What do you buy? Do you need it? Is there a lower cost alternative? When and how often do you need it? How can you cancel a service you don't use very often?

In the past I listed brief summaries of ways to cut costs. In this article focuses on specific appraisal expenses.

What did you buy in 2013?
The first step in cutting expenses is finding out what you buy, when you buy it and how much does it cost. Use Quickbooks, your checkbook register and your credit card bills.

Check your credit card statements for expenses
When you write a check, you know what you pay immediately. But, many online services require credit card payments. For example, your ISP, web hosting service, data providers, etc.

Credit cards are particularly hard to keep track of. Go through your credit card bills for 2013. You will probably be surprised. Some services are charged only once or twice a year, so it is easy to lose track of them.

I almost always use a credit card specifically for business - American Express. I check the statements every month and then, once or twice a year, for services I don't recognize. If you don't recognize the charge, call the phone number on your statement. Occasionally I accidentally charge a business expense to a personal credit card, so I monitor them as well.

Forms software add-ons and updates
In the "old days" you purchased forms software and there was no annual costs. Today there are annual upgrades, web sites, support, "add ons", etc.

I am always surprised at the wide range of total annual fees appraisers are paying for using the same software company.

What features do you pay for now? What does it cost? Is it per use or an annual fixed cost? How can you cancel the service?

Go to your vendor's site and see what they offer.

How busy are you? The time savings add-ons are great when you're busy, but can really add up when you're slow.

Integration with your software saves time, but what if you don't use it much or can spend a little time entering it yourself.

Today, each user can have significantly different annual software costs, depending on what features you select.

If you occasionally use an add-on can you pay by-use instead of a fixed contract price?

Carefully check what you are paying to your forms software vendor.

Here is what to look for:
- Annual support. What level do you need? I hardly ever call, so have a "per call" support. How often do you call support?
- Upgrades. I very seldom upgraded my forms software, But, when I needed to, such as new forms I had to pay a penalty.
- UAD updates. Today, of course, the UAD is "full employment guarantee"
for software vendors. But, that may change. 

- Web site. Don't pay much for this, such as $20 per month or less. You can get a free web site from your ISP. Just get your own domain name so the link won't change when you change to a new ISP. I will have a future article on this topic. As an appraiser all you need is contact info, where you are located, where you work, and something about yourself. 
- Backup and storage. What does it cost? Can you do it cheaper with Mozy or Carbonite. I use Mozy. 
- Flood maps. Do your clients require a copy of the map? Mine don't and I know all the local flood zones. My MLS provides the flood map data. 

**Online services**

<table>
<thead>
<tr>
<th>Do you need a resume or portfolio service so lenders/AMCs can get your information there? Copies of license, resume, E&amp;O, etc. Do any clients ever use the service?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you really need to get the services from your forms software company? Is it more expensive or cheaper?</td>
</tr>
</tbody>
</table>

**Is your large geographic area costing too much for MLS, data, and traveling?**

When I started my business in 1986 I worked in 4 counties in the San Francisco Bay area. Each county had at least one MLS service, several had two or more. I had to purchase public records data for each county. My driving expenses were high.  I gradually dropped all the counties except for one over the first five years of my business. Each time I started with the counties that required a lot of driving time where I had little work.

I know many local appraisers working in 6 or more counties now. MLS and data is cheaper, but the travel cost and time has increased because of higher gas prices and more congested roads. When I ask them why they cover such a wide area they say "I don't want to lose any work." Or, "my clients expect it".

If you work in a rural area you drive a wide geographic area, of course. But, in my county there are over 1.5 million people with almost all of properties within 20 miles of my office.

**Data services**

<table>
<thead>
<tr>
<th>How many public records data services do you use? What is common in your area? Which is the best?</th>
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<tbody>
<tr>
<td>How many data sources do you need? What data do you need?</td>
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</table>

Most residential appraisers use their MLS service for public records data. Mine provides data from two data services. I no longer subscribe to data services. I miss the ability to search for specific features and property. But, I don't need them very often, so the additional service is not worth the money for me. For example, I sometimes need a copy of a deed so I buy it online from a service or usually request it from a title company.

I used to subscribe to a commercial property service called Costar for closed sales. It was very expensive and it typically only provided "leads" and pre-screening of comps. The reliability of the research has always been controversial, with most appraisers complaining about it.

I have used a service called Loopnet, which is very good in my area. It was originally set up for broker listings, but now has sales comps which sometimes includes a downloadable copy of the listing prospectus (or you can request it from the broker). I always want to know which properties are listed, pending, and expired.

**Cancelling a service**

I remember when it was a nightmare to cancel public records data services. An appraiser friend had to recently hire an attorney to cancel her data service because she is retiring. It was hard to find out when your annual contract was up. How can you cancel your contracts? There are still appraiser services that operate this way.

Which of the online services you use can be cancelled? Any time - once a quarter, once a year? We all prefer services that can be cancelled at any time.

**Insurance**

You use insurance to decrease your risk. You decide what risk level you want. No one can get insurance for every risk they have.

