



Kansas Real Estate Appraisal Board 2002 Spring Newsletter

AQB ISSUES EXPOSURE DRAFT

In an Exposure Draft issued February 12, 2002, the Appraiser Qualifications Board (AQB) of the Appraisal Foundation has requested comments from appraisers, users of appraisal services, regulators and the public regarding proposed changes to the current Appraiser Qualification Criteria. The AQB is focusing on what the Criteria should be in 5-10 years in the future.

The most significant proposed changes are:

- Raising the qualifying education requirement for Licensed Residential Appraisers (State License) to 140 hours.
- Raising the qualifying education requirement for Certified Residential Appraisers to 200 hours.
- Raising the qualifying education requirement for Certified General Appraisers to 315 hours.
- Adding a required core curriculum for each licensure level.
- A requirement that individuals seeking the Certified General credential be required to have a four-year bachelors degree or meet other specific educational requirements in lieu of a degree.

- A requirement that individuals seeking the Certified Residential credential be required to have a two-year associates degree or meet other educational requirements in lieu of a degree.
- Allowing Certified Appraisers to gain 4 hours of continuing education for supervising and managing Trainee Appraisers.

A complete copy of the exposure draft can be downloaded from the Foundation's website at <http://www.appraisalfoundation.org>.

All interested parties are encouraged to respond in writing to the AQB before the deadline of **April 30, 2002**. Public comments are also invited by the AQB at the April 26, 2002 public meeting in Seattle, WA.

Send your written comments to:

AQB Comments
The Appraisal Foundation
1029 Vermont Ave. NW, Ste 900
Washington, DC 20005-3517

Comments may also be submitted by facsimile to (202) 347-7727 or (202) 624-3053 or by e-mail to: comments@appraisalfoundation.org. ■

REPORTING OPTIONS

It appears that some licensed/certified appraisers are unclear on how to label appraisal reports. If you are in doubt of

how a report should be labeled, you may get guidance from USPAP Statement on Appraisal Standards No. 7 (SMT-7).

Appraisal (*noun*) the act or process of developing an opinion of value...

Complete Appraisal: the act or process of developing an opinion of value or an opinion of value developed without invoking the Departure Rule.

Limited Appraisal: the act or process of developing an opinion of value or an opinion of value developed under and resulting from invoking the Departure Rule.

Please remember that improper labeling of appraisal reports is a violation of USPAP and could result in disciplinary action. It is your responsibility to know how to label appraisal reports. ■

INSIDE THIS ISSUE

REQUIREMENTS FOR PROVISIONAL LICENSEES & SUPERVISORS	2
AQB CHANGES CRITERIA FOR CONTINUING EDUCATION.	3
LET'S RECONCILE.	3
EX PARTE COMMUNICATION.	3
HUD PROPOSES CHANGES TO 24 CFR PART 200	4
USPAP Q & A.	4
DISCIPLINARY ACTION.	6
CONTACT INFORMATION	8



REQUIREMENTS FOR PROVISIONAL LICENSEES AND SUPERVISORS

If you are a provisional trainee or supervisor of a provisional trainee, please be sure that you are aware of what the regulations require while acquiring and submitting experience. K.A.R. 117-5-2, Provisional classification; supervised experience requirements, states in part:

(a) The provisional licensed appraiser's work in developing, preparing or communicating an appraisal report shall be directly supervised by a supervising appraiser, who shall be either a state licensed or certified appraiser in good standing.

...

(c) Each appraisal report shall be signed by the provisional licensed appraiser or the preparer of the report who supervised the provisional licensed appraiser, certifying that the report is in compliance with the uniform standards of professional appraisal practice of the appraisal foundation in effect at the time of the appraisal.

(d) If the Provisional appraiser does not sign the appraisal report, the preparer shall describe, in the certification section or in the dated and signed addendum to the certification page of the appraisal report, the extent to which the provisional licensed appraiser provided assistance in developing preparing, or communicating the appraisal through generally accepted appraisal methods and techniques.

