

Supervising Appraisers, A Mentoring Process

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Requirements for Appraisal Licensing

Michigan Real Estate Appraiser License Experience Requirements	
Level of Licensure	Appraisal Experience
Limited Real Estate Appraiser	None
State Licensed Real Estate Appraiser	2,000 over at least 12 months with at least 1,500 hour residential
Certified Residential Real Estate Appraiser	2,500 hours over at least 24 months with at least 2,000 hours of residential
Certified General Real Estate Appraiser	3,000 hours over at least 30 months with at least 1,500 hours of non-residential

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Requirements for Appraisal Licensing cont.

For a trainee to get credit for hours of experience

1. Trainee, under certain circumstances, can cosign the report.
2. Trainee's experience is reported in the appraisal report and its name is attested to in the appraiser certification.

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Requirements for Appraisal Licensing cont.

Supervisor must be Certified Residential or Certified General licensed in good standing may supervise trainees and then no more than three at any one time (2008 AQB Requirements).

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Requirements for AI Designation

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At the Beginning

Think back to when you started in appraisal

- ▶ What training did you receive?
- ▶ What training, or professional help would you have liked?
- ▶ Do you currently talk to other appraisers about different assignment challenges?

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Various Professions Involve Mentoring

Appraisal profession is one that has traditionally been based on professional mentoring.

1. Directly
2. Indirectly
3. School of hard knocks

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Relate Academic to Practice

To grow as a profession, and as a professional, we have to challenge ourselves and help nurture our members.

- Courses and seminars provide a core education base.
- Meetings provide a venue to discuss appraisal challenges and opportunities to solve those challenges.
- Mentoring helps connect academic to real world applications.

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What is a Supervisor?

“Supervisor is the first-line management who monitors and regulates employees in their performance of assigned or delegated tasks. Supervisors are usually authorized to recommend and or effect hiring, disciplining, promoting, punishing, rewarding and other associated activities regarding the employees in their departments.”

*Source: Businessdictionary.com

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Does Inspection of Subject property Mean a Physical Inspection?

Question: I am a licensed trainee with approximately six months of experience. My **supervisory** appraiser recently determined that I am competent to perform inspections on my own; however, many of our clients require the supervisory appraiser to physically inspect the property as well. If I do the inspection by myself, but take numerous representative photos of the interior of the subject property, may my supervisory appraiser indicate in the report that he also inspected the property?

*Source: FAQ 170 USPAP 2012-13

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Does Inspection of Subject property Mean a Physical Inspection? cont.

Response: No. A physical inspection of the interior of the property is not the same as a physical inspection of photographs of the interior of the property. It would be misleading for any appraiser, including supervisory appraisers, to indicate that a physical inspection was performed when, in fact, the appraiser viewed photographs of the property. An appraiser who only inspects photographs of a property, but signs a certification indicating that he or she physically inspected the subject property, is in violation of the USPAP prohibition against communicating assignment results with the intent to mislead or to defraud, communicating a report that is known by the appraiser to be misleading or fraudulent, and, possibly, knowingly permitting an employee or other person to communicate a misleading or fraudulent report. (See Conduct section of the ETHICS RULE.)

*Source: FAQ 170 USPAP 2012-13

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Does USPAP Define Supervisory Appraiser?

Question: The term **supervisory appraiser** is used in many appraisal reports, particularly residential appraisal reports. Does USPAP define supervisory appraiser?

*Source: FAQ 245 USPAP 2012-13

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Does USPAP Define Supervisory Appraiser? cont

Response: No. **USPAP does not define** or otherwise address this term. The term supervisory appraiser was introduced by the authors of several widely used residential appraisal report forms. However, it should be noted that an appraiser who signs any part of the appraisal report, including a letter of transmittal, must also sign the certification.