Auto insurance is a good example. Collision coverage is easy to decide. If you have an old car, you don't need damage insurance for your car. For a newer car, the higher the deductible, the lower the cost and the more you have to pay out of pocket. I have always had $1,000 deductible and it seems like I am usually under that limit. I am comfortable with $1,000 and would not want to go to $5,000 limit as I don't want to self-insure for that much money. Liability coverage also varies. I am risk-averse for liability lawsuits, so I select mid-range coverage.

I have used the same insurance broker for all my insurance needs (except E&O) for many years. He is a mile from my office and provides excellent service when I need help. He is not the cheapest. I just hate dealing with insurance and am willing to pay more.

I am moderately risk averse and typically get a mid-range deductible for all my policies and seldom change insurance companies. Price is not my primary criteria.
I have always had health insurance even when I was paying $1,300 per month for a policy with a low deductible before I started Medicare. Why? My husband had serious medical problems and I knew how expensive it was if you paid out of pocket. Other people are more comfortable with higher deductibles. I had also heard many horrible problems people had with no coverage or poor coverage. To me, my health is very, very important. Even the richest person in the world would give everything he or she had to get their good health back.

But, I have no coverage for an earthquake. (I am in a risky area). Why? My home is lower risk (single story wood frame) and the policies have very high deductibles. I self insure even though my house could be very expensive to repair or could be destroyed.

What is your risk policy? What do you want to self insure? What is your risk/benefit preference?

Gasoline expenses - change your habits
According to Edmunds.com changing your driving habits can improve fuel economy up to 37 percent right away (depending on how you drive).

Every time you get in your car and turn on the engine, it is costing you money.

Many years ago, long before hybrids, a friend of mine won a "highest mileage" contest. How did he do it? Keeping as steady a low speed as possible, avoiding stopping whenever possible and accelerating very slowly.

When researching that article, I found that I was not the only one advising this technique.

Here is a list of ideas from an article I wrote in 6/11 when gas prices were way up:

- Cruise control - average savings of 7 percent
- Avoid excessive idling save up to 19 percent.
  - Hang with the trucks to keep a constant speed
  - Keep your foot off the brake
  - Keep a steady speed
  - Don't accelerate fast
  - Clean out your car. Per AAA, an extra 100 pounds can reduce a typical car's fuel economy by up to two percent.
  - Reduce aerodynamic drag. Driving with a car-top carrier cut 6 mpg from Consumer Report
  - Slow down. Slowing from 75 to 55 mph boosted gas mileage 33 percent
  - Turn it off. Shut off the engine if you'll be idling for more than 30 seconds.
  - Know your mileage - install a ScanGauge (scanguage.com)
  - Use your GPS to plan your appraisal driving.

A little humor on gas savings - from the Christian Science Monitor
1. Use fuel slowly. If you use it fast, it won't last as long.
2. Avoid long trips that consume large amounts of fuel by finding places to visit that are close to home. Start by knocking on doors along your street. In many areas, neighbors turn out to be fascinating people. Some of them may have backyard swimming pools, hammocks, and other amenities that rival any destination resort.
3. Educate family members about the importance of conserving fuel. If you overhear your child playing with dolls and planning a pretend party at the beach, intervene quickly. Tell her it would be much more fuel-efficient to have the dolls relax on the back patio and do some serious reading. You can even make this into a craft activity by using paper and glue to construct doll-size pretend editions of Proust, Stendhal, and Thomas Hardy.

Where to get more information
There is lots and lots of information online on all these topics.

For the best (and some strange) tips on saving gas go to www.hypermiling.com.
Setting appraiser New Years resolutions for 2014.

How to accomplish your goals

Of course, this can be done at any time, but most of us think about New Years resolutions (or did it in the past) so this is a good time to work on them.

You can set goals at any time, but why not do it now?

In this article, I don't focus on losing weight, which is one of the hardest goals to achieve. This requires eating habits acquired over many years. Instead I focus on very specific goals, mostly business related, that you can achieve.

Write down specific goals and see how well you do during the year. This is very important. Dates are good to set also. You can revise your goals when you need to.

Start small. Pick two goals. For example, take one short CE class or Webinar to update your appraisal skills in March.

If you don't succeed, don't get discouraged. Just pick another goal or schedule it for another month.

Having strong willpower is not something we're born with.

Nothing in this article is new. I am just applying these well known techniques to appraisers. There have been many studies showing that they really work.

I have included some personal goals. What is more important, your business or your family and friends. Don't forget your non-work personal goals, such as taking a class in something you have always wanted to learn about, such as wine tasting, wood working, or having lunch with old friends.

What if you don't want to do this now?

I just picked New Years resolution as the title of this article. Many people do set New Years resolutions so it seemed like a good time to write about goal setting.

You can certainly do this at any time. But, maybe January 1 will get you motivated. I have done it myself for 2014 for the first time. It definitely helped me get motivated.

What time period to use?

Instead of doing goals for one year, start with 3 months. See how it goes and whether it needs modification.

What is most important to you?

