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**SOUTH DAKOTA CHAPTER** 5/07  
**AMERICAN SOCIETY FARM MANAGERS & RURAL APPRAISERS**



*Enhancing Our Members' Ability to Succeed  
in Their Rural & Agriculturally Related Professions!*

**DATES TO REMEMBER!**

**2007**

June 10-13 - Ag Lenders' Range Camp – Timber Lake  
(see chapter website for details)

July 11-13 - MN Summer Appraisal Course & Tour - Duluth

July 12 - West River Breakfast Meeting (9 A.M.)  
Rapid City Marlin's Roadhouse Grill

July 20 - East River Breakfast Meeting (9 A.M.)  
Sioux Falls Roll'N Pin Restaurant

September - Joint Education Seminar W/ Wyoming Chapter – Sheridan

September 15-19 – Leadership Institute in Washington, D.C.

September 19 - Ag-Bio Scholarship Banquet in Brookings

Fall - Chapter Board Meeting – Rapid City

**2008**

January 23-25 – Winter Education & Joint Meeting W/PAASD – Mitchell

**February - ASFMRA Meeting in San Diego, CA**

**July 18-25, 2009** – International Farm Management Conference in  
Bloomington, Illinois co-hosted by national ASFMRA and Illinois ASFMRA  
**ASFMRA National Annual Meeting Held In Conjunction**

**National Website Link Explaining Above Changes in Blue**

<http://www.asfmra.org/cms/index.cfm?fa=viewArticle&articleID=707>

**PRESIDENT'S MESSAGE**

The board meeting and Breakfast with SDSU went well. We owe thanks to the members who made it all come together; Brian and Paul for their work in getting all arranged and Craig for providing us with the speaker for the morning.

It appears that some scholarship items are clearer now that we met with Don Marshall. The conversation took an interesting turn with the prospect of offering a Minor in Farm Management and Appraisal.

I hope the membership is keeping up with our web site. The site is continuing to be developed with news items and links that will provide you access to other sites both state and national.

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## **PRESIDENT'S MESSAGE CONTINUED**

The board is pleased with the breakfast meetings and attendance. It is a good place to provide board members with information on items of interest and for passing on questions that need some answering. Those who have not attended, check the next one out. July 12 is the West River breakfast meeting at Rapid City Marlin's Roadhouse Grill. July 20<sup>th</sup> is the East River breakfast meeting at Sioux Falls Roll'N Pin Restaurant.

We have publications that are looking for news articles. Our newsletter as well as the national publication, from ASFMRA, is willing to consider any newsworthy item you wish to submit.

The next board meeting will be in early fall, out in the Rapid City area. Exact time and location have not been set. Meeting location for the 2008 ASFMRA annual meeting has been changed from Seattle to San Diego. The 2009 annual meeting is being held in conjunction with the International Farm Management Conference in Bloomington, Illinois, July 18-25.

Now that Memorial Day is past, the official summer activities begin. Take the time to enjoy South Dakota and its many treasures, fishing, golf, hiking, bicycling, and sight seeing for just a few. Course now that I have given the commercial, I would say June will find me in Ireland for 13 days. Has something to do with a wife's maiden name of O'Brien. I hope you all plan a few days away from work and enjoy the summer.

## **WEST RIVER MEMBERS HAVE BREAKFAST MEETING AT WYATT'S**

The West River Breakfast meeting was a success with Russell and Betty Wyatt hosting the event at their new home in Hot Springs. Those in attendance were Russell and Betty, John & Veronica Widdoss, Ron Ensz, Wade Buck, Perry Beguin, and Russell's secretary Nona.



The Wyatt's provided a lovely brunch and tours of their new home, as well as displays of Betty's doll collection and Russell's toy tractor collection. It was great!

Thanks again to Russell & Betty.