(e) The supervising appraiser shall be responsible for the supervision of the provisional appraiser by performing the following:

(1) Reviewing, before the signing of the certification section or addendum, each appraisal report that the provisional licensed appraiser prepared or provided assistance in developing, preparing, or communicating; and

(2) Personally inspecting each appraised property with the provisional licensed appraiser until the supervising appraiser determines that the provisional licensed appraiser is competent, in accordance with the competency provision of the uniform standards of professional appraisal practice (USPAP), as specified in K.A.R. 117-8-1 for the property type.

COMMON VIOLATIONS THAT LEAD TO DENIAL OF EXPERIENCE AND/OR DISCIPLINARY ACTION

- Not accurately describing the role of the appraiser(s).
- Failure to disclose all parties who substantially contributed to the report.
- Not clearly reporting which reporting option is being used.
- Not fully understanding the difference between limited and complete appraisal reports.
- Accepting assignments not competent to perform.
- Not verifying information data used in the report.
- Not utilizing comparable sales located within the neighborhood.
- Using unsupportable adjustments.
- Appraising a property to reach a contract price.

Supervisors: Keep in mind that the Board will pursue disciplinary action against a supervisor if desk reviews performed on a provisional trainee's experience reveals report(s) that are not in compliance with USPAP. ■



**RENEWAL IS
DUE BY MAY
31, 2002**

While your license shows an expiration date of June 30, 2002, your education must be completed and your renewal must be postmarked no later than May 31, 2002, in order to be considered "on-time."

Those of you licensed prior to July 1, 2000, must have completed a 15-hour, tested, USPAP course during this first three-year education cycle, which began July 1, 1999, and ends with your May 31, 2002, renewal. Your education logs should reflect a balance of **at least** 42 hours (including the 15-hour USPAP) completed since the beginning of this cycle.

ADDRESS CHANGE?

If you have had a change of residence or business address, remember to notify the Appraisal Board, in writing, as required by K.S.A. 58-4114. Make sure that the following information is included:

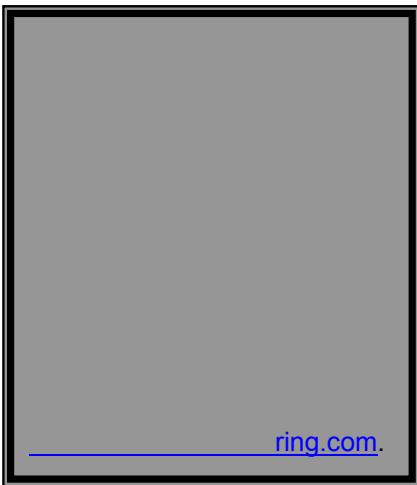
- Licensee name and license/certificate number
- Complete address, including zip + four, phone, fax, e-mail, etc.
- Indicate if change is to residence, business or both.

■

AQB CHANGES CRITERIA FOR CONTINUING EDUCATION

The AQB changed the Criteria for continuing education. Specifically, the revised Criteria require appraisers to successfully complete the seven-hour National USPAP Course at a minimum of every two years. States must adopt and implement the revised Criteria beginning January 1, 2003.

The Kansas Real Estate Appraisal Board is currently drafting the regulation changes required to meet the AQB's revised Criteria. Look for more detailed information in the Board's 2002 Summer Newsletter. ■



LET'S RECONCILE

BY MARK R. FREITAG, S.R.A.

Webster's Dictionary defines reconciliation as the process of making ideas, texts, etc., consistent. As appraisers, we frequently employ reconciliation in the appraisal process, to bring consistency from the disorder of the real estate market. Whether analyzing general data such as market trends, specific data such as an element of comparison or differing values yielded by the approaches to value, one of the appraiser's most important roles

is to craft sometime disparate data into a conclusion meaningful to the client. This process of reconciliation becomes the bridge between the initial research and number crunching and one of the conclusions reached along the path of the appraisal process. Appraisers usually perform competently in collecting data; analyzing data and developing reasoned conclusions. However, many of us fall short when it comes to communicating these conclusions to the client. When reporting the reconciliation of data we often fall into the trap of relying on canned phrases such as "all comparables were given equal weight/consideration in the value estimate." This reconciliation would be appropriate if each of the data is truly equal to the subject in comparability and the final value estimate represents the mean of the values. Often, however, a statement of this sort accompanies comparables that are not equal in comparability or a value estimate that is not the result of an equal weighting of the indicated values. Inconsistencies of this nature reduce the credibility of the appraisal and the appraiser. A well-researched and developed appraisal represents a great deal of effort on the part of the appraiser. Don't diminish your effort with an inadequate or inconsistent reconciliation of the appraisal report! ■

