

INDIANA LICENSED

A NEWSLETTER FOR ALL REAL ESTATE LICENSEES IN INDIANA



Deadline Looming, Procrastinators Beware

From the Real Estate Appraiser Licensure & Certification Board

The Appraisal Foundation has implemented a series of changes for qualifications of appraisers in the U.S. The most significant new requirements for appraisers are the elimination of the alternative college degree programs and the new requirement that certified residential appraisers also have a bachelor's degree (or higher) from an accredited college or university. The details of these new changes can be found [here](#) (page 48).



Existing credential holders in good standing shall be considered in compliance with current Appraiser Qualifications Board Real Property Appraiser Qualification Criteria if

they have passed an AQB-approved qualifying examination for that credential. This applies to reciprocity, temporary practice, renewals and applications for the same credentials in another jurisdiction. All credential holders must comply with ongoing requirements for continuing education and other state renewal procedures.

The 2015 criteria uses a "Firm Date" rule which says that effective January 1, 2015, a bachelor's degree (or higher) will be required for the certified general and certified residential classifications. This is a firm deadline, meaning all required components (education, experience and examination) must be completed prior to January 1, 2015. This means a licensed trainee

(TR) or licensed residential (LR) appraiser applying for a certified residential (CR) credential using the old requirements (allows associate's degree or alternative) must have the application in early enough to give the Indiana Professional Licensing Agency (IPLA) and the Indiana Real Estate Appraiser Licensing and Certification Board (REAB) time to approve the application and then for the student to pass the comprehensive examination.

Because the Appraiser Board scheduled meetings this year on September 9, November 13 and December 18, the examination service normally only gives the appraiser examinations twice per week. It is **STRONGLY ADVISED** that all new applications attempting to

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IPLA

Director's Corner

With Nicholas W. Rhoad

The Indiana Professional Licensing Agency is a key step in a professional's quest to practice a trade or a business owner's goal to offer a good or service to the marketplace. Our focus is customer service as almost a half million hard-working Hoosiers get licensed through our

agency. While we are tasked by the Indiana General Assembly with carrying out its wishes to license certain professionals and industries, I continue to remind our staff that "I mean business!" Businesses, across all sectors, has shown strong gains in Indiana as we continue to

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Nick Rhoad has been serving as the Executive Director for the IPLA since June 2013. He was the Board Director of the IREC for five years.

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Representative



“We are striving to cut red tape at the Indiana Professional Licensing Agency. Have ideas? Please give us suggestions at www.in.gov/cutredtape.”

- Nick Rhoad, Executive Director

qualify under the pre-2015 criteria be submitted by **October 27** to allow the IPLA time to review the application and get experience samples reviewed for the November 13 meeting.

It is strongly advised that all new applications attempting to qualify under the pre-2015 criteria be submitted by October 27.

An application submitted the week of November 10 would not have sufficient time to get all the necessary approvals in advance of the November meeting. Approval in November would allow the applicant about six weeks to pass the examination to allow compliance with the old criteria. Do not underestimate the difficulty of the comprehensive examination. It was changed substantially in 2006 and has been continuously updated since then.

An applicant that waits to submit until the first week in December runs the risk that the application will be

flawed and then need corrections. The experience samples are not requested or delivered timely, and the application is not on the agenda for the December 18 meeting. If it is approved by December 18, the student only has the holiday weeks to pass the examination before the December 31 deadline.

Remember the “firm date scenario” means you must have the credential in hand prior to the deadline. If you only have two out of three requirements (education, experience and pass the test) you are pushed into the NEW requirements. It does not matter when you filed the application, it only matters that you have all the requirements met by December 31, 2014.

This change in credential requirements are not as significant for persons applying for the certified general since they already needed a bachelor’s degree, but their optional “alternative to the college degree” also goes away on December 31, 2014. So, applicants for CG should pay attention to this if they are using the “alternative to the degree.”

Coding Appraisal Reports under USPAP 2015-16 Standard 2

The Indiana Rules now stipulate the maximum hours allowable for Restricted Use, Summary and Self Contained Appraisal Reports, but the 2015 USPAP report labels now only include “Restricted Appraisal Report” and “Appraisal Report.” The Indiana rules are in process of changing to accommodate this USPAP change, but until they are revised, the Real Estate Appraiser Board has suggested classifying all Restricted Appraisal Reports within the Restricted Use Appraisal Report column and all Appraisal Reports be considered Summary Reports for filing purposes.