## **SDSU RELATIONSHIPS ENHANCED AT MAY 18<sup>TH</sup> BREAKFAST MEETING**

Eleven individuals with South Dakota State University affiliations joined sixteen members and member prospects (Perry Beguin, Wade Buck, Mike Cooper, Brian Gatzke, Mac Haskell, Scott Heimes, Jim Hollenbeck, Allan Husby, Tom Jass, Joe Lutter, Paul Reisch, Ron Rucker, Paul Sickler, Craig Sommers, Connie Vicuna, Jorge Vicuna) for breakfast on May 18<sup>th</sup> on the SDSU campus in Brookings.

Those attending from SDSU included:

- President David Chicoine
- College of Ag Bio - Dean Gary Lemme, Associate Dean Don Marshall
- Dairy Science – Alvaro Garcia
- Economics - Matt Diersen, Larry Janssen, Alan May, Gary Taylor
- Extension – C. Gregg Carlson
- Plant Science - Doug Malo
- SDARL – Dan Gee

After those in attendance enjoyed a great Monsanto sponsored breakfast buffet by SDSU Catering Services, President Ron Rucker welcomed and thanked those in attendance for coming.

SDSU Relationships Committee Chair Paul Reisch provided an update on chapter activities including:

- Education – Paul recapped the chapter 2006 summer tour in Pierre and the seminars presented at the 2007 Mitchell winter meeting. He conveyed that plans were in process for a joint September meeting with the Wyoming chapter. Summer Tour registration information will be sent by e-mail to SDSU personnel. Seminar topics for the 2008 Mitchell annual meeting are still to be established. Paul requested that SDSU personnel let the chapter know of any potential topics that would be good.
- Acorn Scholarship – Funds now exceed \$14,200 and a \$700 scholarship will be awarded at the Ag-Bio Scholarship banquet in September. Goals of the scholarship include increasing student interest in the chapter and the appraisal, management, and consulting professions as well as to increase chapter member involvement on campus. Paul indicated that the chapter waives the \$25 chapter dues for a student member.
- SDSU Activity - SDSU Relationships Committee members hope to speak to Farm Management and Range Management classes in the fall to increase awareness and interest in the scholarship and chapter. Committee Members also hope to have a presence at the SDSU Career days in the fall with the same objectives in mind.

Brian Gatzke helped instructors Larry Janssen and Doug Malo with the Appraisal Class project this spring and Paul Reisch spoke to the class regarding career potential and the increased use of technology in the appraisal profession. Paul sought input regarding future timing of the Brookings breakfast meeting. The consensus seemed to be that the week after finals was the best timing.

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## **BREAKFAST MEETING CONTINUED**

- National Meetings - Paul mentioned that the national ASFMRA meeting in Seattle in February 2008 would be held jointly with ASAC and NAICC the same as in Atlanta this past year. The national ASFMRA and Illinois chapter will jointly host the 2009 International Farm Management Congress from July 18-25 in Bloomington, IL. This Congress is held every two years and was in Brazil in 2005 and in Ireland in 2007. The Congress consists of about two days of agricultural tours and about two days of educational sessions, white paper presentations and business. The chapter board has begun discussions regarding having attendance at the meeting from both chapter member and SDSU parties.

Paul ended his discussion by expressing the chapter's desire to increase academic membership within the chapter. President David Chicoine discussed his experiences with the Illinois chapter and provided some thoughts on how that chapter enhanced academic interest and interaction with that chapter.

Dean Gary Lemme updated chapter members on the Ag-Bio College. Participation level is at all time record. He announced that Economics Department Head Dick Shane would be retiring January 30, 2008. The process for hiring his replacement would begin soon. Gary thanked the chapter for their scholarship and efforts to strengthen ties with the SDSU community.

SDARL Executive Director Dan Gee spent a few minutes sharing the time line for the application process in early 2008 to select the participants for Class 5. That process will occur at the same time that Class 4 is preparing for their overseas trip to China.

SDSU Relationships Committee member Craig Sommers then introduced guest speaker Jeff Vonk, Secretary Jeff of SD Game, Fish & Parks.

