



LATE TESTIMONY

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

KEALI'I S. LOPEZ
DIRECTOR

EVERETT KANESHIGE
DEPUTY DIRECTOR

PRESENTATION OF THE PROFESSIONAL AND VOCATIONAL LICENSING DIVISION

TO THE HOUSE COMMITTEE ON
ECONOMIC REVITALIZATION & BUSINESS

TWENTY-SIXTH LEGISLATURE
Regular Session of 2011

Tuesday, March 22, 2011
8:00 a.m.

TESTIMONY ON SENATE BILL NO. 975, S.D. 1, RELATING TO APPRAISALS.

TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR,
AND MEMBERS OF THE COMMITTEE:

My name is Alan Taniguchi, Executive Officer for the Real Estate Appraiser Program, Professional and Vocational Licensing Division ("PVLD") of the Department of Commerce and Consumer Affairs ("Department"). Thank you for the opportunity to present testimony on Senate Bill No. 975, S.D. 1, Relating to Appraisals. The Department is requesting that this bill be held.

This bill seeks to require a real estate appraiser to comply with the Uniform Standards of Appraisal Practice ("USPAP") when acting as an appraiser or as an arbitrator in an arbitration to determine the fair market value of real estate.

We are requesting that the Committee hold the bill to allow us to meet with all interested parties and resolve our differences regarding this issue. We are hopeful that that a compromise proposal can be attained for consideration at the next legislative session.

Thank you for the opportunity to testify and we ask that this bill be held.



LATE TESTIMONY

LAND USE RESEARCH
FOUNDATION OF HAWAII

1100 Alakea Street, 4th Floor
Honolulu, Hawaii 96813
(808) 521-4717
www.lurf.org



March 21, 2011

Representative Angus L.K McKelvey, Chair and Representative Isaac W. Choy, Vice Chair
House Committee on Economic Revitalization and Business

Opposition to SB 975, SD1 Relating to Appraisals. (Requires a real estate appraiser to comply with the Uniform Standards of Professional Appraisal Practice, when acting as an arbitrator in arbitration proceedings)

Tuesday, March 22, 2011 at 8:00 a.m. in CR 312

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF **opposes SB 975, SD1**, which proposes that arbitrators who are also real estate appraisers must comply with the Uniform Standards of Professional Appraisal Practice (USPAP) when acting as an arbitrator in an arbitration proceeding. LURF's objections to SB 975, SD1, include the following:

- **SB 975, SD1 (2011) includes the same objectionable provisions that were vetoed by Governor Lingle in SB 771 (2010).**
- **USPAP does not govern arbitration proceedings because arbitrators are acting in the capacity as arbitrators, not as appraisers.** See Wong v. Chalmers 1990 Revocable Trust, Civil No. 94-811 DAE (D. Haw., Jan 24, 1996, which is an unreported decision by Fed Judge David Ezra.
- **The purpose and procedures for arbitration and the preparation of an appraisal report are not the same.**
- **Appraisers who serve in the capacity as arbitrators are not engaging in the practice of real estate appraisal.**
- **An Arbitrators' role and responsibilities are broader than and different from the role of an appraiser who prepares a USPAP appraisal report to justify a client's position.**
- **Bill 975, SD1 appears to be inconsistent with national appraisal laws, rules, guidelines and practice.**

- **Bill 975, SD1 appears to be inconsistent with national arbitration laws, rules, guidelines and practice.**
- **It is Basic Math - Forcing three arbitrators to comply with USPAP would require them to prepare three appraisal reports and will result in a more onerous, costly and lengthy arbitration process.**
- **The title of SB 975, SD1, “RELATING TO APPRAISALS” is legally flawed because the bill actually pertains to conduct of arbitration proceedings.**

SB 975, SD1. This bill would impose a new requirement for arbitrators, which would mandate that a real estate appraiser shall comply with the USPAP when acting as an arbitrator in arbitration proceeding to determine the fair market value, fair market rental or fair and reasonable rent of real estate.