EX PARTE COMMUNICATION

Individual appraisers who are tempted to contact members of the Appraisal Board to seek information on a pending application, to discuss a pending compliant or disciplinary action, or to influence a decision are advised that such ex parte communications are improper and may be detrimental to the individual appraiser.

A Board member who might have been favorable is placed in the difficult position of having to abstain from discussing or voting on the application or disciplinary case in question.

The Board's authority and power to act exists only during lawfully convened board meetings. Only as a Board, do they receive information, act on applications and disciplinary matters, make decisions and direct staff to take specific action.

All questions should be directed to the staff members who will provide general information and advice on all procedures. Meetings are open to the public and everyone is invited to attend. ■

PLEASE NOTE

The Kansas Real Estate Appraisal Board staff is always ready and willing to provide assistance to both appraisers and the public. However, the staff cannot waive or modify any requirement of the license law or regulations, assist the caller in interpreting USPAP or advise callers on how to proceed in particular situations. If you have a question and need the assistance of the Board, please address the question **IN WRITING** to the Board and it will be addressed by the Board at a regular monthly meeting or you will be directed on whom to contact.

HUD PROPOSES CHANGES TO 24 CFR PART 200

APPRAISER QUALIFICATIONS FOR PLACEMENT ON FHA SINGLE FAMILY APPRAISER ROSTER

This proposed rule would make several regulatory changes designed to strengthen the licensing and certification requirements for placement on the FHA Appraiser Roster. First, the proposed rule would require that appraisers on the Appraiser Roster must have professional credentials that are based on the minimum licensing/certification standards issued by the Appraiser Qualifications Board of the Appraisal Foundation. The proposed rule also clarifies that an appraiser may be removed from the Appraiser Roster if the appraiser loses his/her license or certification in any state due to disciplinary action, even if the appraiser continues to be licensed or certified in another state. Finally, the proposed rule provides that an appraiser who is licensed or certified in a single state and whose license or certification has expired, or has been revoked, suspended or surrendered as a result of a state disciplinary action, will be automatically suspended from the Appraiser Roster until HUD receives evidence demonstrating renewal or that the state imposed sanction has been lifted. (Emphasis added) ■

Source: Federal Register/Vol 66 No. 231

"Hard work spotlights the character of people: some turn up their sleeves, some turn up their noses, and some don't turn up at all."

Sam Ewig

USPAP Q & A

Q Were any changes made to the Standards Rules addressing certifications (SR 2-3, 3-2(f), 5-3, 6-8, 8-3 and 10-3) for the 2002 edition of USPAP?

A Yes. As part of the updating of STANDARD 6 the certification requirements for a mass appraisal assignment were modified. Standards Rule 6-8 now requires a certification that is virtually identical to the certification required for other types of assignments. The only difference is the discipline-specific reference to professional assistance.

There were no other changes to the certification requirements for real property, personal property or business valuation assignments.

Q My state law requires an appraiser to retain work-files for three years after the valuation date. Is this an example of Jurisdictional Exception?

A No. Jurisdictional Exception is defined in USPAP as:

an assignment condition that voids the force of a part or parts of USPAP, when compliance with part or parts of USPAP is contrary to law or public policy applicable to the assignment.

In the scenario described, complying with the Record Keeping section of the ETHICS RULE would exceed the requirements of the law, but it would not be contrary to the law. By retaining access to work-files for the longer period required by USPAP the appraiser would also be in compliance with the law. Therefore, this would not be a Jurisdictional Exception.

Q My state appraisal board has adopted a regulation requiring appraisers to provide a

five-year sales history for the subject property in all assignments. Is this situation addressed in USPAP?