Jeff began his comments by sharing that he was in the Peace Corps with Connie Vicuna and it was a pleasure to renew experiences with her and to finally meet Jorge. Jeff has a long involvement with Soil Conservation Service / Natural Resource Conservation Service in Iowa and Nebraska. He most recently served 6 years as the Iowa Director of the Department of Natural Resources. Jeff stated that his new job with Game, Fish, and Parks was a "dream job", although not all dreams are pleasant ones.

Jeff mentioned that he had recently returned from meetings with Congressman in Washington regarding the new farm bill. Farm policy impacts farm management relative to a farmer's economic incentives, which in turn impacts natural resources and water. Considering budget pressures, Jeff stated that maintaining the current 39 million acres in CRP would be a success. He is concerned that if there is no new signup this year, that many acres coming out of CRP in 2007-2008 will be converted to crop since owners will have no other option.

Access to wildlife for the general public is the department's biggest challenge. This is because of the increasing economic value of wildlife management to the landowner. The department walk-in program is an effort to address this challenge. Jeff is also hopeful that over time, an enhanced partnership with farmer landowners can be developed to provide more access to the public while addressing landowner concerns regarding hunter behavior and the economic challenges faced by the landowner.

The event was successful in improving public relations and sharing knowledge on how various SDSU extension and academic personnel can interact with our members and contribute in the future to our achieving our chapter mission through education and networking.

## **CHAPTER BOARD SEEKS MEMBER INPUT AT JULY BREAKFAST MEETINGS**

At the November 2006 board meeting, an exploratory committee (Ron Ensz, Allan Husby, and Paul Reisch) was established to revisit the National Meeting Scholarship and other ways to provide financial support to our members.

At the May 17, 2007 board meeting, this committee presented a proposal titled:

### **JERRY KJERSTAD MEMORIAL CHAPTER MEMBER SCHOLARSHIP PROGRAM**

The proposal focus:

- A lasting memorial of Jerry's contribution to our chapter.
- A means to generate funds that can allow expansion of chapter support for members in accord with the chapter mission of *Enhancing Our Members' Ability to Succeed in Their Rural & Agriculturally Related Professions!*

If the proposal is implemented, the existing national meeting scholarship program would be rolled into this program.

**Scholarship opportunities for members under this program would include:**

- **Leadership Institute attendance**
- **First education course that is a part of accreditation track after becoming a new member (effective March 1, 2008)**
- **National meeting attendance for the first time**
- **Accreditation education, testing, and receiving accreditation at national meeting.**

**Objectives:**

1. Encourage potential members to join our chapter and help them with initial ASFMRA education.
2. Encourage members to attend and learn the benefits of the networking and education that take place at national events.
3. Broaden the experience of chapter members, which will in turn, strengthen our chapter member networking opportunities and develop future leadership for the chapter.
4. Encourage members to pursue accreditation and support them in this endeavor.
5. Recognize the member's achievement in gaining his accreditation.
6. Build member loyalty to the chapter.

Consensus at the board meeting was that support and participation from chapter members for the funding part of the proposal was essential for the success and sustainability of the program over the long term. The July member breakfast meetings will be utilized for board discussions with chapter members to determine if strong member support for the proposal exists. After receiving this member input, the chapter board will decide whether to move forward with the proposal. **Please make every effort to attend one of the breakfast meetings to provide your input.**

## **SD CHAPTER PROVIDES GIFTS TO ASSESSORS**

Marv Siebrecht and Craig Sommers represented the chapter at the South Dakota Association of Assessors Organization Conference banquet that was held on May 10<sup>th</sup> in Aberdeen.

The gifts were:

- Men's Black Hills Gold Watch
- Women's Black Hills Gold Watch
- Two Black Hills Gold Necklaces

Project Chair Marv Siebrecht handled the drawing of names for the lucky winners of the gifts. Winners were:

- Michelle Pederson, Codington County
- Gina Strang, Mellette Co.
- Edwin Westendorf, Brule Co.
- Evelyn Wulff, Buffalo Co



This public relations investment as a thank you to the assessors for their support of chapter members was well received.