Don't set too many goals. Is it increasing income, decreasing expenses, learning new appraisal skills, etc. Make a list of what you want to accomplish. It is different for every appraiser and changes over time.

Why new years resolutions fail

50% of Americans set New Years resolutions.

A 2007 study by Richard Wiseman from the University of Bristol involving 3,000 people showed that 88% of those who set New Year resolutions fail, despite the fact that 52% of the study's participants were confident of success at the beginning.

Fewer resolutions fail when you share them with others.

• Pick one, or a few resolutions.
• Start with small, specific goals.
• Tell others.
• Write them down for yourself.
• Identify obstacles and possible solutions. Expect setbacks and learn to recover from them.
• Reward yourself when you accomplish your goal. For example, going to a movie or reading a non-fiction book for a few hours.

Share your resolutions with friends and family

You will be much more likely to do them. For example, tell your spouse or a good friend that you are going to take a vacation at least four days long in the month of May. Or, tell an appraiser that you will attend one meeting in March of a local appraisal group that he belongs to. Or, tell a local Chamber of Commerce regular that you will see her at a scheduled event in April. Or, have a spouse "date night" once a month.

I have found that when I do this I am much more likely to accomplish my goal/resolution. Every time I speak or see the person I am reminded.

Email a weekly or monthly report to a friend, even if it only says "nothing done this month". This definitely helps.
**Business resolutions**

Below are examples. Setting specific dates is very important. You know what is important to you.

- Cut your monthly expenses by 5% by the end of February. (This month's newsletter article).
- Set up a budget for 2014 by the end of January (last month's newsletter).
- Bring your lunch one day of the week when working in the field. (Saves time and money, plus is healthier).
- Fire two AMCs by the end of February. (Next month's newsletter article).
- Get one good new client in the first six months. Start your search in February. Get another new client before the end of the year - start looking in April.
- Maintain contact with a few local appraisers that you know. Call them every other month, starting in January. Discuss local appraisal issues, data services, etc. Try not to do too much complaining.
- Learn how to do something new on your software programs and databases.

**Examples (pick what is important to you):**

- Using more of your MLS' features and how to use them more effectively in April.
- Take two CE classes to update your appraisal skills, not just "get hours". Check provider calendars or on-line offerings. Do one in the first half of the year and the other on the second half of the year. Pick specific dates and sign up early so you will be less likely to cancel. Local often work best, especially if it is a local instructor. I will be checking out online offerings from various providers and will write an article in the future.

**Personal resolutions**

- Attend a meeting of a local appraisal group. Set the date.
- Attend a local, regional, or national appraisal conference. Sign up ahead of time. There are not many now. You don't have to be a member to attend.

- Plan a vacation and pay for it ahead of time so you will be reluctant to cancel it.
- Schedule specific times for your family and friends and don't cancel.

**Examples:**

- Regular "date nights" with your spouse on the 2nd and 4th Sundays of the month.
- Regular family events, such as attending a sporting event, child's music performance or sporting event. Put it on your calendar.
- Take a non-business short class to learn something. Look for class offerings. Register for them so you will attend. There are many, many excellent free online lecture classes such as Kahn Academy and free classes from top-rated universities. Or, something you used to do in the past, such as photography, and want to get updated.

**Where to get more information**

There is some advice online, but it mostly focuses on personal New Year's resolutions. Some articles give overall advice, similar to what I have written.
2014 New Years Tech Resolution: Upgrade Your Browser

By Chase Pursley

Ancient technology
Since the time of the Babylonians people have welcomed the new year by setting goals and making resolutions. While this tradition might be ancient, your web browser shouldn't be. Older browsers like Internet Explorer 9 and below are less stable and more susceptible to security issues like viruses, malware and spyware.

Modern websites and webapps often don't run properly or won't work at all on outdated browsers. Additionally, tech giants like Microsoft and Google are dropping support for older versions of Internet Explorer in 2014.

Upgrade your Resolution
Over the past several years (and even over the last year) web browsers have made huge improvements in stability, speed and usability. The world of web technology moves quickly and you need a browser than can handle everything thrown at it. Thankfully there are several great options to choose from in 2014, all of which are free. Even the newer versions (10+) of Internet Explorer, the browser that everyone likes to give a hard time, are a huge improvement.

Using an older browser is both a security and a business liability. Do yourself a favor and upgrade your web browser in 2014. It'll be the easiest resolution you can make going into the new year. While my personal favorite is Google Chrome, go take a look at BrowseHappy.com to see which modern browser works best for you.

About the author
Chase Pursley is a 28 year old commercial appraiser who is also a techie. He is developing a web-base application for WorkFlow, a web-based office management and workflow tracking system for appraisers and their teams. No more dry eraser boards, manual lists of appraisals, etc. It works for residential and commercial appraisers from one-person companies to large companies.

For more information, go to www.chasepursely.com
You are 100% responsible for your own life

by Dustin Harris

I have always been a self-reliant individual. When I see others blaming their parents, health, jobs, spouses, children, the government, or others for their problems, empathy has not been my strong suits.