*Source: FAQ 245 USPAP 2012-13

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Disagree with Supervisor on Value Conclusions

Question: I am employed at a firm where my reports are reviewed by a supervisory appraiser. The **supervisory appraiser** recently asked me to make changes to a report that resulted in a value opinion with which I do not agree. I am not comfortable signing the amended report. What are my obligations under USPAP?

*Source: FAQ 248 USPAP 2012-13

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Disagree with Supervisor on Value Conclusions cont.

Response: If the report does not represent your own opinions and conclusions, then you must not sign the report or the certification. The Comment to Standards Rule 2-3 states: *An appraiser who signs any part of an appraisal report, including a letter of transmittal, must also sign a certification... which must include a statement similar to:*

*I certify that, to the best of my knowledge and belief...the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are **my personal, impartial, and unbiased professional analyses, opinions, and conclusions.** (Bold added for emphasis)*

An appraiser required to make changes that he or she does not agree with would not be reporting his or her own personal analyses, opinions, or conclusions.

*Source: FAQ 248 USPAP 2012-13

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Other USPAP Related Thoughts on Supervisors

PREAMBLE

Lines 152-155

The purpose of the *Uniform Standards of Professional Appraisal Practice (USPAP)* is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. It is essential that appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading.

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Other USPAP Related Thoughts on Supervisors

PREAMBLE

1. Is this objective a part of, or considered, within your organization's mission statement?
2. Does your organization workflow, or hierarchy table include a position for trainees?

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Other USPAP Related Thoughts on Supervisors cont.

ETHICS RULE

Lines 197–198 An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics.

*Including Conduct, Management and Confidentiality sections. Be mindful now of Line 228 which states “must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE” ...

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**Other USPAP Related
Thoughts on Supervisors cont.**

ETHICS RULE

Think About

- ▶ Disclosure, or extent, of trainee's involvement in an assignment.
- ▶ Trainee's interest in subject property and/or parties involved.
- ▶ Trainee's experience involving the subject property in the three-year prior to accepting the assignment.

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**Other USPAP Related
Thoughts on Supervisors cont.**

ETHICS RULE

1. What area do you believe a trainee's involvement in an assignment could harm the client in its legitimate use of the appraisal report?

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**Other USPAP Related
Thoughts on Supervisors cont.**

RECORD KEEPING RULE

Lines 289 – 291 An appraiser must prepare a workfile for each appraisal, or appraisal review, or appraisal consulting assignment. A workfile must be in existence prior to the issuance of any report. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

*USPAP 2012-13

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**Other USPAP Related
Thoughts on Supervisors cont.**

RECORD KEEPING RULE

Lines 312 – 319 An appraiser having custody of a workfile must allow other appraisers with workfile obligations related to an assignment appropriate access and retrieval for the purpose of: submission to state appraiser regulatory agencies; compliance with due process of law; submission to a duly authorized professional peer review committee; or compliance with retrieval arrangements. Comment: A workfile must be made available by the appraiser when required by a state appraiser regulatory agency or due process of law.

*USPAP 2012-13

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**Other USPAP Related
Thoughts on Supervisors cont.**

RECORD KEEPING RULE

Think About

As a supervisor, you need to consider :

- ▶ maintaining integrity of contents of workfile since another person(s) may have access.
- ▶ maintaining workfile beyond minimum time limits so trainee can use for professional certification/designation advancements.
- ▶ circumstances in which to provide workfile access to trainees.

*USPAP 2012-13

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**Other USPAP Related
Thoughts on Supervisors cont.**

RECORD KEEPING RULE

1. Would you make a trainee's access, and workfile retention a part of a office policy?
2. What other problems, or assurances, can you think of with regard to the workfile and responsibilities and liabilities pertaining to trainees?
3. Do you save your workfiles electronically, hardcopy, or combination?
4. Do you reference a hardcopy library of resource materials?
5. Do you reference a electronic (like "appraisal resources" library of resource materials?