In the rules there are allowances for reports that did require more time than the allowed amount. See 876 IAC 3-3-13.2 (b). In other words, if an applicant thinks a report deserves more hours than allowed in the Summary Report Category, they can apply for more under the “special” category. **If claiming more hours than a summary report, documentation should accompany the application.**

**Any questions, please contact the Real Estate Appraiser Licensure and Certification Board.

Director's Corner, continued

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make our state the most attractive place for development and growth. Business not only puts a paycheck in our pockets, but it creates important products and services that keep our cities and towns running.

Successful businesses mean more jobs; more jobs means more workers; and more workers means more paychecks. This is how families and communities can thrive, and our work at the IPLA is centered on making sure Hoosiers are equipped for the workforce with

the license they need to practice. But regulations, while sometimes protecting the public good, can also increase costs and stifle business growth.

In 2013, Indiana's licenses to hearing aid dealers increased by 120 percent; real estate licenses grew by 109 percent; and home inspectors saw a 38 percent increase. It is great to see more Hoosiers entering valuable professions, but given the expansion of the number of licenses issued by

the IPLA over the past 10 years, we are working to make sure there is a proper balance between public safety and industry protection.

We are looking at ways to cut red tape, so the government isn't standing between a worker and his trade or a business owner and her dream. Being efficient with tax dollars and offering a high level of customer service is our mission as we continue to serve licensees and our great state moving forward.

Tim Reed Recognized with Sagamore of the Wabash

Here's the news release that went out from IPLA recognizing Tim Reed's many years of public service and dedication to the State of Indiana:

Porter County resident Tim Reed received a Sagamore of the Wabash for his distinguished service on the Indiana Real Estate Commission, spanning more than 20 years. Nicholas W. Rhoad, Executive Director of the Indiana Professional Licensing Agency, presented the award at the commission meeting on behalf of Governor Mike Pence.

"Tim Reed is an honest servant leader who has donated more than two decades of his career to not only increasing the professional standards of Indiana's real estate licensees, but has also served with honor to protect the most important financial transaction Hoosiers will make in their life," said Rhoad.

Reed was first appointed to the commission in 1992 and served as chairman on multiple occasions. In addition to his responsibilities as a member of the commission, Reed served as the commission's liaison to

the Indiana Attorney General's Office to enhance consumer protection, and he represented Indiana at the national level with the Association of Real Estate License Law Officials, promoting excellence in real estate regulation.



Nick Rhoad (left), Tim Reed (right)

"Tim Reed has made an immeasurable, positive impact on the real estate industry," said Rhoad today when presenting Reed with the Sagamore of the Wabash. "He has helped make

Hoosier licensees better practitioners and community leaders, and I'm truly grateful to have had the opportunity to work with him and make our great state an even better place to live and work by protecting home ownership."

Although Reed's service on the commission has come to a close, he was recently appointed to the Job Creation Committee where he will assist a number of professions by making recommendations to the Indiana General Assembly to improve Indiana's regulated professions.

The Sagamore of the Wabash is one of the highest civilian honors granted by the governor. The term "sagamore" was used by the American Indian Tribes of the northeastern United States to describe a great man among the tribe to whom the chief would look for wisdom and advice. The award was created during the term of Governor Ralph Gates, who served from 1945 to 1949.

The release ran in the Northwest Indiana Times on July 14.

A Look at Appraisal Deficiencies

From Mark Rattermann, Member of the Board

As appraisal reports are reviewed for Certified Appraiser applications and/or complaints are filed against appraisers, it has become obvious that some appraisers need some Continuing Education or re-training in specific areas. Some of the most common deficiencies observed in this process are:

1. Appraisers have no support for the amount or rates of adjustments to comparable sales. Repeatedly, appraisers say “We always use \$X per square foot” for the site size, the building area or even basement area. When queried if that rate applies to all properties regardless of their age of improvement, quality of construction or market segment, the answer is “yes.”

Obviously the market is not going to ignore the age, condition, quality and market segment of the subject property, so how can an appraiser?

The answer is that the appraisers should have support for their adjustments and the support should be documented and consistent from appraisal to appraisal. Consistent does not mean the same number in each appraisal. It means using a consistent methodology. Appraisers that say they use the same adjustment regardless of the property value, market, quality or condition should rethink that response.