When others were screaming about how FEMA and the federal government failed to help in the aftermath of Katrina, I had to wonder how much of that help should have come from other places.

Our family experienced a recent turn of events that challenged that thought process, but ultimately cemented it in my mind. A few weeks ago, my 12 year old son fell ill and we had to take him to the Emergency Room. Within minutes of his arrival he was diagnosed with Type I Diabetes.

I will spare you the details, but our lives were turned upside down, needless to say. We now must pre-plan every meal. We must be constantly testing his blood-sugar and administering the correct amount of insulin to keep the levels in his body within ‘normal’ ranges.

Despite my research to find out how to make your own insulin (in case we were ever in a situation where we could not get it from others), I turned up without much hope. We are learning what it is like to be completely reliant upon others for a life-saving substance. That is a new way of thinking for me.

The other part of this experience has been coming to grasp how it relates to the principle that we are all 100% responsible for our own life. I have been a believer of that mantra for years and, interestingly, this new twist has not caused that truth be dampened in my life.

As I travel the country speaking to real estate appraisers, I am often struck at the lack of responsibility many take for themselves.

There are many appraisers who are struggling right now. There is no doubt that things are much different than they were in 2007. New regulations and requirements have made it very difficult for some to continue making a decent living in this profession.

However, we must remember that there are things which happen to us and then there are our reactions to them. The fact is, I am not fanatical when it comes to this belief.

There are some who think that if you stub your toe when you get out of your bed in the morning that you did something to deserve that. I am not one of them. Much of our lives are made up of things that just happen to us. It is called mortality.

My son did not do anything to be ‘punished’ with Diabetes. However, how he (and we as a family) react to his diagnosis is very much up to us. In other words, the success and failures we experience in life stem from two sources; what happens to us and how we respond. It is in the response that many of us fail to make the grade (and thus fail to reap the rich rewards that may be in store for us).

Other than complaining, what are you currently doing to make the best of the current situation you find yourself in? Many appraisers across the country have seen the writing on the wall and, rather than cowering in the corner, have adjusted and continued to thrive… even in today’s circumstances. Are you one of them?

Now, go create some value!

About the author

Dustin Harris is a multi-business owner, but he has found most of his success as a self-employed, residential real estate appraiser. He has been appraising for nearly two decades. He is the owner and President of Appraisal Precision and Consulting Group, Inc., and is a popular author, speaker and consultant. He owns and operates The Appraiser Coach where he personally advises and mentors other appraisers helping them to also run successful appraisal companies and increase their net worth. He and his wife reside in Idaho with their four children. For more information go to www.appraisercoach.com.
Using Quickbooks - an easy way to track your appraisal income and expenses

Quickbooks is a good way to do your actual accounting. Sort of like Appraisal Bookkeeping for Dummies.

I started using Quicken version 1.0 for DOS in the late 1980s and upgraded to Quickbooks as soon as it was available.

When I started my appraisal business in 1986 I hired a bookkeeper as the software was expensive and very complicated.

I know from experience what a difference it made in my business. Quickbooks changed my business financial management significantly.

Quickbooks is very easy to use for appraisal businesses. I write all my business checks using it and all my invoices are done through Quickbooks so I know who has paid and who has not. I seldom do anything that is not done through Quickbooks as I don't like to re-key data.

How to handle invoicing and payments not done through Quickbooks

Some forms software produces invoices for you. This is very convenient, but you can't track payment easily unless the software has that capability. You will have to re-enter the data in Quickbooks.

Try to avoid writing any checks using a manual checkbook. Always use Quickbooks to produce checks.

You will have to enter your credit card payments manually. Quickbooks is set up for it.

The most important data is invoices for invoice tracking of past due billings.

Getting started with Quickbooks - set up expense categories (accounts)

As compared with other businesses, for example retail stores, appraisal business accounting is easy.

The first step it to make a list of your expenses to set up categories. Look at your last year's tax records and see how you categorized them.

These categories are a hassle to change so take some time to decide what you want. Don't make too many of them, but don't have too few either. Also, think about what is important to you.

You can change them after you have started using Quickbooks, but it can be a hassle. The time to change them is soon after you start using Quickbooks so you don't have too many entries to change.

For example, MLS dues. Don't set up an account called "MLS dues" unless you make a lot of payments. Here is what I use:

- Insurance (E&O, business liability)
- Education (includes travel and class fees)
- Books and periodicals
- Data services (MLS, public records, etc.)
- Office supplies
- Auto (including insurance)
- Computer hardware and software
- Professional association
- Subscriptions and books
- Online services (Internet, web site, misc.)
- Telephone
- Office rent
- Bank service charges
- Personal (cash withdrawals)
- Interest (business credit cards and loans)

You may want to make more categories, such as separate accounts for computer hardware and software.

Why use Quickbooks?

You know what your income and expenses are for whatever period you want - weekly, monthly, etc. or pick whatever period you want.

You know who has paid you, payment patterns of your clients, which expenses are high or low, etc.

