

Testimony before Kansas House of Representatives Committee on Federal and State Affairs, Room 346 South, 2/8/2018
Hearings on HB2414 – Standards for Real Estate Appraisers
by James D. Cannon, ARA, MAI,
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I have been a real estate appraiser for over 50 years. I am a member of two professional appraisal organizations, The Appraisal Institute and The American Society of Farm Managers and Rural Appraisers and hold a professional designation from each. From 2005 to 2006, I served as a member of the Appraisal Standards Board of The Appraisal Foundation.

I am testifying on behalf of the American Society of Farm Managers and Rural Appraisers in opposition to House Bill 2414. Appraisers in Kansas and all other states are currently following a nation-wide set of standards - “The Uniform Standards of Professional Appraisal Practice”, commonly known as USPAP. I will use the term USPAP in my remarks. USPAP is set forth and maintained by The Appraisal Standards Board of The Appraisal Foundation. As I mentioned earlier, I served a 2-year term on that board in 2005 and 2006.

The Appraisal Foundation is congressionally authorized to create and maintain standards for all appraisers who conduct appraisals of real property for real estate-related financial transactions that are regulated by a federal financial institutions regulatory agency such as the FDIC, FRB, HUD, OCC, NCUA etc. Federal Agencies and most private appraisal users have adopted USPAP as their standard. Creating alternative standards on a state by state basis for appraisals for non-federal transactions, as will happen if HB # 2141 is adopted, would in my opinion be a grave mistake.

In 1989, the US Congress passed Title XI of the Financial Institutions Reform, Recovery and Enforcement Act, commonly known as FIRREA. At that time, FIRREA was called the Savings and Loan Bailout Bill. FIRREA established a real estate appraiser regulatory system involving the Federal Government, the states, and The Appraisal Foundation. Each US state or territory has a real estate appraiser regulatory agency that is responsible for licensing and certifying real estate appraisers and supervising their appraisal-related activities as required by Federal Law. In Kansas, this agency is the Kansas Real Estate Appraisal Board.

The Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council has oversight authority over the states and The Appraisal Foundation to ensure that they license, certify and supervise appraisers as required by the FIRREA law. The Appraisal Foundation has two independent boards. The Appraiser Qualifications Board (AQB) sets the minimum Real Property Appraiser Qualification Criteria that is used to license and certify appraisers. The Appraisal Standards Board (ASB) develops and maintains the generally accepted standards for practice for the appraisal profession. These standards are known as The Uniform Standards of Professional Appraisal Practice, or USPAP.

The Appraisal Foundation Board of Trustees appoints the members of the two boards, the AQB and the ASB, and provides financial support and oversight to the two “independent” boards. The boards are completely independent and the Appraisal Foundation Board of Directors does not have a right to influence their decisions. The Appraisal Foundation is supported by non-profit sponsors that represent appraisers, users of appraisal services and international organizations with an interest in valuation.

USPAP was developed with input from appraisers and users of appraisal services and is maintained and updated constantly by the Appraisal Standards Board. All appraisers and users of appraisals have a voice in these standards.

There are multiple appraisal organizations that represent appraisers. As I stated earlier, I am a member of two, The American Society of Farm Managers and Rural Appraisers and The Appraisal Institute. Many appraisers don't belong to any appraisal organization, but still have a voice in USPAP through the functioning of The Appraisal Standards Board.

The ASB publishes changes and solicits comments from appraisers and users of appraisal services on a regular basis. They hold regular hearings and allow parties interested in appraisal standards the opportunity to submit written testimony and to appear before them and address potential changes, or changes they feel are needed. This process thoroughly vets any changes in appraisal standards and has resulted in well thought out workable standards. Continuing education requirements include training at least once every two years to ensure that certified and licensed appraisers keep current on USPAP.

HB # 2141 seeks to approve the Appraisal Institute's standards as optional to USPAP for non-federal transactions. As I mentioned earlier, The Appraisal Institute is just one of several professional appraiser organizations. Its standards were not adopted using input from the total population of appraisers and appraisal users. As a professional organization of appraisers, it does not necessarily advocate the interest of users of appraisal services and certainly not of the other professional appraisal organizations, and the many appraisers not affiliated with any appraisal organization.

Approving the Appraisal Institute's standards as optional for non-federal transactions would be very confusing to appraisers charged with appraisal review and for state regulatory agencies like the Kansas Real Estate Appraisal Board charged with enforcing appraisal standards within the states.