LURF’s Position. The appraisal and arbitration processes, while sometimes related, are not the same. LURF’s objections to SB 975 are based on, among other things, the following:

- **SB 975, SD1 (2011) includes the same objectionable provisions that were vetoed by Governor Lingle in SB 771 (2010).** See attached Governor’s Message No. 368 (“Gov. Msg. No. 368”) In 2010, similar legislation, SB 771, SD1, HD1 was passed with **17 noes** in the House, which indicates some legislators were not comfortable with this measure. Governor Lingle vetoed SB 771 (2010) and the House did not override the Governor’s veto.
- **USPAP does not govern arbitration proceedings because arbitrators are acting in the capacity as arbitrators, not as appraisers.** See Wong v. Chalmers 1990 Revocable Trust, Civil No. 94-811 DAE (D. Haw. Jan 24, 1996 and the February 25, 2011 testimony of the Appraisal Institute. In the Wong v. Chalmers case, which is an unreported decision, Federal Judge David Ezra ruled as follows:

“Lastly, KUA argues that the arbitration award should be vacated because the arbitrators “manifestly disregarded the law” by failing to comply with the rules of the Appraisal Institute (AI) and the Uniform Standards of Professional Appraisal Practice (USPAP).....

“As an initial matter, the court rejects KUA’s argument that Defendants disregarded the law by not following professional standards for appraisers. The court finds that these guidelines do not govern the arbitration proceeding, because here Hallstrom, Hulten and Vernon were acting as arbitrators, not as appraisers. The fact that the arbitrators were requested to be licensed appraisers is immaterial here. Their alleged failure to follow the USPAP is not sufficient basis to vacate the arbitration award.” (Emphasis added)

- **The purpose of, and procedures for the preparation of an appraisal report and an arbitration are not the same - The purpose of an appraisal is to determine, justify and advocate a value of land for one’s client and the purpose of arbitration is to reach a compromise solution.** Arbitration is an alternative dispute resolution process used to reach a compromise solution, and not an appraisal. In an arbitration proceeding, the parties submit their cases to an impartial person or panel for what is intended to be a final, binding decision. See Gov. Msg. No. 368 and the February 25, 2011 testimony of the Appraisal Institute.

- **An arbitrators' role and responsibilities are broader than, and different from the role of an appraiser, who prepares a USPAP appraisal report to justify a client's position—Arbitrators have the right to consider other issues, evidence and arguments, and are not limited to merely complying with the requirements of a USPAP appraisal report.** During an arbitration proceeding to determine the value of real estate, both sides typically hire their own expert appraiser witnesses. These expert appraiser witnesses are required by state statute to follow USPAP if they perform an appraisal and prepare a USPAP appraisal report. On the other hand, arbitrators do not perform a USPAP appraisal, and do not prepare their own appraisal reports as part of their role as arbitrators. Instead, arbitrators have a very different role – they review the opposing appraisal reports and other evidence, hear the arguments of the opposing appraisers, and judge credibility in order to make an informed decision and arbitration award. See Gov. Msg. No. 368 and the February 25, 2011 testimony of the Appraisal Institute.
- **Appraisers who serve as arbitrators are not engaging in the practice of real estate appraisal.** The fact that the arbitration may be conducted for the purpose of determining the value of real estate does not cure this objection. See, Gov. Msg. No. 368. Appraisers, are hired by interested private clients, prepare appraisal reports to justify a value for their private clients, and advocate for their clients in arbitration proceedings (like attorneys representing opposing clients in a trial). Arbitrators who review and evaluate competing USPAP appraisal reports, other evidence and credibility, serve in a capacity similar to a referee or judge in making an arbitration award. The following definitions provide clarification that appointed arbitrators are not practicing as a privately hired “appraisers,” whose duty is to their individual clients:
 - ❖ “Appraiser. A person selected to appointed by competent authority or interested party to make an appraisal; to ascertain and state the true value of goods or real estate.” *Black's Law Dictionary*, Fifth Edition, 1979.
 - ❖ “Arbitrator. A private disinterested person, chosen by the parties to a disputed question, for the purpose of hearing their contention, and giving judgment between them; to whose decision (award) the litigants submit themselves voluntarily, or, in some cases compulsorily. See **Referee; Umpire.**” *Black's Law Dictionary*, Fifth Edition, 1979.
 - ❖ “Referee. A person to whom a cause pending in a court is referred by the court, to take testimony, hears the parties, and report thereon to the court. Person who is appointed to exercise judicial powers, to take testimony, to hear parties, and report his findings...” (citations omitted) *Black's Law Dictionary*, Fifth Edition, 1979.
- **SB 975, SD1 appears to be inconsistent with appraisal laws, rules, guidelines or practices and the application of USPAP across the nation.** Attached is a publication of the Appraisal Foundation, entitled, *The Appraisal Standards Board and USPAP (“ASB & USPAP”)*. There is no evidence that the national Appraisal Standards Board (ASB) or any other states have appraisal laws, rules, guidelines or practices which impose USPAP requirements on arbitrators who are also professional appraisers:
 - ❖ **The Appraisal Foundation does not require real estate appraisers to comply with USPAP when acting as an arbitrator in arbitration**