A Yes. USPAP defines Supplemental Standards as:

requirements issued by government agencies, government sponsored enterprises, or other entities that establish public policy which add to the purpose, intent or content of the requirements of USPAP, that have a material effect on the development and reporting of assignment results.

In the scenario described, an entity that establishes public policy has a requirement that adds to the requirements in USPAP. Therefore, failure to comply with the regulation would represent a violation of the SUPPLEMENTAL STANDARDS RULE.

Q What does USPAP require when identifying which reporting option of STANDARD 2 is used in an appraisal assignment?

A STANDARD 2 of USPAP allows for three types of appraisal reports: Self-Contained Appraisal Report, Summary Appraisal Report and Restricted Use Appraisal Report. STANDARD 2 requires that appraisers prominently state which report option is used. In AO-11, the ASB advises that, "the statement should appear at or near the beginning of the report." Although USPAP does not dictate the specific language for identifying the report option used, a suggested statement that indicates the appraisal development and report option used is: "This is a (Complete or Limited) Appraisal communicated in a (Self-Contained, Summary or Restricted Use) Appraisal Report."

QI have been asked by a client to prepare a Restricted Use Appraisal Report that he plans to provide to another intended user. Does USPAP allow me to use this report option in such a circumstance?

ANo. The Comment to Standards Rule 2-2 states,

When the intended users do not include parties other than the client, a Restricted Use Appraisal Report may be provided.

In other words, this particular report option may only be used when the client is the only intended user.

The reason underlying this use restriction is that the client is assumed to have a sufficient level of knowledge about the subject property to enable him or her to understand a report of this type. If other intended users were to be given such an abbreviated report, they could easily misunderstand it and potentially be misled.

QWhat is the appropriate action of an appraiser when an error is discovered in his or her appraisal report?

AThe appraiser is responsible for the contents, analyses and conclusions of the appraisal and appraisal report. When an error is discovered, the appraiser should contact the client in writing and inform the client of the error and correct information, and any other resulting changes in the analyses and reported conclusions.

QDoes USPAP require appraisers to develop an "as vacant" highest and best use for an improved subject property?

No. Standards Rule 1-3(b), a specific requirement, requires an appraiser to:

*develop an opinion of the highest and best use of the **real estate**.* (Emphasis added)

The Comment goes on to state, in part:

The appraiser must recognize that land is appraised as though vacant and available for development to its highest and best use, and that the appraisal of improvements is based on their actual contribution to the site.

Therefore, USPAP requires that an appraiser develop an opinion of the highest and best use of an improved property, only as it is improved.

It should be noted that appraisers must also be aware of supplemental standards relating to this issue.

QCan appraisers allow anyone, including their supervisor or employer, unlimited access to, and use of their digital signature?

ANo. USPAP defines signature as:

personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses, and the conclusions in the report.

Comment: *A signature can be represented by a handwritten mark, a digitized image controlled by a personalized identification number, or other media, where the appraiser has sole personalized control of affixing the signature.* (Emphasis added)

AThe Comment to this definition states the

appraiser must have *sole personalized control of affixing the signature*. This does not mean only the appraiser may execute the signature; the appraiser may transfer that authority to another individual (appraiser or non-appraiser). However, *unlimited access* is not allowed because it implies an appraiser has relinquished his or her ability to have sole personalized control of affixing their signature.

QI was recently asked by a client to appraise a residential property that is located on a 40 site. The client also provided instructions to appraise the dwelling and only 5 acres of the parcel. They are unable to provide a survey delineating the 5 acres. The intended use of the appraisal is for mortgage lending purposes. Can I perform this assignment in conformance with USPAP?

AYes, USPAP allows an appraisal of a physical segment of a property to be developed under certain conditions. Standards Rule 1-2(e)(v), a binding requirement, states:

In developing a real property appraisal, an appraiser must:

...
identify the characteristics of the property that are relevant to the purpose and intended use of the appraisal, including:

...
*whether the subject property is a fractional interest, **physical segment**, or partial holding.* (Emphasis added)

The Comment to this Standards Rule goes on to say:

Comment on (i)-(v): *If the necessary subject property information is not available because of assignment conditions that limit research opportunity (such as conditions that preclude an onsite inspection or the*

gathering of information from reliable third-party sources), an appraiser must:

- obtain the necessary information before proceeding, or
- where possible, in compliance with Standards Rule 1-2(g), use an extraordinary assumption about such information.

