

IllinoisAppraiser

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P.A. 096-0844 – Appraiser Law 2.0



Governor Quinn made a holiday gift on December 23rd by signing what was **HB1015** into **Public Act 096-0844**.

This is an amended law; not a new one.

I've received calls and e-mails wanting clarification on a host of things covered in the Act. While I'll try to clear up some things, there will need to be more articles written to cover the rest.

Here's what you need to understand immediately:

Supervising Appraiser – Is defined for the first time. Supervising Appraisers will be limited to **NO MORE** than three (3) "trainee" appraisers at any one time.

Likewise, there is a **NEW** credential title for the

"557" category. The old credential title of **Associate Real Estate Appraiser** has been eliminated in favor of **Associate Real Estate Trainee Appraiser**.

Those of you holding a "557" license **MUST** immediately begin placing this **NEW** title on any report where the inspection date was **December 23, 2009** or later.

Also, "trainee" appraisers are limited to no more than three (3) concurrent Supervising Appraisers.

The old \$1,000,000 limitation on what a "557" could appraise was officially eliminated finally.

Trainees have a **maximum of two (2)** renewals if they wish to remain trainees. This means that under the current Act, trainees may renew in 2011 and again in 2013. When 2015 rolls around they'll need to either:

- *Upgrade their credential to Certified Residential or Certified General.*

- *Start all over with a new application for trainee status, take the test again, etc.*

- *Go find something else to do.*

The **Real Estate Appraisal Board** has been renamed the **Real Estate Appraisal Administration and Disciplinary Board**.

My own title of "**Director**" under the old OBRE language was officially changed to **Coordinator**.

Finally, for this article at least, all of our reciprocity agreements with other states are **dead**. Instead, we will be accepting appraisers based on "*endorsement*".

This means that the Board may accept a person in good standing from another jurisdiction provided that their licensing requirements are substantially similar to ours, pay the appropriate fees, and that they are in good standing.

Change has come.



Gut-Rehab, Remodel, Modernize

“A type of renovation that changes property use or configuration by changing property design.”

Many appraisers use the terms above interchangeably. After all, there’s just so much one can say about a property that’s been ... well ... rehabbed. There are just so many adjectives, right?

Real estate jargon is slanted toward the dramatic. Take the word (if it is a word) “Gut-rehab”. What do we conjure in our mind’s eye? Blistered plaster walls replaced with new, powdery white drywall. Gleaming granite countertops, deep, recessed sinks. Graceful gooseneck faucets. Brazilian Cherry floors. A shimmering Sub-Zero nestled near the matching granite-topped island.

Maybe you’re seeing something like the image below. Each ceiling beam cost \$5,000 at the time of my 2003 appraisal of this *gut-rehabbed* condominium unit in Chicago.



There are some appraisers who see “gut-rehab” as depicted in the photo above.

Would they be correct?

Maybe. The counters were new, so was the sink and floor cover. So were the walls.

Is it equal to the image at the bottom of this page?

Of course not.

In fact, the image on the bottom left was the result of extensive “remodeling” while the image above was the result of “modernization”.

What’s the difference?

The Dictionary of Real Estate Appraisal defines “remodeling” as: “A type of renovation that changes property use or configuration by changing property design.”

The kitchen in the bottom left image was expanded and dramatically altered from its original 1926 configuration.

By contrast, the definition of “modernization” (updating) “A type of renovation in which worn out or outdated elements are replaced with their current counterparts.”

If a 1922 wall sink is replaced with a brand new sink; the function remains the same...this is considered to be *updating* or *modernizing*.

If the original 1922 bath that measured 6’ x 10’ is expanded into adjacent rooms in order to accommodate a *Jacuzzi* and an oversized shower; this would be a *remodeled* bath.

Merely writing that the subject property was “remodeled” doesn’t tell the reader anything. Appraisers need to be more observant and descriptive. Absent a narrative description; then fill your reports with images. This is the digital age. There’s no excuse for thin descriptions when it takes a second to take a photo and a few seconds to download it into a photo addendum.

FRTs – In the Eye of the Beholder

Advisory Opinion 30 attempts to clarify what IS and what isn't an FRT.

What is a “federally related transaction”?