proceedings. The Appraisal Foundation is a Congressionally authorized non-profit organization established in 1987. The Appraisal Foundation is dedicated to the advancement of the appraisal profession and accomplishes its mission through the work of its two independent Boards: the Appraisal Standards Board (ASB) and the Appraiser Qualifications Board. *See ASB & USPAP.*

- ❖ **The ASB does not require real estate appraisers to comply with USPAP when acting as an arbitrator in arbitration proceedings.** The ASB is an independent Board of The Appraisal Foundation. The ASB is responsible for writing, amending and interpreting the USPAP. The ASB has up to seven members appointed by the Appraisal Foundation's Board of Trustees. The current Board members are experienced in commercial, residential and agricultural real property and in business valuation. *See ASB & USPAP.*
- ❖ **The USPAP does not require real estate appraisers to comply with USPAP when acting as an arbitrator in arbitration proceedings.** The USPAP are the generally accepted standards for professional appraisal practice in the United States. USPAP contains standards for all types of appraisal services including real property, personal property, business valuation and mass appraisal. The purpose of USPAP is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. *See ASB & USPAP.*
- **SB 975, SD1 appears to be inconsistent with arbitration panel laws, rules, guidelines and practices across the U.S.** There is no evidence that any other states have arbitration laws, rules guidelines or practices which impose USPAP requirements on arbitrators who are also professional appraisers.
- **It is Basic Math - Forcing three arbitrators to comply with USPAP would require them to prepare three appraisal reports and will result in a more onerous, costly and lengthy arbitration process.** Imposing USPAP on arbitrators could add a significant labor burden on arbitrators, as each could be required to prepare his/her own USPAP appraisal report. This will result in increased arbitrator fees and will result in a more onerous and costly arbitration process, which would be a significant deterrent to a majority of lessees. See February 28, 2011 testimony of Department of Land and Natural Resources.
- **The title of SB 975, SD1 "RELATING TO APPRAISALS" is legally flawed.** The bill applies to standards and conduct in "an arbitration proceeding to determine the fair market value, fair market rental or fair and reasonable rent of real estate." The title of this bill and the proposed amendment of the Real Estate Appraiser statute, Hawaii Revised Statutes ("HRS") §466K, is not the appropriate statute for this amendment, as the bill deals with "arbitration." See February 28, 2011 testimony of the Professional and Vocational Licensing Division, Department of Commerce and Consumer Affairs. Instead of trying to impose USPAP, which is an unnecessary and unwarranted requirement, on arbitrators, it might be more appropriate to assure that such arbitration panels follow the Uniform Arbitration Act, as set forth in HRS Chapter 658A.

Based on the above, we respectfully request that **SB 975, SD1 be held in this Committee.**

Thank you for the opportunity to testify.