Over time you will see which months have higher expenses (dues, insurance, etc.) so you can plan ahead.

What if you want to pay someone to set it up and/or run it for you?

Before you do anything, be sure you have a list of the expense categories that are important for you.

Have Quickbooks available in your office, so you can run reports any time.

If your bookkeeper does not come into your office, you can use Quickbooks Online.

How hard is Quickbooks to learn?

In comparison with other software programs, Quickbooks is very easy. Fortunately, it is set up for people who are not familiar with accounting, such as double entry bookkeeping.

You will need to spend some time learning how to use it and setting up your accounts.

Then set aside a day or two to get the software installed and learn how to produce checks, setup accounts, enter invoices and payments, etc.

Even if you pay someone else to do Quickbooks for you, be sure you know how to produce reports, which is very easy.

Which version of Quickbooks should you purchase?

Don't purchase Quicken. Get Quickbooks Pro for $179. Worth it.
Step up from bookkeeping to accounting in 2014
Control your expenses and increase your profits

By Doug Smith, SRA

Most appraisers are reporting uneven work assignments and more appraisers want to control expenses. One first rule of business is that no business enterprise can save itself into prosperity, but certainly taking a hard look at expenses is worth the time and effort.

The top three areas where appraisers find significant savings include:
1. Rethinking phone charges and finding alternatives to phone service,
2. Paying a lot more attention to fuel costs by better trip planning
3. Taking a general review of all expenses from printing costs to office supplies.

When an appraisal firm undertakes a program to control expenses a comprehensive approach requires good information and input.

Why upgrade your accounting?
Although appraisers have advanced math and analytical skills, most of them, due to the crush of deadlines, don't spend much time or energy to the accounting side of business.

However, with good planning and a consistently administered system in place, appraisers can reach better decisions regarding both the viability and profitability of the appraisal enterprise.

A very good goal is to step up from basic bookkeeping to an accounting system that will insure greater profitability in these uncertain times.

Bookkeeping for Appraisers
Bookkeeping refers to the task of recording the amount, date and source of all appraisal business revenues and expenses. It is the starting point of the accounting process. Only with accurate bookkeeping, can meaningful accounting be done.

Most appraisal offices employ various methods of bookkeeping and records maintenance, but few develop a system that goes beyond recording the basics of business transactions. The key to good appraisal office administration is having a good accounting system.

Accounting is a general term that refers to the overall process of tracking appraisal business income and expenses, and then using these numbers in various calculations and formulas to answer specific questions about the financial and tax status of the business.

A starting point for analyzing an appraisal firm's accounting needs is to review the list of questions the IRS uses when looking at the appraisal firm. The list consists of

the industry-specific Audit Technique Guides (ATG's) the Internal Revenue Service (IRS) developed for its Market Segment Specialization Program (MSSP). Appraisal firm owners can learn useful information from the ATG for their type of business:
• Overview about typical business practices for comparative purposes
• Typical audit-identified errors to identify common trouble spots
• IRS specific battle plan for the business group.

Each ATG is available in complete detail and can be downloaded using Adobe Acrobat Reader, provided via a free download form the IRS Website. For print copies, there is a small charge. Link: www.irs.gov/pub/irs-utl/business_consultants.pdf

The closest ATG for appraisal firms is "Business Consultants." This 42-page document is a useful guide to determine those items within the accounting system that are of greater interest to the IRS. While focusing heavily on the "Independent Contractor vs. Employee" issues, other information includes:
• Expected internal control features and check lists
• Potential issues such as travel expenses, meals and entertainment; personal service corporation reporting requirements; accounting methods
Another source of information is the SBA (Small Business Administration) Training series. There is one video program of interest, "Introduction to Accounting." More articles can be found at the SBA site: http://www.sba.gov/

Planning for Success

Operating an appraisal business requires dedication and planning, not the least of which is putting in place an accounting system that fits the business.

For most appraisal firms, the tax year is the calendar year. The tax year is important because the IRS wants to know the business income and expenditure during that specific twelve-month period designated as the taxable year.

To provide that information, businesses must provide complete and auditable accounting records. Accounting records are based on individual transactions, which consist of three components: (1) a contract, (2) delivery of services, and (3) payment. Because these three components may not occur at the same time, every business has to decide whether the accounts will be maintained with one of the two following methods.

• Cash method -- the transaction (income or expense) is reported the year payment is made or received.
• Accrual method -- the transaction is reported when the goods or services are delivered.

Most sole proprietorships and some partnerships operate under the cash method. Larger businesses more typically use the accrual method.

The exception to the above is depreciation. Depreciation reduces taxable income by deducting a portion of the cost of equipment purchased for business purposes, during the deemed life of the property. Federal laws define the specific circumstances under which depreciation can be used.

Clearly, even basic accounting principles are risky for the appraisal firm owner who tries to set up books without the counsel of a qualified accountant and/or attorney.

An investment in professional expertise and advice will insure that accounting methods meet federal legal requirements, as well as providing useful data for business operation and planning.