Q I have an assignment to prepare a complete appraisal of a proposed subdivision with 20 single-family homes and communicate it in a self-contained appraisal report. The client has asked me to include, within the self-contained appraisal report, an appraisal of each of the homes using the Uniform Residential Appraisal Report (URAR) form to document those appraisals. The URAR form is considered by many to be a summary appraisal report. Can I complete the assignment in this manner and still call the overall report self-contained?

A Yes you can, if you follow the applicable requirements of USPAP.

Standards Rule 2-2 requires that:

Each written real property appraisal report must be prepared under one of the following three options and prominently state which option is used: Self-Contained Appraisal Report, Summary Appraisal Report, or Restricted Use Appraisal Report.

The Comment to Standards Rule 2-2 further states that:

The essential difference among these three options is in the content and level of information provided and that "The report content and level of information requirements set forth in this Standard are

minimums for each type of report. An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable content requirements set forth in this Standards Rule.

Guidance is found in Advisory Opinion 11, which advises:

The Self-Contained Appraisal Report should contain all information significant to the solution of the appraisal problem. Describe is the distinguishing term related to the Self-Contained Appraisal Report. Standards Rule 2-2 and 8-2(a)(vii) require only a description of sufficient information to disclose to the client and any intended users of the appraisal the scope of work used to develop the appraisal. The reader of the Self-Contained Appraisal Report should expect to find all significant data reported in comprehensive detail.

AO-11 also includes examples of the application of the terms "describe", "summarize" and "state" in the context of a real estate appraisal report, which should also be reviewed.

DISCIPLINARY ACTION



Violations: K.S.A. 58-4121; 58-4118(a)(6); 58-4118(a)(7); and 58-4118(a)(8)

Action: A Consent Agreement and Order was entered into with the following terms and conditions: That **CALLISON** attend and pass the examination

of the Advanced Income Capitalization course on or prior to June 30, 2002. Failure to comply will downgrade **CALLISON'S** general certification to a residential certification. That **CALLISON** maintain a log of all appraisal reports he completes beginning the date of the Agreement. Within 30 days after completion of the Income Capitalization course, **CALLISON** will submit the log to the Board. The Board will select three reports for review. **CALLISON** will reimburse the Board for the cost of the reviews performed on each of the three reports up to a maximum of \$750, within 30 days of receipt of the Board's billing. Failure of the reviews to meet minimum requirements of USPAP, with notice and an opportunity to be heard, will at a minimum downgrade **CALLISON'S** certification to a residential certification. That **CALLISON** pay \$325 to cover the cost of the reviews associated with this complaint within 30 days of the Agreement.

RICHARD ALLEN - R-293
COMPLAINT #208 - PARSONS

Violations: K.S.A. 58-4121; 58-4118(a)(6); 58-4118(a)(7); and 58-4118(a)(8)

Action: A Consent Agreement and Order was entered into with the following terms and conditions: That **ALLEN** cease and desist doing commercial work. That **ALLEN** attend and pass the examination of a Board approved, 15-hour USPAP course within six months after the date of the Agreement. That **ALLEN** attend and pass the examination of a Board approved Residential Report Writing course (30-hour minimum) within six months of the date of the Agreement. That **ALLEN** pays \$300 to cover the cost of the reviews associated with these complaints within 60

days from the date of the Agreement. That **ALLEN** pays a fine of \$1,000, for working outside his scope of practice, within 60 days from the date of the Agreement.