*USPAP 2012-13

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**Other USPAP Related
Thoughts on Supervisors cont.**

COMPETENCY RULE

Lines 323–324 An Appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary competency to perform the assignment; or (3) decline or withdraw from the assignment.

*USPAP 2012–13

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**Other USPAP Related
Thoughts on Supervisors cont.**

COMPETENCY RULE

Lines 326–331 The appraiser must determine, prior to accepting an assignment, that he or she can perform the assignment competently. Competency requires:

1. The ability to properly identify the problem to be addressed; and
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.

*USPAP 2012–13

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Other USPAP Related Thoughts on Supervisors cont.

COMPETENCY RULE

Lines 332–337 Comment: 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. If such a factor is necessary for an appraiser to develop credible assignment results, the appraiser is responsible for having the competency to address that factor or for following the steps outlined below to satisfy this COMPETENCY RULE.

*USPAP 2012–13

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Other USPAP Related Thoughts on Supervisors cont.

COMPETENCY RULE

Although many supervisors have a history, or inherent knowledge due to experience, of the nuances involved in valuation, when supervising others it may be helpful to consider:

- ▶ providing internet use
- ▶ maintaining sample reports
- ▶ maintaining electronic/hardcopy treatises (e.g., USPAP, Dictionaries, case opinions, etc)
- ▶ introducing trainees to clients
- ▶ introducing trainees to other professionals (e.g., appraisers, brokers, leasing agents, etc)
- ▶ taking a trainee to meetings of professionals (e.g., client/user groups, etc)

Can you think of other things to help a trainee gain competency?

*USPAP 2012–13

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**Other USPAP Related
Thoughts on Supervisors cont.**

SCOPE OF WORK RULE

Lines 373–377 Scope of work includes, but is not limited to: the extent to which the property is identified; the extent to which tangible property is inspected; the type and extent of data researched; and the type and extent of analyses applied to arrive at opinions or conclusions.

*USPAP 2012–13

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**Other USPAP Related
Thoughts on Supervisors cont.**

SCOPE OF WORK RULE

Problem Identification includes Lines 389 –394

- ▶ client and any other intended users;
- ▶ intended use of the appraiser’s opinions and conclusions;
- ▶ type and definition of value;
- ▶ effective date of the appraiser’s opinions and conclusions;
- ▶ subject of the assignment and its relevant characteristics; and
- ▶ assignment conditions.

*USPAP 2012–13

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Other USPAP Related Thoughts on Supervisors cont.

SCOPE OF WORK RULE

Lines 407–412 provides acceptability requires research and analysis that meets or exceeds:

- ▶ the expectations of parties who are regularly intended users for similar assignments; and
- ▶ what an appraiser's peers' actions would be in performing the same or a similar assignment.

*USPAP 2012–13

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Other USPAP Related Thoughts on Supervisors cont.

Standards Rule 1–1, Lines 463–490, in pertinent parts:

In developing a real property appraisal, an appraiser must: (a) be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal; (b) not commit a substantial error of omission or commission that significantly affects an appraisal; and (c) 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 affects the credibility of those results.

*USPAP 2012–13

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Other USPAP Related Thoughts on Supervisors cont.

Standards Rule 2-1, Lines 627-633:

Each written or oral real property appraisal report must: (a) clearly and accurately set forth the appraisal in a manner that will not be misleading; (b) contain sufficient information to enable the intended users of the appraisal to understand the report properly; and (c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.

*USPAP 2012-13

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Other USPAP Related Thoughts on Supervisors cont.

Standards Rule 2-2(a)(vii)

Lines 703-706

When any portion of the work involves significant real property appraisal assistance, the appraiser must describe the extent of that assistance. The signing appraiser must also state the name(s) of those providing the significant real property appraisal assistance in the certification, in accordance with Standards Rule 2-2(a)(vii)

*USPAP 2012-13, similar requirements stated in SR 2-2(b)(vii) having summarization of assistance and SR 2-2(c)(vii) having statement of assistance

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What is a Mentor?