THE APPRAISAL STANDARDS BOARD & USPAP



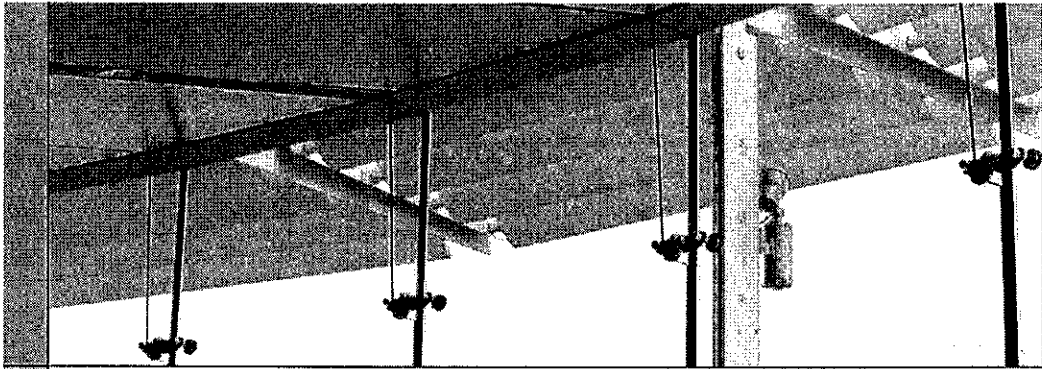
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AND THEIR CLIENTS



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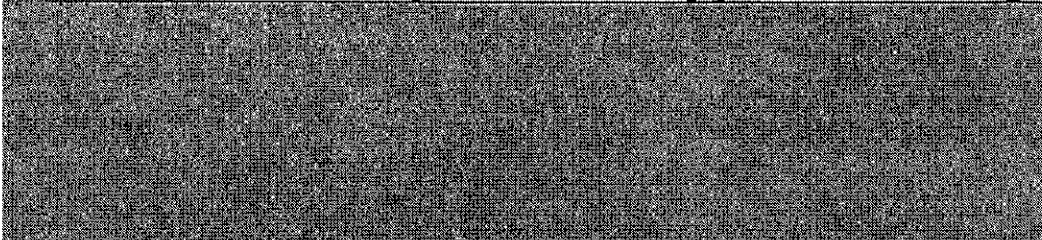
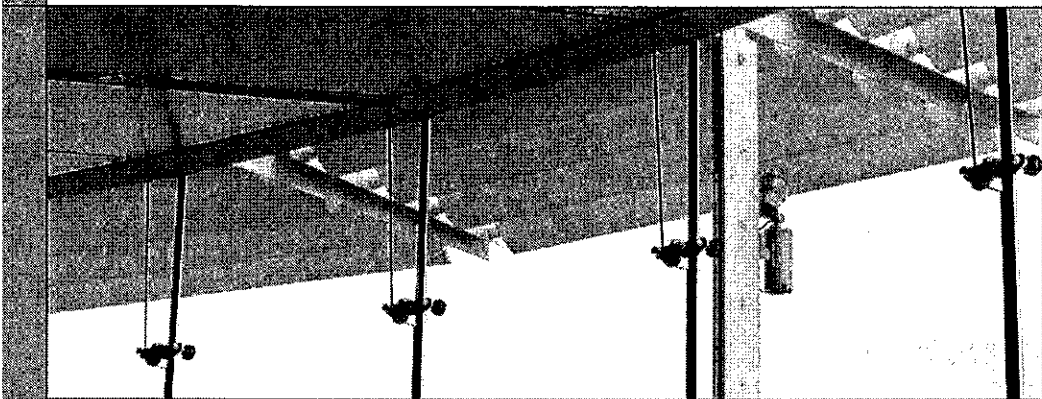
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Standards and Appraiser Qualifications*

APPRAISAL STANDARDS BOARD



A MESSAGE FROM THE ASB

This brochure is intended to help appraisers and users of appraisal services become more familiar with the role, function and activities of the Appraisal Standards Board (ASB) and the process by which the *Uniform Standards of Professional Appraisal Practice* (USPAP) is developed and revised.



WHAT DOES THE ASB DO?

The Appraisal Standards Board (ASB) is an independent Board of The Appraisal Foundation. The ASB is responsible for writing, amending and interpreting the *Uniform Standards of Professional Appraisal Practice*. The ASB has up to seven members appointed by the Foundation's Board of Trustees. The current Board members are experienced in commercial, residential and agricultural real property and in business valuation.

The ASB issues Exposure Drafts for public comment of proposed changes to USPAP and holds public meetings throughout the year in various regions of the country. During the course of these meetings the ASB considers relevant changes to USPAP based on the ever-changing needs of the marketplace. In addition, the ASB considers written and oral public testimony on proposed changes to USPAP.