The provision in Section (c) of HB # 2141 is not needed. In my opinion, the current USPAP allows a Scope of Work by a licensed or certified appraiser that would not be an undue burden when conducting an evaluation of real property. As long as the assignment results are not misleading, USPAP allows much flexibility in determining a Scope of Work.

Real estate appraisal is complicated and one set of well-thought out and maintained standards that involves input from all appraisal services users and appraisers, regardless of if they belong to an appraisal organization or not, is the best possible situation and we have that now. Let's not muddy the water by adopting HB # 2414. In my opinion, any diluting of USPAP would be detrimental to the public trust of the appraisal profession.

In conclusion, I want to contrast today in real estate appraisal practice to when I first started appraising over 50 years ago in 1965. In the first half of my appraisal career there were no nationally accepted appraisal standards. The various appraisal professional organizations had standards that they required their members to adhere to but they weren't uniform from organization to organization and enforcement was questionable. The public didn't have a lot of confidence and respect for appraisers.

Since USPAP was adopted in 1989, users of appraisal services have come to expect appraisers to follow uniform standards and that the standards be enforced by state appraisal boards. This has greatly increased public trust. Let's do all we can to maintain that public trust.

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PROFESSIONAL SUMMARY: JAMES D. CANNON, ARA, MAI

Jim Cannon began training as an appraiser in 1965 immediately after earning his B.S. degree in Agricultural Economics from Oklahoma State University. He currently is an owner of Cannon, Lechtenberg and Associates, Inc, in Hutchinson, KS. He has national appraisal experience in agricultural, natural resource, transitional and commercial/industrial properties. His experience includes both asset appraisal and business valuation and review.

EMPLOYMENT HISTORY

Cannon, Lechtenberg & Associates, Inc. - Oklahoma City, OK and Hutchinson, KS <i>Founder and President</i>	1992-Present
Farm Credit Bank of St. Paul - St. Paul, Minnesota <i>Senior Vice President - Appraisal, Credit Policy & Review</i>	1987-1992
Farm Credit Corporation of America - Denver, Colorado <i>Vice President - Credit and Appraisal</i>	1986-1987
Farm Credit Banks of Wichita - Wichita, Kansas <i>Vice President-Association, OFI & Retail Cooperative Lending Services</i> <i>Federal Land Bank: Vice President-Credit & Appraisal, VP-Review</i> <i>Federal Land Bank Assoc. Marysville and Eureka, Kansas: CEO</i> <i>Federal Land Bank Assoc. Broken Arrow, Oklahoma: Asst. Manager</i>	1965-1986

PROFESSIONAL CREDENTIALS and EDUCATION

MAI (Member Appraisal Institute) Appraisal Institute, Chicago, IL

ARA (Accredited Rural Appraiser) American Society of Farm Managers & Rural Appraisers, Denver, CO

State Certified General Appraiser License in Kansas

B.S. (Major-Agricultural Economics) Oklahoma State University, Stillwater, OK

TEACHING EXPERIENCE

The Appraisal Foundation, Appraisal Institute and American Society of Farm Managers and Rural Appraisers

- National USPAP Instructor Certification Course
- National USPAP Instructor Recertification Course
- National USPAP Course
- Fundamentals of Rural Appraisal
- Principles of Rural Appraisal
- Appraisal Certification
- Administrative Review
- Appraisals Through the Eyes of the Reviewer
- Agricultural Appraisal Report
- Financial Functions, Discounting & Leases
- Sales Comparison Approach
- Cost Approach
- USPAP / Standards & Ethics
- Swine Facility Valuation
- Dairy Facility Valuation
- Fractional Interest
- Highest & Best Use
- Valuation of Cattle Feedyards
- Identifying Intangible Assets
- Cost Estimating

PROFESSIONAL ACTIVITIES

The Appraisal Foundation

- Member of the Appraisal Standards Board 2005 and 2006
- 1990 National Special Committee of Appraiser Qualifications Board defining rural/agricultural guidelines for State Certified Appraisers

Professional Appraisal Societies

- 2002 President of Greater Kansas State Chapter of the Appraisal Institute
- The American Society of Farm Managers & Rural Appraisers (ASFMRA) - Creator of Cost Estimating, Dairy and Swine Facility Valuation Courses
- Past President of the Oklahoma Chapter of the ASFMRA

Publications

- Co-author of the Sales Comparison Approach chapter for the Rural Appraisal textbook published jointly by the ASFMRA and Appraisal Institute

EXPERIENCE

Appraisals, Appraisal Review and Teaching Activities

- Includes farms, ranches, agricultural storage and processing facilities, vacant development and natural resource land, commercial, industrial and residential.
- Assignments have involved properties or activities in twenty-five states.