The chapter thanks Marv and Craig for their efforts as well as Wade Buck who handled securing the gifts.

## **NATIONAL ASSOCIATION OF INDEPENDENT APPRAISER SURVEY RESULTS**

Recently, we surveyed Review Appraisers and Underwriters from nearly 300 financial services institutions across the country. We received a 36% response rate. Some of the responses were instructive and are summarized on the following pages.

In order to be placed on an approved appraiser list, financial institutions typically look at resume / qualifications, sample appraisal reports, copy of state license, and E&O insurance. 34% indicated that they also interview other review appraisers (references), and 40% stated that they consider designations or membership in professional appraisal organizations. 8% of the respondents require a specific professional designation in order to be approved to provide commercial appraisals for their institution.

Continued

## **APPRAISER SURVEY RESULTS CONTINUED**

Interestingly, 46% indicate that they do not necessarily receive a better quality product from designated individuals. 54% of the respondents indicate they do generally receive better quality products. One comment that surfaced numerous times is that appraisers who hold professional designations have demonstrated a commitment to education; several indicated that they would first seek designated appraisers in markets where there was not already an established approved appraiser list.

35% of the respondents had responsibility for dealing exclusively with residential appraisals. Not one of those responders gave residential appraisers a grade higher than “C” for the quality of the reports submitted. The most common complaint was that residential appraisers do not go beyond simply filling out the form. A general theme from reviewers of residential appraisals was that there is insufficient analysis or commentary to support adjustments and conclusions. Residential appraisers consistently received a grade of “C” for the quality of the service they provide to their customers.

Commercial appraisers fared somewhat better, with 60% of the respondents stating that the quality of the reports they receive from commercial appraisers gets a grade of “B” or better. 27% of those with responsibility for reviewing commercial appraisal reports gave commercial appraisers a “C” for the quality of their work.

It was interesting to note a general theme from many commercial review appraisers that if their approved appraisers don’t maintain a quality rating of “B” or better, they would no longer receive work. 6% of the respondents stated that they look for professional designations to show an attempt to be “above average” but also stated that the majority of their fee appraiser panel is “very average”. When it comes to customer service, 56% give their commercial appraisers a grade of “B;” 27% give a grade of “C.”

70% of those responding to the survey stated that “on time” delivery was a major issue with all of their appraisers. These same reviewers also made a point of urging appraisers to communicate with their clients, especially if issues arise during the appraisal process, and to proactively participate in the review process.

67% of the financial institutions surveyed have published appraisal guidelines that are available to appraisers online or are included in the engagement letter. 40% stated that their financial institution requires that the Cost Approach be completed or, at least, that a land value be provided and supported.

60% feel that appraisers do not fully understand “Scope of Work” and 67% said they feel that appraisers do not fully understand the requirements of USPAP (27% said that they regularly do not receive a complete three-year history in either commercial or residential reports; 40% said that appraisers rarely analyze/discuss an existing contract; 13% said that appraisers do not understand that reports cannot be readdressed).

60% of the respondents feel that appraisers do not adequately address/support increasing or declining markets. Most indicated that appraisers tend to “paint a rosy picture” and suggest that less than 10% of appraisers in declining markets even recognize it. A general theme of the respondents is that they want to see honest market analysis that assists them in making intelligent underwriting decisions.

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## **APPRAISER SURVEY RESULTS CONTINUED**

67% consider a market-supported land value estimate to be an important component of an appraisal. Most of these indicated that commercial appraisers generally provide adequate substantiation for land value but that residential appraisers do not. Several stated that the typical “support” in a residential appraisal references tax assessment or some sort of “file data.”

The survey asked review appraisers and underwriters what advice they would give an appraiser who is genuinely attempting to build a relationship with their institution. The general theme of the responses...

- Communicate – and do so in a timely manner
- Bid fairly, explain fully, and be willing to work with the client
- Remember who your client is (not the borrower, and not the mortgage broker)
- Take meaningful continuing education courses
- Pursue a professional designation
- Provide excellent customer service
- Be responsive and be honest with promised delivery dates
- Deliver your report on time
- Review your work before submitting it
- Participate in the review process; be open to respectful conversations regarding your work product

The survey also asked what types of things are most likely to cause the removal of an appraiser from an institution’s Approved Appraiser list. The general theme of the responses...