“Mentor” originally stems from Greek mythology. Prior to take a voyage, Ulysses trusts his son care and direction to his friend **Mentor**.

* Clutterbuck D. *Everyone needs a mentor; fostering talent at work. 2nd Ed.* Institute of Personnel Management, 1992.

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Mentor Defined

“Employee training system under which a senior or more experienced individual (the mentor) is assigned to as an **advisor**, counselor, or guide to a junior or trainee. The mentor is responsible for providing support to, and feedback on, the individual in his or her charge.” (Emphasis added in bold).

*Source: Businessdictionary.com

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A Mentor is an Advisor

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Mentor Contribution

Important contributions:

- ▶ to the professional (and Appraisal Institute)
- ▶ to the professional development of the trainee
- ▶ to the continuing professional development of the Mentor

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Establishing a Mentor Process

Most mentor programs will consist of the following activities:

- ▶ **Goal setting** based on agreements and need to be realistic. Goals should be specific with activities listed to help meet goals (i.e., **SMART** goals).
- ▶ Activity **shadowing** and **observation** where both the Mentor and Trainee can study each other.
- ▶ Mentor provides constructive **feedback** of trainee's work and suggestions for improvements (non-judgmental).
- ▶ Understanding of interval meetings and **duration** of the relationship (how and when will it end).

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SMART Goals

Specific, Measurable, Attainable, Realistic, and Timely

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SMART Goals Example Identifying Subject Property

Presume that your goal is that in two years you would like your trainee (apprentice/protégé) to be capable of identifying a subject property, with you only providing a review.

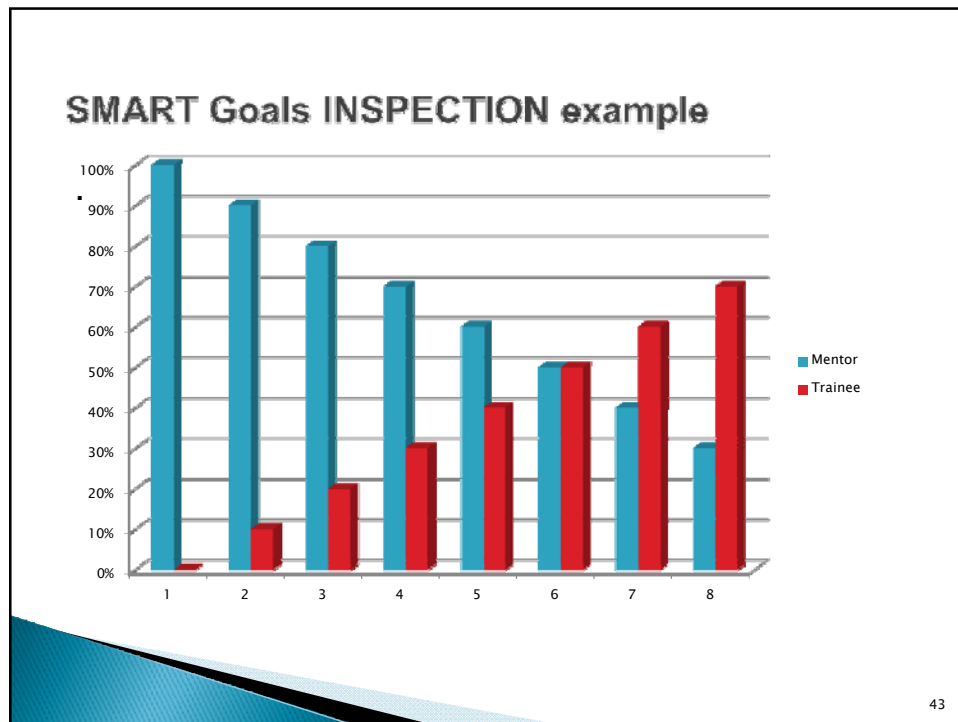
- ▶ You could break down a timetable in quarters and distinguish a certain percentage of effort that should be learned by the trainee during each interval.
- ▶ Inspection of the property pertains to collecting relevant physical, legal and economic characteristic information.