After securing adequate professional counsel, computer software may be considered to help maintain daily, routine account books. An accountant, however, is recommended for the preparation of formal organized and comprehensive financial statements and tax returns.

Accounting Basics

The traditional means of accounting is using manual ledgers. These are sheets of paper or computer spreadsheets on which transactions from four categories of accounts—assets, liabilities, income and expenses are recorded. Some of these flow up from sub ledgers.

A computerized accounting system works the same way, except the ledgers and sub ledgers are computer files instead of sheets of papers or entries in a separate spreadsheet. Entries are posted to each section and summarized, and then the summary is posted to the general ledger, the overall summary area of the accounting system. From the general ledger, many reports may be compiled, the most important of which is the income statement.

An income statement, otherwise known as a profit and loss statement, is a summary of a company's profit or loss during any one given period of time, such as a month, three months, or one year. The income statement records all revenues for business during this given period, as well as the operating expenses for the business.

Owners of appraisal firms may use an income statement to track revenues and expenses so they can determine the operating performance of the business over a period of time. Owners use the statements to find out what areas of their business are over budget or under budget.

Specific items that are causing unexpected expenditures can be pinpointed, such as phone, fax, mail, or supply expenses. Appraisal offices, for example, have high expenditures for ink cartridges, toners and other items related to the printing and copying of appraisal reports.

Individually the cost of cartridges may be small, but over time, expenses in this area may warrant an analysis of the equipment costs in relation to the upkeep costs. For these small expenditures, it might be well to consider a line item to focus on these costs. The same is true for telephone expenses.

Separating cell phone costs, business lines expense, Internet line expense and telephone directory advertising will allow a complete analysis of these expenditures and insure that each one of these categories is given proper attention.
Choosing accounting software for the appraisal firm is ultimately a very business specific decision. Prior to settling on one program, you should also talk to a computer expert or consultant about your specific business needs, the business path for growth and your budget.

Currently there are two programs in the forefront of business accounting. They are Peachtree Complete and QuickBooks.

Both of these programs have powerful features and some have Internet bill paying capabilities. For an appraisal business, QuickBooks seems to have the edge in features attuned to the accounting of a service business. For reviews of programs go to: http://reviews.cnet.com/

Whether upgrading the reporting capability of an existing system or getting your toe in the water by using a computerized system, adopting a full fledged accounting system provides a road map for controlling expenses.

Accounting technology
Appraisers live in a society of change and choices. While this is good in some ways, too much change isn't always good. With so many accounting software packages on the market that promise to help you improve your business, selecting one can be a daunting task.

As with so much in the technology of appraising, it is important to focus on what is needed out of the technology before spending good money into it.

When adopting a new technology system, appraisers constantly see that both software and hardware are linked. Before making the decision to purchase accounting software, if your hardware is three or more years old, you may have to upgrade your hardware in order to have enough memory, speed and storage to run the new software.

Choosing accounting software for the appraisal firm
The next step of selecting a system is to define the problems you expect the system to solve. Does the firm need a better way to control cash flow? Could billing be improved? What kind of reporting features are needed? Do you have specific expenditures that need closer attention? Once you have needs list, prioritize it. No solution will be perfect, so decide on what you must have versus what you would really like to have.

Once priorities are set, investigate systems that meet immediate needs and will be flexible enough to grow into other capabilities. Your new system should allow for things like a report writer and some level of customization.

About the author
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By Richard Hagar SRA

Editor's note: This article may seem a bit "harsh" but Hagar sees all sides, appraisers, lenders, and regulators. His perspective is very useful, particularly the regulator side. He teaches appraisal classes on these topics and attendees appreciate what he says.

Functional obsolescence is the reason many appraisers are going out of business. On a daily basis, appraisers moan: "It's because of the HVCC that my business is down" or "That AMC or X or Y or Z caused my income to decline." Really? Are you sure? So, why is my company buried in business and yours is not?

We've all heard about blacksmiths being out of work; Seems the use of horses has declined. And the need for typewriter repairmen, the demand just isn't what it was 20 years ago. The people in these jobs failed to adapt; Maybe appraiser are having the same problem.

My company, American Home Appraisals, provides consulting and Expert Witness services to law firms, prosecutors and, government agencies. We review hundreds of appraisals in preparation for trial. We look through appraisal files and see how others operate their businesses. After examining their reports and business, I'm called to court to testify about their failures under "an appraiser's typical standard of care." A shame many of you can't even reach that Standard.

Appraisers, I find your failure to adapt is a problem.

Appraisers often tell me .... puff, puff: "My work is in the top 10% of my peers." Most of the time, these appraisers have no idea how little they know and fail to recognize how bad their work really is. More than likely it's because they are sole-proprietors cut off from interacting with other, better, appraisers. Their lack of knowledge and skill will likely make them go the way of the Dodo bird, well unless.....

Let me stop and give you a few examples of appraisers "Failure to Adapt" then I'll offer suggestions for improvement.