The ASB is dedicated to continually educating appraisers and the public regarding USPAP by issuing monthly questions and answers on the Foundation web site, participating in numerous speaking engagements and by frequently updating USPAP instructors and state regulators.





WHAT IS USPAP?


The *Uniform Standards of Professional Appraisal Practice* (USPAP) are the generally accepted standards for professional appraisal practice in the United States. USPAP contains standards for all types of appraisal services including real property, personal property, business valuation and mass appraisal. The purpose of USPAP is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers.

- USPAP was originally written in 1986-1987 by an appraisal profession Ad Hoc Committee and was donated to the Foundation in 1987.
- The Financial Institutions Reform Recovery and Enforcement Act (FIRREA) of 1989 cites USPAP as the standard to be enforced by state real estate appraiser regulatory agencies.
- USPAP compliance is also required by professional appraisal associations, client groups and by dozens of federal, state and local agencies.
- USPAP is updated on a periodic basis.
- USPAP is growing in acceptance throughout the world. Many professional associations in North America, South America, Europe and Asia have accepted USPAP as the standard of practice for their membership.

HOW CAN I IMPACT USPAP REVISIONS?

The ASB actively seeks the input of appraisers, their clients, users of appraisal services, and regulators. The ASB welcomes all comments and questions on USPAP and receives numerous telephone, electronic and written inquiries. In response, the ASB communicates directly with hundreds of individuals each year.

In accordance with its public charge, the ASB is required to issue to the public, Exposure Drafts of all proposed revisions to USPAP. The agenda of the ASB is discussed and established each year. Most items on the agenda are things that were suggested by appraisers or users of appraisal services during the prior year. The ASB then proposes revisions to USPAP based on these agenda items. USPAP is now published on a two-year cycle. All Exposure Drafts are posted on the Foundation website and are available free of charge by contacting The Appraisal Foundation directly. Interested parties can participate in this process by submitting written comments or by offering oral testimony at an ASB public meeting.



Individuals interested in providing oral testimony to the ASB should contact the Standards Administrator prior to the public meeting.

HOW IS USPAP ENFORCED?

Although the ASB writes, amends and interprets USPAP, the Board does not enforce USPAP. Through FIRREA, the Federal government has mandated that the states enforce real property appraiser compliance to USPAP. Professional appraisal associations also have the authority to enforce USPAP compliance by their members. In addition, many users of appraisal services (such as lenders, mortgage companies, etc) have adopted USPAP and require employee or contract appraiser compliance with USPAP.

Complaints regarding real property appraisers should be directed to the state(s) in which he or she is licensed or certified. Complaints about an appraiser of any other discipline, such as personal property or business valuation, should be forwarded to the professional organization to which the appraiser belongs.

The Appraisal Foundation is a Congressionally authorized non-profit organization established in 1987. The Appraisal Foundation is dedicated to the advancement of the appraisal profession and accomplishes its mission through the work of its two independent Boards: the Appraisal Standards Board (ASB) and the Appraiser Qualifications Board (AOB).

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1155 15th St, NW
Suite 1111
Washington, DC 20005
Phone: 202.347.7722
Fax: 202.347.7727
www.appraisalfoundation.org



THE APPRAISAL FOUNDATION

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APPRAISAL STANDARDS BOARD

From: David Arakawa [darakawa@lurf.org]
Sent: Tuesday, March 22, 2011 12:55 AM
To: Mailing List; ERBtestimony
Cc: 'Shannon Alivado'; 'Wynde Yamamoto'
Subject: Testimony for SB975 on 3/22/2011 8:00:00 AM
Attachments: 200329 Gov's Veto Msg M368 re SB 771 APPRAISALS - USPAP Reqmt for Arbs.pdf; The Appraisal Standards Board and USPAP1.pdf

Here are the attachments to LURF's testimony submitted a few minutes ago.