If an appraiser says they are using “Paired Sales” for support of adjustments they should have those sales in their file or in the report. If an appraiser is using depreciated cost as the basis of adjustment, the cost and depreciation should be documented in the report or the file. If the appraiser

is using the income approach, that should also be documented in a file. Just saying, “I used paired sales...” necessitates the question, “OK, show them?” Appraisers are oftentimes asked to send in copies of the appraisal report, and the complete file which would include supporting data.

2. Appraisers, especially residential appraisers sometimes neglect to research the applicable zoning and land use restrictions applicable to the subject. This means each and every market value appraisal must have a highest and best use analysis and that cannot be done without knowledge of the land use restrictions.

Understanding the zoning and land use restrictions does include researching the zoning, the zoning codes and the development standards. This means an appraiser should at least know and probably report the minimum lot size, the setback requirements and actual uses permitted. This is not possible if the appraiser does not know the applicable zoning and applicable zoning authority. One county in Indiana might have nine different zoning authorities that control land uses in their respective jurisdictions. Each have different zoning codes and standards.

It is sad, but appraisal reports are still being found where the appraiser says the zoning is “510 Residential.” This means the appraiser did not look up the zoning. The 510 Residential is a “use code” used by assessors to designate the use of the property, not the zoning. If a tax card says the use code is “510 residential,” it is still possible that it is zoned industrial. Market value appraisals require highest and best use. This requires the

appraiser to know the “legally possible land uses.” No appraiser should work in a jurisdiction unless they have a basic understanding of the land use codes in that area or spend sufficient time and effort to research these land use requirements i.e. geographic competence.

3. All market value appraisals require highest and best use, which means appraisers must have a basic knowledge of non-residential appraisal procedures. Under highest and best use theory, it is not good appraisal technique to say, “I am ignoring the possibility of a higher value with commercial or industrial land uses and just appraising this as a residence.” An appraisal that ignores highest and best use is not “market value” but rather “value in use” or “use value.”

If an appraiser considers the subject to have the potential of a higher value as commercial land than as an improved residential property, the appraiser must show support for the highest and best use conclusion. Just ignoring the more valuable use does not give market value but does give value in use which requires a report with a different defined value.

Residential appraisal report forms are not appropriate for value in use appraisal because they are designed with highest and best use and market value as basic foundations.

It is a common complaint against residential appraisers “The appraiser ignored my property’s commercial potential.” If the appraiser does ignore the highest and best use and does call it a market value appraisal, the complaint may have merit.

Board Meetings

Please keep in mind that these dates are subject to change. Meetings are held in the Indiana Government Center South, Room W064. All meetings begin at 8:30 a.m.

2014

September 9

November 13

December 18

2015

February 12

April 9

June 4

July 30

September 17

November 12

December 17

A Look at Appraisal Deficiencies, continued

4. In the same vein, it is also not possible to appraise any property's market value without developing an opinion of the land value. Not developing an opinion of the land value in a market value appraisal leads to the mistake of undervaluing the property where the land, as if vacant, is worth more than the property as improved. This situation occurs a lot on commercial sites with residential improvements in place and on high priced lake front lots where the old house is in the way of redeveloping the lot.

In addition, when there are significant differences in land sizes/values between the subject and comparables, documentation for the adjustments should be included in the report.

It is not necessary to report a land value in each report, but it is required that the appraiser develop a land value opinion.

Appraiser Licensees, Then and Now

The following are the number of appraisers with Indiana licenses or certificates as of the listed dates.

License Types	Total Active as of Oct. 2012	Total Active as of Aug. 2014
Trainee	164	141
Licensed Residential	330	272
Certified Residential	1056	1007
Certified General	739	777

Other Important Resources

Click on the images below to visit the websites for the Indiana Economic Development Corporation and the Indiana Professional Licensing Agency. Indiana's website, www.in.gov, has more info on state government.



A State that Works



Indiana
Professional
Licensing
Agency

Contact Us!

Have a question about appraiser licensing? Need to change information on file with the Board? Feel free to contact the real estate appraiser staff at IPLA by any of the following methods:

Phone: (317) 234-3009

Email: pla9@pla.in.gov

Fax: (317) 233-4236

Mail: Indiana Professional Licensing Agency
402 W. Washington Street Room W072
Indianapolis, Indiana 46204

We are here to serve you and your industry for the greater good of all Hoosiers. We hope you found the content of this publication helpful and pertinent to your profession. Any suggestions for future publications, please don't hesitate to contact our office and/or the Communications Director, Nick Goodwin.