J. D. CLEAVINGER - L-596
COMPLAINT #196 - LAWRENCE

Violations: K.S.A. 58-4121; 58-4118(a)(6); 58-4118(a)(7); and 58-4118(a)(8)

Action: A Consent Agreement and Order was entered into with the following terms and conditions: That **CLEAVINGER** attend and pass the examination of a Board approved 15-hour Uniform Standards of Professional Appraisal Practice course prior to June 30, 2002. That **CLEAVINGER** attend and pass the examination of a Board approved Residential Report Writing course (30+ hours) prior to June 30, 2002. That **CLEAVINGER** pay \$200 to cover the cost of the review associated with this complaint within 30 days of the date of the Agreement.

LARRY J. MAIORANO - L-771
COMPLAINT #222 - LENEXA

Violations: K.S.A. 58-4121; 58-4118(a)(6); 58-4118(a)(7); and 58-4118(a)(8)

Action: A Consent Agreement and Order was entered into with the following terms and conditions: that **MAIORANO** attend and pass the examination of a Board approved 15-hour Uniform Standards of Professional Appraisal Practice course prior to June 30, 2002. That **MAIORANO** complete a 15-hour (or greater) Residential Report Writing course prior to June 30, 2002. That **MAIORANO** pay \$200 to cover the cost of the review associated

with this complaint within 30 days from the date of the Agreement.

LOOKING FOR CONTINUING EDUCATION?

If you are looking for education providers or for a specific continuing education course, keep in mind that a current listing of all approved providers and their courses can be found on our website at www.ink.org/public/kreab, under "Education". ■

"There is nothing so easy to learn as experience and nothing so hard to apply."
Josh Billings, His Works Complete

LETTER OF GOOD STANDING

If you need a Letter of Good Standing to apply in another state, your request must be made in writing and submitted to the Board office with the \$10 fee. Be sure to include the following information:

- Licensee Name
- Licensee Number
- Where the Board should mail the Letter of Good Standing.
- Make your check payable to the Kansas Real Estate Appraisal Board (KREAB)
- If you wish to pay by credit card, provide the Board with the card type (Visa or MC only), account number, expiration date, the cardholder's name (printed) and signature.

APPRAISERS LICENSED/CERTIFIED SINCE JANUARY 1, 2002

- Gregory Bell - L-1697
- Staci Bracken - P-1701 (Trainee)
- Larry DePew - P-1699 (Trainee)
- Ricci Dillon - L-1702
- Ronald Dunham - G-1696
- Suzanne Ecton-Yack - L-1705
- Christina Goodson - L-1709
- Joe Hottle - G-1700
- Randy LaRue - P-1708 (Trainee)
- Brian Pasteur - L-1698
- Joseph Savaglio - G-1703
- Robert Schuster - R-1706
- Mark Smith - R-1704
- Robert Thomas - L-1707

**KANSAS REAL ESTATE APPRAISAL BOARD
1100 S.W. WANAMAKER RD., STE. 104
TOPEKA, KS 66604**

**PRSR STD
US POSTAGE
PAID
TOPEKA KS
PERMIT NO 157**

543

**LICENSED/CERTIFIED APPRAISERS AS OF
FEBRUARY, 2002**

GENERAL CERTIFIED	433
RESIDENTIAL CERTIFIED	330
STATE LICENSED	257
PROVISIONAL (TRAINEE)	112
TOTAL.....	1,132

APPRAISAL BOARD MEMBERS
 Kenneth Lickteig, Chairman
 Steven R. Adams, Vice Chairman
 LeRoy Leland, Member
 Ralph Leno, Member
 Alida Moore, Member
 G.N. (Jerry) Capps, Member
 Ronald D. Aul, Member

STAFF
 Sally Pritchett, Executive Director
 Cheryl Magathan, Public Service Executive

KANSAS REAL ESTATE APPRAISAL BOARD
 1100 S.W. WANAMAKER RD., STE. 104
 TOPEKA, KS 66604
 (785) 271-3373 (TELEPHONE)
 (785) 271-3370 (FAX)

kreab@mindspring.com or
kreab1243@mindspring.com

WEB SITES
 The Appraisal Subcommittee: www.asc.gov
 The Appraisal Foundation: www.appraisalfoundation.org

OTHER LINKS
 See the Board's website for "Other Links" which provides e-mail and website addresses for appraisal regulatory agencies in other states.