Mahalo, Dave

David Z. Arakawa
Executive Director
Land Use Research Foundation
of Hawaii
1100 Alakea Street, 4th Floor
Honolulu, Hawaii 96813
Telephone: (808) 521-4717, ext 11
Cellular: (808) 783-9407
Fax: (808) 536-0132
E-mail: darakawa@lurf.org
Website: www.lurf.org

-----Original Message-----

From: mailinglist@capitol.hawaii.gov [mailto:mailinglist@capitol.hawaii.gov]

Sent: Tuesday, March 22, 2011 12:46 AM
To: ERBtestimony@capitol.hawaii.gov
Cc: darakawa@lurf.org
Subject: Testimony for SB975 on 3/22/2011 8:00:00 AM

Testimony for ERB 3/22/2011 8:00:00 AM SB975

Conference room: 312
Testifier position: oppose
Testifier will be present: No
Submitted by: David Z. Arakawa
Organization: Land Use Research Foundation of Hawaii
Address:
Phone:
E-mail: darakawa@lurf.org
Submitted on: 3/22/2011

Comments:

Attached is LURF's testimony. Two attachments to come:

1. Gov's Veto Msg No. 368 (2010)
2. Appraisal Stds Board & USPAP



GOV. MSG. NO. 368

EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

March 19, 2010

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fifth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

I am transmitting herewith SB771 SD1 HD1, without my approval, and with the statement of objections relating to the measure.

SB771 SD1 HD1

A BILL FOR AN ACT
RELATING TO APPRAISALS.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Lingle".

LINDA LINGLE

EXECUTIVE CHAMBERS

HONOLULU

March 19, 2010

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 771

Honorable Members
Twenty-Fifth Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 771, entitled "A Bill for an Act Relating to Appraisals."

The purpose of this bill is to require real estate appraisers to comply with the Uniform Standards of Professional Appraisal Practice when they are acting as arbitrators. The bill also requires that the record of an award in an arbitration proceeding conducted by an appraiser include specific findings of fact, evidence, and the appraiser's reasoning for the award.

This bill is objectionable because appraisers who serve as arbitrators are not engaging in the practice of real estate appraisal. The fact that arbitration is being conducted for the purpose of determining the value of real estate does not cure this objection. Arbitration is an alternative dispute resolution process used to reach a compromise solution, and not an appraisal. In an arbitration proceeding, the parties submit their cases to an impartial person or panel for what is intended to be a final, binding decision.

During an arbitration proceeding to determine the value of real estate, both sides typically hire their own appraisers as expert witnesses. These expert witnesses are required by state statute to follow the Uniform Standards of Professional Appraisal Practice ("USPAP") if they perform an appraisal. Arbitrators therefore have an opportunity to evaluate competing and USPAP conforming appraisals and make an accordingly informed decision.

STATEMENT OF OBJECTIONS
SENATE BILL NO. 771
Page 2

Forcing arbitrators to use USPAP would require them to follow a standard that is not applicable to their proceedings, increasing costs and lengthening the process of arbitration. It would be more appropriate to require these panels to follow the Uniform Arbitration Act, as set forth in Chapter 658A of the Hawaii Revised Statutes, and amend the chapter to specify the award explanation.

While requiring arbitrators to comply with USPAP is not an appropriate mechanism for improving transparency, there is some merit in the second element of this legislation, which would require that the record of an award in an arbitration proceeding conducted by an appraiser include specific findings of fact, evidence, and the appraiser's reasoning for the award. Parties to arbitrations that determine the value of real estate might indeed benefit from a more detailed rationale for an arbitration award. Accordingly, legislation along these lines may be worth pursuing in the future, with the input of all stakeholders. However, while improving the transparency of these types of arbitration proceedings deserves attention, this bill, as written, is not the appropriate mechanism for achieving that goal.

For the foregoing reasons, I am returning Senate Bill No. 771 without my approval.

Respectfully,



LINDA LINGIE
Governor of Hawaii

VETO

THE SENATE
TWENTY-FIFTH LEGISLATURE, 2009
STATE OF HAWAII

S.B. NO. 771
S.D. 1
H.D. 1

A BILL FOR AN ACT

RELATING TO APPRAISALS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to require a real
2 estate appraiser to rely on the Uniform Standards of
3 Professional Appraisal Practice when acting as an appraiser or
4 an arbitrator in an arbitration proceeding.