Adjustments

Our office reviewed an appraisal on a nice $5,000,000 home. The appraiser was making adjustments at a rate of $5,000 per bedroom and $50.00 per square foot. Upon reviewing his Workfile we found no data, nothing, zip, nada that indicated how he had determined the adjustments. In Deposition, he stated "the adjustments are based upon my 20 years in the business" and "these were the adjustments Underwriters would accept." In response, I had the attorney ask:

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• Do you know how to chart a "Trendline" on Excel?
• Can you perform a simple Regression Analysis?
• Can you derive an adjustment by using a GRM?

His answer was "No." In effect he was saying that his skills were functionally obsolete.

Speed
"Appraisals are taking longer." "I'm spending a lot of time answering stupid phone calls from the review appraiser." OK... however...

Do you know how to download comparables directly from the MLS into your appraisal software? What! You didn't know that was possible? Well, have you taken a class on how to operate ALL of the functions of your appraisal software?

Have you customized your appraisal software to match your individual way of entering data?
Did you take a class on how to use ALL of the search functions on the MLS, or did you just take the class on how to find comparables?
Have you moved the 4-6 comparable page to be located right behind Comparables #1-3 or did you leave it behind the signature page where it's tough to find and review?
Fannie Mae/Freddie Mac require certain interior photos, did you rebuild your 1004 form to swap out the old photo pages with the new?
If you answered "No" to any of the above, then you, the appraiser, have functional obsolescence.

Report Writing
Many appraisers do not properly describe appraisal issues, "analysis" and conclusions. As a result, clients, review appraisers and courts are lost when they read appraisals. Appraisers who complain about "stupid review appraiser requests for more information" have often failed to efficiently convey information in the first place. The appraiser's skills are functionally obsolete.

Here's an example: Banking auditors are taught to read appraisals. Their official Federal Auditors Handbook has the following quote: "The objective of an appraisal is to communicate the appraiser's reasoning and conclusions logically so that the reader is led to the appraiser's opinion of market value."

Did your report accomplish this task? If not then:
• Have you recently taken a refresher class on basic English Grammar?
• Have you taken a class on report writing?
• Are you using "all caps" when writing a report?
• Do you use Word or WordPerfect when writing your comments or did you use stripped down appraisal software's addendum writer?

Are you form filling... or communicating? If you are not communicating, then your skills are out of date - Functional obsolescence.

Cloning
In depositions we discovered that one bad appraiser cloned his old reports when creating new. He said: "What's wrong with cloning old appraisals? I've been doing this for 30 years!"

Here's a good reason: This is in regards to a 2006 appraisal for a big AMC, you know the one that didn't pay a customary and reasonable fee. The home is in foreclosure, the bank is out of business and the FDIC is demanding that the appraiser pay the difference between his appraised value of $3,500,000 and the true market value which was $2,000,000. The FDIC was suing the appraiser for the $1,500,000 loss (Ouch!). We were tasked with reviewing the appraisal and providing expert witness testimony. The appraisal had numerous factual errors including the wrong flood map number, wrong site size, dated market information, math errors, photographs from the MLS and one sale that was not even slightly comparable. The errors resulted in a higher value for the subject.

As a method of "saving time" the appraiser cloned his report from an older one in the same neighborhood. In his rush, or due to an interruption by a phone call or Tweet, a visual scan of the report didn't catch minor issues. Some of the facts in the appraisal were based on the other, cloned property (Oops! It's called "Negligent Misrepresentation")

Now for one additional point - The buyer and seller lied about the source of the down payment and the sales price was puffed. The transaction is fraudulent and the appraiser was being sued, along with the rest of the stupid people, on civil "RICO" charges. One of the five charges included the term "If not for the poor quality of the appraisal, this scam could not have succeeded." While I don't believe the appraiser was "in" on the deal, I do believe his negligence failed to stop the fraud. It started out as a civil suit for negligence and may end up as a criminal indictment. The prosecutors will then call the appraiser a "co-conspirator."

Here's something for you to consider:
• Have you created a generic template, not a clone, but template with your company information and lots of drop down boxes designed for specific neighborhoods and/or property types?
• Have you figured out how to import current data directly from county records into your appraisal form?
If you rush the appraisal process and keep doing things the "way you were taught" way back "when," then your methods are out of date. Soon a younger person with current skills will be applying for your job. The demand today is for an accurate appraisal. Can you deliver them without cloning?

Clients and Money

Many (not all), but many appraisers have short work days or lack focus. Appraisers often get to work after 9:00 am and/or may quit work after a long...6 hour day. Or, they may work long hours, but spend time dealing with email, Twitter or the sports web site. Appraising is a complex process that requires time, hard work and focus. People often ask how I get so much accomplished? It's easy.... I work long hours. I'm up at 5-6, at work 7-8 am and often don't go home until 8 pm. 10-15 hour days are common. I accomplish twice as much, because I work twice as long. The hours produce income and opportunities that others miss. Thomas Edison said it best: "Opportunity is missed by most people because it is dressed in overalls and looks like work."

Your chances for success are improved if you get into the office early, focus and work longer hours. If you don't have an appraisal to finish, then read about an appraisal issue in the local trade magazine, or learn about your local real estate business. If you don't work harder and gain knowledge, you've made yourself functionally obsolete.