- Non responsive or chronically late (this item was mentioned in nearly 100% of the responses)
- Not providing adequate market support for conclusions
- Careless mistakes (several references to adjustments in the “wrong” direction)
- Lack of cooperation in the review process
- Unsatisfactory quality
- Unwillingness to consider additional information

It appears that, as a profession, we have much room for improvement. Residential appraisers are receiving quality and customer service grades of “C” while commercial appraisers are perceived as providing somewhat better quality and service. In general, appraisers’ institutional customers do not see the profession as providing excellence in any category.

There has been much discussion in recent years about the importance of membership in any of the major professional appraisal organizations. Many seem to believe that the usefulness of a designation has diminished since the advent of state licensing and certification. This survey seems to contradict that belief.

The majority of respondents indicate that they at least consider professional membership in their appraiser approval process and several acknowledged that they will begin their search for appraisers in new markets on the websites of the major appraisal associations. A number of respondents urged appraisers to pursue a professional designation and many recommended that appraisers take meaningful continuing education. I see this as a call to honestly continue the learning process, not simply meet a state’s minimum criteria for license renewal.

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## **APPRAISER SURVEY RESULTS CONTINUED**

As part of this survey, we asked for comments. More than a few of the respondents took advantage of this opportunity. One response that I considered potent is as follows: “I believe mortgage lending institutions are a big reason for poorly conducted appraisals. Turn around time, low fees, and the disdain for the appraisal process are ingrained in the mortgage community.”

How can we, as a profession, combat this perception? We read comments from many residential appraisers that indicate they are regularly receiving requests from mortgage brokers/lenders for services that seem to be in violation of at least the spirit of federal regulations. As of January 1, 2007 the State of Ohio has made it illegal (a fifth degree felony) for mortgage brokers to attempt to influence the appraisal process; will other states and / or the Federal government do the same?.

From what I’ve been able to ascertain over the last several years, many appraisers seem to be unhappy with the fees that financial institutions are willing to pay for their services. Is this the proverbial chicken or egg? Are financial institutions willing to pay less because they perceive that they are receiving minimal product quality and / or service, or are appraisers willing to give less because they believe they are not being compensated fairly?

A commercial review appraiser stated that he’s “unwilling to rewrite an appraisal” and, as a result, spends an inordinate amount of time getting corrections or clarification from appraisers. This becomes a significant issue for reviewers and errant appraisers are not likely to receive additional opportunities. A number of respondents confirmed that major appraisal clients want to engage appraisers whose work product will make their jobs a little easier.

More than a few respondents to this survey also had words of advice for those on the review or engaging side of the equation. One urged financial institutions to consistently provide appropriate information to the appraiser – specifications, guidelines and expectations, and to be part of the “scoping” process. Another warned that financial institutions should not “expect a thoroughly documented report if you badger down the fee.” While I appreciate and understand this comment I would urge appraisers to be cautious in this area since “I wasn’t paid enough” is not likely to be an acceptable excuse for an infraction reported to a State Appraisal Board.

The next time you present your credentials to a prospective client, I would urge you to be certain that your resume reflects recent meaningful education. Be certain that your references are people with whom you want potential clients to correspond. Remember, many reviewers will ask these questions about you:

- Do you openly and honestly communicate with your customers?
- Do you consistently deliver a quality product that that does not require e-mails and/or telephone calls from a reviewer or underwriter?
- Do you deliver on time?
- When questions do arise, do you proactively participate in the review process?
- Do you strive for excellence?

This survey clearly indicates that financial institutions seek appraisers who will provide significant contribution to the underwriting and collateral valuation processes. Lenders want to understand the markets where they’re making loans; they want honest analysis and they want appraisers who will corroborate their value conclusions with convincing market data.