The term is defined in Title XI of FIRREA as “any real estate-related financial transaction which — (A) a federal financial institutions regulatory agency or the Resolution Trust Corporation engages in, contracts for, or regulates; and (B) requires the services of an appraiser.” The agencies’ appraisal regulations define when the services of an appraiser are required. The agencies’ appraisal regulations also list specific categories of transactions that do not require the services of an appraiser.

Do the agencies’ appraisal regulations apply to FHA, VA, Fannie Mae, Freddie Mac, Farmer Mac, or

Sallie Mae?

FHA, VA, Fannie Mae, Freddie Mac, Farmer Mac and Sallie Mae are not under the supervision of the federal financial institutions regulatory agencies and therefore are not subject to their appraisal regulations.

However, the amended **Act** defines an FRT as:

“Federally related transaction” means *any* real estate-related financial transaction in which a federal financial institutions regulatory agency, the Department of Housing and Urban Development, Fannie Mae, Freddie Mae, or the National Credit Union Administration *engages in, contracts for, or regulates* and *requires* the services of an appraiser.

Illinois law is tied to the definition cited in the **Act**.

Illinois law is NOT tied to *any* Advisory Opinion.

Remember, **Statement 10** which dealt specifically with FRTs was *retired*. The ASB moved some of those issues into **AO-30**. By retiring **Statement 10** and moving some of those thornier issues into AO-30, they essentially removed it from USPAP.

USPAP addresses the nature of Advisory Opinions into “*guidance*” through the following entry:

*“These communications do not establish new Standards or Interpret existing Standards and are **not** part of USPAP.”*

In this case, the Illinois definition of an FRT becomes a **Jurisdictional Exception** based upon law and public policy.

“These communications do not establish new Standards or interpret existing Standards and are not part of USPAP.”

Are We Mandatory?

Even though the amended **Act** broadens the definition of an FRT; there are still exceptions.

Chief among them; the allowance for CMA's and BPO's by licensed real estate agents/brokers.

“Nothing in this Act shall prohibit a person who holds a valid license under the Real Estate

License Act of 2000 from performing a comparative market analysis or broker price opinion for compensation, provided that the person does not hold himself out as being a licensed real estate appraiser.”

Assessors “performing his or her respective duties in accordance with the provisions of the

Property Tax Code”, are exempt.

Finally, there is a detailed exclusion for evaluations by lending institutions as well as for AVMs.

I suggest that you read the Act carefully. It is your responsibility to understand the laws that govern appraisers and appraisals in Illinois.

IllinoisAppraiser

Provided as a service to licensed Illinois appraisal professionals as well as Illinois course providers. This publication promotes a greater understanding of USPAP, the Act, and the Administrative Rules of the State of Illinois. Articles found in this publication may not be reprinted or reproduced in any other media without specific reference to this publication and the State of Illinois.

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Happy New Year from your Board!



Left to right; David DuBois, Lee Lansford, Jim Blaydes, T.J. McCarthy, Gary Harvey, Bob Gorman – Chair and of course, Mary Bates, Board Liaison

Calendar 2009 in Review

The state of Illinois revolves around a “fiscal” calendar. In government parlance, New Year’s Eve is June 30th and New Year’s Day is really July 1 of every year. But, the rest of the world does hats & horns at midnight on January 1st. With that in mind, let’s examine 2009 for our profession in Illinois:

The Appraisal Unit took in 273 complaints in 2009. There were 307 open complaints at year’s end. I was able to move 271 cases. By move, I mean that some were dismissed, moved to prosecution, or otherwise dealt with. There were

163 cases closed with NO published discipline. This means that some were dismissed outright. Some involved a private, education discipline, received an Administrative Warning Letter, or some such thing. Another 50 cases received publishable disciplines. This includes suspensions, refuse to renew, revocations, fines, etc. If you were a Certified Residential or General in the mix of 50; you were also published on the ASC’s National Registry as having been disciplined. To be published is very serious. Not only personally, but

financially. This is how you find yourself on a lender’s “black list”. This renewal period saw another big drop in the number of “associates”. The 556 & 553 categories dropped some but are leveling off. There are three distinct categories of appraising. Residential, commercial-industrial, and agricultural. Each category has its own unique challenges. Here’s hoping that 2010 proves to be a profitable year for our licensees while also being a more satisfying year for Illinois consumers.