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SMART Goals INSPECTION example

Identifying Subject Property			
Quarter	Mentor	Trainee	Activity
1	100%	0%	Shadow mentor
2	90%	10%	Measure and inventory physical features
3	80%	20%	Determine land description and use
4	70%	30%	Perform a lease analysis and sales history analysis.
5	60%	40%	Identify non-realty components
6	50%	50%	Collect and, when applicable, determine compliance with public records (e.g., zoning, building codes, historical use, assessment, etc.)
7	40%	60%	Identify the market the subject property competes within
8	30%	70%	Determining items of depreciation

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SMART Goals Other Examples

Other SMART goals may include:

- ▶ Researching and identifying micro-economic information.
 - ▶ Researching and identifying comparable properties.
 - ▶ Developing highest and best use analysis.
 - ▶ Preparing approaches to value.
 - ▶ Writing appraisal reports.
 - ▶ Business functions, such as development and accounting.
 - ▶ Increasing a certain type of work at a specific amount
 - 10% revenue next year from estate work, then set activities to reach that goal.
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Trust and Judgment is Key in Setting and Monitoring SMART Goals

Supervisors exercise a great deal of trust and judgment in training and relying on the work of trainees.

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Using the Appraisal Process to Set SMART Goals

Appraisal Process

1. Definition of the problem
2. Determination of scope of work
3. Data collection and property description
 1. Market area data
 2. Subject property data
 3. Comparable property data
4. Data analysis
 1. Market analysis
 2. Highest and best use analysis
5. Application of the approaches to value
 1. Cost
 2. Sales
 3. Income
6. Reconciliation of value indications and final opinion of value (SWOT)
7. Report of defined value

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Responsibilities of a Supervisor

Supervisors (appraisers) are responsible for maintaining compliance with state license laws, USPAP, organizational (e.g., AI) and other appraisal related requirements. In addition supervisors need to:

- ▶ Determine level of ability (i.e., competence) of trainee to perform task.
- ▶ Oversee activities of trainee, such as inspections, research (data collection), verifications, communications, etc.
- ▶ Accept responsibility for report signed, as required by certification.
- ▶ Having the ability (i.e., competence) to train a appraiser.
- ▶ Maintain appraisal assignment log for state and association requirements.
- ▶ Be familiar with current responsibilities of staff appraisers.
- ▶ Maintain documentation about appraiser's performance, quality and meeting deadlines.

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Responsibilities of a Supervisor cont.

- ▶ Communicate clearly the organization's expectations and manage appraiser performance in meeting or exceeding those expectations.
- ▶ Maintain resources that will enable staff appraisers to perform their duties.
- ▶ Demonstrate expectations through leadership of same.
- ▶ Make itself available to the trainee.
- ▶ Keep open-mind about trainee's ideas.
- ▶ Have patience.

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Responsibilities of a Supervisor cont.

What other responsibilities do you think a supervisor should be accountable for?

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What is a Trainee?

A trainee (i.e., apprentice, protégé, etc.) is someone that wants to learn through a knowledgeable and experienced guide) and can include:

- ▶ Professional (e.g., valuation service, financial planning, ,
- ▶ Academic (e.g., instructors, teachers, professors)
- ▶ Athletics (e.g., wrestling, martial arts, etc.)
- ▶ Others?

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Types of Trainees

Trainees are not just one set type. They may include:

- ▶ Beginners entering appraisal industry from unrelated field.
- ▶ Beginners entering appraisal industry from a related field (e.g., real estate broker, CPA, plant manager, property manager, architect, etc.)