5 SECTION 2. Section 466K-4, Hawaii Revised Statutes, is
6 amended by amending subsection (a) to read as follows:

7 "(a) No person may practice as a real estate appraiser in
8 this State unless that person has been licensed or certified to
9 practice in accordance with this chapter and rules adopted by
10 the director of commerce and consumer affairs pursuant to
11 chapter 91. All real estate appraisers who are licensed or
12 certified to practice in this State shall comply with the
13 current uniform standards of professional appraisal practice
14 approved by the director when performing appraisals in
15 connection with a federally or non-federally related real estate
16 transaction. A real estate appraiser shall comply with the
17 uniform standards of professional appraisal practice when acting
18 as an appraiser or as an arbitrator in an arbitration proceeding

SB771 HD1 HMS 2010-1636



1 to determine the fair market value or fair market rental of real
2 estate."

3 SECTION 3. Section 658A-19, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "~~[+]~~ §658A-19 ~~[+]~~ Award. (a) An arbitrator shall make a
6 record of an award. The record shall be signed or otherwise
7 authenticated by any arbitrator who concurs with the award. The
8 arbitrator or the arbitration organization shall give notice of
9 the award, including a copy of the award, to each party to the
10 arbitration proceeding.

11 (b) In an arbitration proceeding to determine the fair
12 market value or fair market rental of real property where the
13 arbitrator is a real estate appraiser licensed under chapter
14 466K, the record of an award shall include but not be limited to
15 findings of fact, the appraiser's rationale for the award, and
16 information regarding the evidence which provided the basis for
17 the award.

18 ~~[(b)]~~ (c) An award shall be made within the time
19 specified by the agreement to arbitrate or, if not specified
20 therein, within the time ordered by the court. The court may
21 extend or the parties to the arbitration proceeding may agree in
22 a record to extend the time. The court or the parties may do so



1 within or after the time specified or ordered. A party waives
2 any objection that an award was not timely made unless the party
3 gives notice of the objection to the arbitrator before receiving
4 notice of the award."

5 SECTION 4. Section 658A-23, Hawaii Revised Statutes, is
6 amended by amending subsection (c) to read as follows:

7 "(c) If the court vacates an award on a ground other than
8 that set forth in subsection (a) (5), it may order a rehearing.
9 If the award is vacated on a ground stated in subsection (a) (1)
10 or (2), the rehearing shall be before a new arbitrator. If the
11 award is vacated on a ground stated in subsection (a) (3), (4),
12 or (6), the rehearing may be before the arbitrator who made the
13 award or the arbitrator's successor. The arbitrator shall
14 render the decision in the rehearing within the same time as
15 that provided in section [~~658A-19(b)~~] 658A-19(c) for an award."

