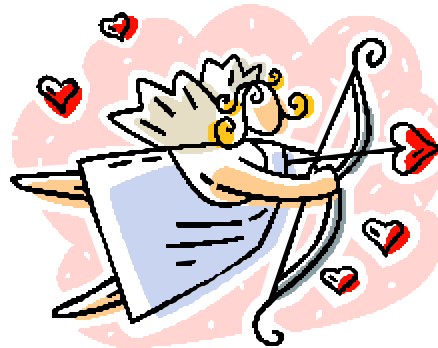
Can you believe it?

Tough noogies, I say. I hope that NCCOB or some government sponsored overseeing agency finally gets control over these uncontrolled, unlicensed, rampant over-chargers. They fall through the cracks in the laws by placing all the responsibility on the appraisers performing the work, and then they aren't governed by the NCCOB because they aren't lenders. I

ask you, is anyone watching the middleman?

Am I wrong about this, and horribly misinformed? I don't think so, but let me know if someone out there sees an upside to AMCs making money off our hard work. I sure can't see it.

This particular company that called today also then demanded 24 hour turnarounds after inspection, interior photos, and a REO repair addendum.



A Valentine's Day Wish....

All for the reduced price of "x". So I told them "Kaching, Kaching, Kaching..." I charge more for all those things, not less. Who is doing these appraisals for less?... I certainly don't want to take on all the responsibility of that much work, with repairs, multiple values on the REO addendum, and try and get it back in a day for "x". You and I both know those are the appraisals that never go away. They need multiple addendums and conferences with underwriting, you will be required to stand on your left leg while rubbing your stomach, just to get it to go away...

So let's go back and read Bert's AMC article from a few months ago, and all of us try and toe the line and when the phone rings and the AMCs call with their ridiculous requests, and then they will hear from all of us, "NO, NO, NO, and oh yeah NO!...