But may also be

Another appraiser wanting to learn a particular specialty area (e.g., such as a residential appraiser wanting to get into non-residential appraisal.

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Trainee Defined

▶ **Trainee** is defined as “one that is being trained especially for a job”, merriam-webster.com.

▶ **Apprentice** is defined as “(a) one bound by indenture to serve another for a prescribed period with a view to learning an art or trade” and “(b) one who is learning by practical experience under skilled workers in a trade, art, or calling”, merriam-webster.com.

▶ **Protégé** is defined as “one who is protected or trained or whose career is furthered by a person of experience, prominence, or influence”, merriam-webster.com.

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Responsibilities of a Trainee

Trainees are equally responsible in their role to provide support to the organization. Similarly they should be held accountable to a degree for having a fundamental understanding of state license laws, USPAP, organizational and other appraisal related requirements. In addition a trainee is responsible for:

- ▶ Have a commitment for active learning.
- ▶ Must be aware of the style (i.e., structure), or personality, of the supervisor.
- ▶ Maintaining their own appraisal assignment log for state and association requirements.
- ▶ Being familiar with organizational mission and goals.
- ▶ Keeping a paper/electronic trail of documentation and notes to qualify it performed their task(s) properly.
- ▶ Being mindful of its performance and pay attention to time-sensitive deadlines.
- ▶ Bringing problems to its supervisor, rather than venting other staff. Supervisors are not mind-readers.
- ▶ Communicating any challenges, as well as opportunities that might provide a more qualitative, or efficient, process.
- ▶ Using available resources.

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Responsibilities of a Trainee cont.

What other responsibilities do you think a trainee should be accountable for?

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Do Not Take a Parent/Child Position

Whether you are a supervisor, mentor, or trainee, you should not presume the relationship is one of a parent and child.

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Reviewing a Trainee's Progress

Create standardized checklists for the activities the trainee is performing, and have a grading scale of 1 to 4. Assign a specific assessment characteristic to each notation, such as:

- 1 - Unacceptable
- 2 - Below average
- 3 - Acceptable
- 4 - Above average

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Reviewing a Trainee's Progress cont.

Providing a quality notation by itself is not enough for a trainee to learn from. When it comes back to reviewing established goals, the supervisor needs to provide specific performance guidance based on whether the trainee met or exceeded its goals, needed improvement, and for areas performed that were unsatisfactory.

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Reviewing a Trainee's Progress cont.

Examples:

Meets or Exceeds

- ▶ Keeps supervisor informed anytime anticipated expense exceed budgeted costs.
- ▶ Makes excellent use of computer spreadsheet and database tools for appraisals.
- ▶ Seeks and obtains appropriate training on appraisal concepts and techniques.

Needs Improvement

- ▶ Needs to develop deeper understanding of USPAP and license laws pertaining to workfile contents.
- ▶ Should improve use of computer spreadsheet and database tools for interrelating valuation approaches.

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Reviewing a Trainee's Progress cont.

Examples:

Unsatisfactory

- ▶ Does not work closely with supervisor.
- ▶ Fails to meet deadlines for draft reviews (to supervisor).
- ▶ Fails to make adequate use of spreadsheet programs for valuation approaches.
- ▶ Has failed to improve skills in developing land value.

Source Guide: Performance Appraisal Phrase Book, by Corey Sandler and Janice Keefe.

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Common Reasons for Not Accepting Trainees

- ▶ I don't want to train/create my competition.
- ▶ I don't have time.
- ▶ There is nothing in it for me to train someone.
- ▶ It would expose me to way too much liability.
- ▶ It costs too much money to train someone.
- ▶ I want it done a certain way.
- ▶ I don't want to sacrifice quality.
- ▶ I wouldn't wish this business on my worst enemy.
- ▶ This business is dying and there is no future.
- ▶ Others you've heard?

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Common Supervisor and Trainee Mistakes

Others that you've experienced?

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Concluding Remarks

Q&A

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