16 SECTION 5. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 6. This Act shall take effect upon its approval.



THE APPRAISAL STANDARDS BOARD & USPAP

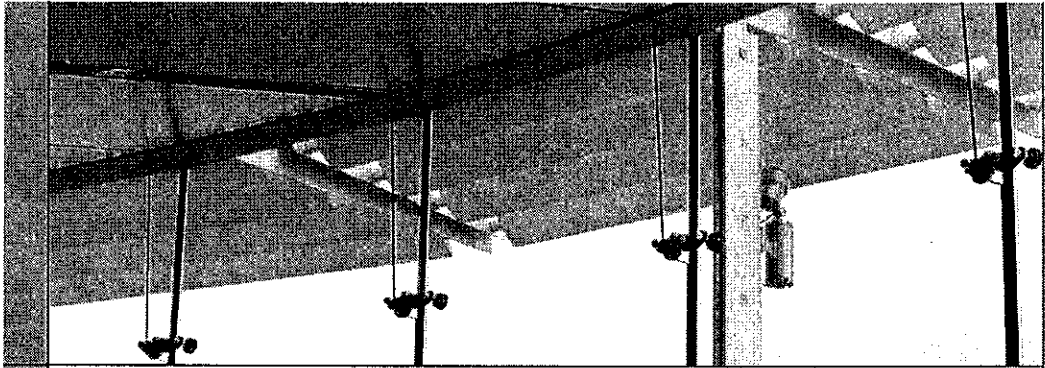


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AND THEIR CLIENTS



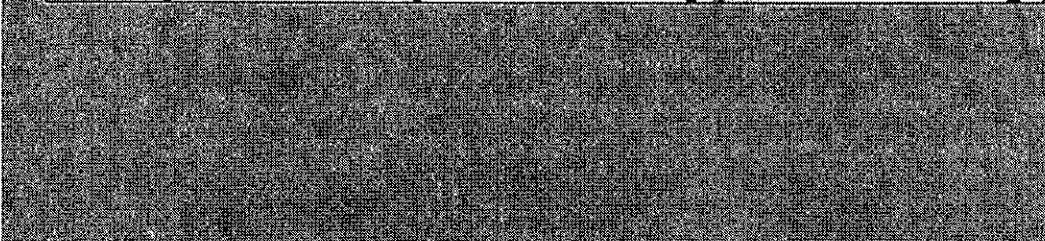
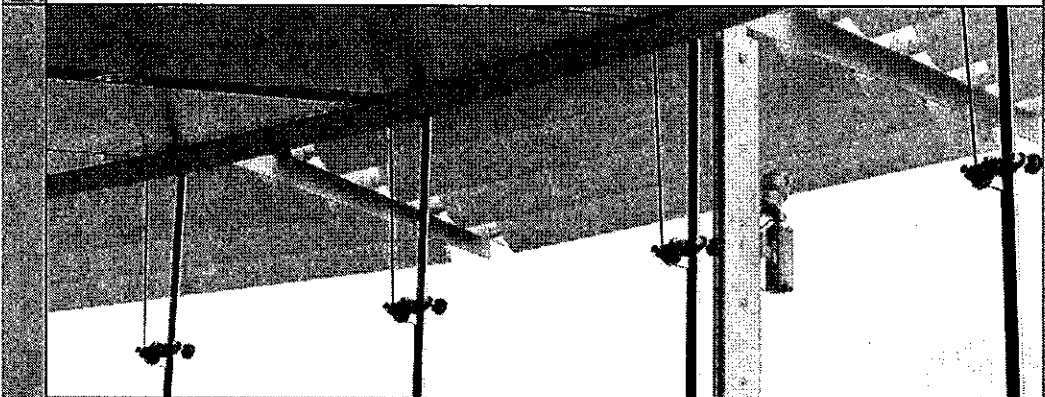
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HOW CAN I IMPACT USPAP REVISIONS?

The ASB actively seeks the input of appraisers, their clients, users of appraisal services, and regulators. The ASB welcomes all comments and questions on USPAP and receives numerous telephone, electronic and written inquiries. In response, the ASB communicates directly with hundreds of individuals each year.

In accordance with its public charge, the ASB is required to issue to the public, Exposure Drafts of all proposed revisions to USPAP. The agenda of the ASB is discussed and established each year. Most items on the agenda are things that were suggested by appraisers or users of appraisal services during the prior year. The ASB then proposes revisions to USPAP based on these agenda items. USPAP is now published on a two-year cycle. All Exposure Drafts are posted on the Foundation website and are available free of charge by contacting The Appraisal Foundation directly. Interested parties can participate in this process by submitting written comments or by offering oral testimony at an ASB public meeting.



Individuals interested in providing oral testimony to the ASB should contact the Standards Administrator prior to the public meeting.

HOW IS USPAP ENFORCED?

Although the ASB writes, amends and interprets USPAP, the Board does not enforce USPAP. Through FIRREA, the Federal government has mandated that the states enforce real property appraiser compliance to USPAP. Professional appraisal associations also have the authority to enforce USPAP compliance by their members. In addition, many users of appraisal services (such as lenders, mortgage companies, etc) have adopted USPAP and require employee or contract appraiser compliance with USPAP.

Complaints regarding real property appraisers should be directed to the state(s) in which he or she is licensed or certified. Complaints about an appraiser of any other discipline, such as personal property or business valuation, should be forwarded to the professional organization to which the appraiser belongs.

The Appraisal Foundation is a Congressionally authorized non-profit organization established in 1987. The Appraisal Foundation is dedicated to the advancement of the appraisal profession and accomplishes its mission through the work of its two Independent Boards: the Appraisal Standards Board (ASB) and the Appraiser Qualifications Board (AOB).

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The Appraisal Foundation

1155 15th St, NW

Suite 1111

Washington, DC 20005

Phone: 202.347.7722

Fax: 202.347.7727

www.appraisalfoundation.org



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