Do you still hold on to the belief that the HVCC damaged your business? Why are we busy and you are not? With the advent of the HVCC our business increased. But then again, we planned on the change and altered our "client mix" years before the HVCC. We saw what was coming and upgraded our skills in preparation.

Was your business model based on business from mortgage brokers? Guess that didn't work to well, did it! Stop blaming the HVCC. Over the past 3 years the number of mortgage brokers dropped by 70+%. More than likely, the "good" client you used to have, is out of business. Why? Well the HVCC didn't do that. Many of the mortgage brokers simply couldn't pass the criminal background check. Others can't pass the licensing test. In Washington there used to be 18,000+ mortgage brokers. Fewer than 5,000 were licensed by the end of 2010.

Why? Their past skills are no longer sufficient. The old fashion mortgage broker of yesterday is outdated...functionally obsolete. You, the functionally obsolete, are trying to get business from the out-dated mortgage broker; How sad is that!

When business was good, did you obtain business from the "low hanging fruit" the mortgage brokers or other easy to please clients? Now that they are gone, do you have the ability to obtain business from fastidious clients that demand quality?

Are you still trying to get business from a declining client base? Just like the switch from analog to digital TV broadcast... what was easy to obtain "through the air yesterday," likely doesn't exist today and you don't seem to recognize the shift. Your skills are the problem, not the HVCC.

Many appraisers can only get low paying business from AMCs because their skills are out of date, archaic, outmoded.... obsolete. You're getting paid peanuts, because that is all your skills are worth.

I'm desperate to hire appraisers with skills that meet the demands of today. Appraisers must have good - correct that - excellent working knowledge of appraisal and spreadsheet software. They must be able to create, format and insert graphics using their word processing software. If their computer has a printing or PDF issue, they must be able to find the solution and fix their problem. I have an appraiser here that downloads EVERY sale from the County's web site and then, with customized search queries, parses them into meaningful data that auto-fills into his reports - can you do that? Now you know why younger appraisers are hired and older.... put to pasture.

In 1998 we had approximately 50,000 appraisers nationwide. At the peak there were approximately 120,000 appraisers. Bad appraisers hired anybody that could breath and as a result, our profession has many poorly trained, "Form Filling Monkeys." These people had only enough dated knowledge to fill out an appraisal form and not enough skill to analyze the transaction and meet today's needs.

Most of the appraisers I sit across from in trial, they only think they know what they are doing. They falsely believe their knowledge is "better than average." In trial, these people, and their work, are an embarrassment to their clients, most should have their certificate revoked. I beat them and their functionally obsolete appraisals into the dust and enjoy doing it.
Let Me Offer Some Solutions

Improve your skills, get educated. Take classes in basic spreadsheets, word processing, appraisal software. Do not be a person with only a basic understanding (just enough to get by) of your major tools. Editor's note: Take appraisal classes to learn, not just to get credit.

High paid sport athletes are paid millions. They practice several weeks each spring. They improve their skills, learn and make themselves worth more. Do you take "spring training" to update your skills? Without high quality training, you can't make yourself worth more.

Stop working by yourself. By working in a one-man-office, your ability to measure your skills against others is gone. Your ability to become a better appraiser is archaic. Find a way to join a larger, regional appraisal company.

Join a professional trade group. Get out there and talk to other appraisers. Learn from the experienced. Get designated. The process of "designation," makes you a better appraiser and increases your "value." The path and hardships I had to go through to become an SRA made me a better appraiser. Anyone that says a designation isn't important, does not know what they are talking about or can't cut it. Listen to people who have achieved.

Stop operating out of fear. Get some guts, quote higher fees to the AMCs. Many of us have worked hard to get AMC licensing in place, but only you can make it work. Our society pays what a person makes themselves worth. By setting your fee below $500 (standard 1004), you have stated your worth at something less than $20.00 per hour. Make yourself worth more.

Appraisers, take a good look at your skills and stop blaming others. Likely, the small fee you feel "lucky" to get from the AMC or "Big-Bank" is because your "form filling" abili-

ties are functionally obsolete, out of date, and no longer needed. To get paid more, you have to make yourself worth more and complaining isn't the path to a higher fee. Do something positive about your problem, increase your skills and knowledge and make more money.

About the author:

Richard Hagar, SRA is the owner of American Home Appraisals and an instructor with the Hagar Institute. He teaches classes that discuss many of the issues above.

He is an author, and a nationally recognized expert in how to Identify Real Estate, Mortgage and Appraisal Fraud and has authored numerous classes concerning lender/appraiser compliance issues.

Richard instructs real estate professionals, banks, lenders, federal and state law enforcement officers, and works with prosecutors in criminal cases involving real estate and mortgage fraud.

He helps law enforcement hunt the bad guys and is willing to share his knowledge with the good.

www.hargarinstitute.com information on classes (live, online, and webinars)

www.americanappraisals.com - information on Hagar's appraisal practice