



KANSAS REAL ESTATE APPRAISAL BOARD 2002 SUMMER NEWSLETTER

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CONTINUING EDUCATION REQUIREMENTS/CYCLES PROPOSED TO CHANGE

Based on recommended changes set forth by the Appraiser Qualifications Board, the Kansas Real Estate Appraisal Board is currently drafting regulations that will change both the continuing education requirements and the education cycle. If adopted, effective July 1, 2003, all appraisers will be required to take 7-hour Uniform Standards of Professional Appraisal Practice (USPAP) Update course once every 2 years. This change would be implemented by the KREAB in the following manner:

INDIVIDUALS LICENSED PRIOR TO JULY 1, 2000

For the renewal period of July 1, 2002 through June 30, 2003, these appraisers will be required to meet the 14-hour continuing education requirement. There will be no specific USPAP requirement for that renewal. There will be **no carryover** into the next renewal period. The first 2-year education cycle will begin with the July 1, 2003 through June 30, 2004 renewal period and the 7-hour National USPAP Update course would be required by June 30, 2005.

INDIVIDUALS LICENSED ON OR AFTER JULY 1, 2000, BUT PRIOR TO JULY 1, 2001

For the renewal period of July 1, 2002 through June 30, 2003, these appraisers will complete the final year of the existing 3-year cycle. They must meet the 15-hour, tested, USPAP course during the period from their first date of licensure through June 30, 2003. There will **no carry-over** into the next renewal period. The first 2-year education cycle will begin with the July 1, 2003 through June 30, 2004 renewal period and the 7-hour National USPAP Update course would be required by June 30, 2005.

INDIVIDUALS LICENSED ON OR AFTER JULY 1, 2001, BUT PRIOR TO JULY 1, 2003

For the renewal period of July 1, 2002 through June 30, 2003, these appraisers will be required to meet the 14-hour continuing education requirement. There will be no specific USPAP requirement for that renewal. There will be **no carryover** into the next renewal period. The first 2-year education cycle will begin with the July 1, 2003 through June 30, 2004 renewal period and the 7-hour National USPAP Update course would be required by June 30, 2005.

INDIVIDUALS LICENSED ON OR AFTER JULY 1, 2003

These licensees will enter the 2-year education cycle in place at the time of their original licensure, i.e., if licensed on December 1, 2003, they would be required to meet the 14-hour continuing education requirements at their June 30, 2004 and June 30, 2005 renewals, with 7 of those hours in the National USPAP Update course. ■

Do you know the difference between education and experience? Education is when you read the fine print; experience is what you get when you don't.

Pete Seeger

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GAO TO CONDUCT STUDY OF APPRAISER REGULATORY SYSTEM

WASHINGTON, DC--The General Accounting Office (GAO), the investigative arm of the U.S. Congress, has been asked to conduct a study of the national real estate appraiser regulatory system.

The request for the study was made by Senator Paul Sarbanes (D-MD), Chairman of the Senate Banking, Housing and Urban Affairs Committee and Senator Zell Miller (D-GA), a member of the Committee.

Specifically, the request is for "the General Accounting Office to prepare a study assessing both the state and federal appraisal systems as set forth in Title XI of FIRREA." Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) was enacted by Congress in 1989 as a result of the significant losses experienced by financial institutions in the 1980's. Title XI created a unique regulatory system for real estate appraisers that involves federal oversight by the Appraisal Subcommittee; licensure and disciplinary action at the state level through real estate appraiser boards; and private sector expertise for standards and qualifications by The Appraisal Foundation.

"It has been over a decade since the implementation of Title XI and a thorough review of its overall effectiveness is warranted," said David S. Brunton, Executive Vice President of The Appraisal Foundation. "Much of

the information we have received to date about the effectiveness of the national appraisal regulation program has been anecdotal. We would welcome an objective, comprehensive and unbiased study."

The Senators are requesting that the GAO study be comprehensive in nature and focus on several specific aspects of the regulatory system. These include, but are not limited to: an evaluation of the functions of the Appraisal Subcommittee, state appraiser boards and The Appraisal Foundation; an evaluation of the fee system associated with the National Registry of appraisers; an evaluation of the fees charged for training and qualifications for state licensure; the impact of the regulatory system on helping to reduce mortgage fraud; the impact of the increased use of automated valuation models (AVMS) on homebuyers, lenders and the secondary market; and a review of training and qualifications for state licensure to ensure that competent appraisers are used for mortgage transactions.

Source: The Appraisal Foundation ■

GOVERNOR MAKES APPOINTMENTS TO BOARD

Governor Graves announced the appointment of Donna Hutcheson, Lakin, and James E. Pfeffer, Overland Park, to the Kansas Real Estate Appraisal Board on June 20, 2002. Reappointed to the Board for a second term was Steven R. Adams of Wichita.

DONNA HUTCHESON

Ms. Hutcheson is a certified General Appraiser in Kansas, Oklahoma and Colorado. She and her husband own Hutcheson Appraisal Service in Garden City. Ms. Hutcheson's expertise lies in the agriculture field where she has completed appraisal assignments on approximately 25% of the feedlots in Kansas. She earned a degree in Economics from Northwest Oklahoma State University and has attended numerous courses in all areas of appraisal.

JAMES E. PFEFFER

Mr. Pfeffer graduated from the University of Kansas with a degree in Business Administration. In 1979 he opened the firm of James E. Pfeffer & Co., Real Estate Appraisers. Mr. Pfeffer is a member of the Kansas City Chapter of the Appraisal Institute and an affiliate member of the Kansas Mortgage Bankers Association. He has spent the last 26 years in the appraisal profession.

STEVEN R. ADAMS

Mr. Adams works as a commercial real estate appraiser for The Martens Companies in Wichita. He attended Wichita State University and received a degree in Real Estate and Land Use Economics. Mr. Adams has also completed various courses offered by the Appraisal Institute. He is a member of Rho Epsilon, a national real estate fraternity.

All three appointees will serve terms on the Board expiring June 30, 2005. ■

APPRAISAL MYTHS

By Mark R. Freitag, SRA

A number of appraisals that have been submitted to the Appraisal Board contain a statement similar to the following: The cost approach tends to set the upper limit of value. This statement is false! No approach to value, if it is properly developed, should routinely indicate a value above or below that of any other approach. Since the definition of value is the same for each approach, the indicated values should be the same. In a perfect world, with plentiful data and an efficient market, each approach to value would result in a similar value conclusion. However, the real estate market is hardly efficient and plentiful data is usually present only in the appraiser's dreams. Due to these realities, it is not unusual for the results exhibited by multiple approaches to value to differ. But if an appraiser finds that in practice, the cost approach is typically higher than the other approaches, the appraiser's methodology should be reviewed. Are the cost estimates or site value excessive? Have all of the depreciation categories been considered and are the individual depreciation estimates sufficient? Consulting with experienced appraisers in your market may assist in determining which of these areas need adjustment.

The genesis of this appraisal myth is uncertain. An appraisal instructor or appraisal textbook may be promulgating this concept. It may be a distortion of a related concept that typically is true. That concept states that reproduc-

tion or replacement cost new tends to set the upper limit of value. In all but those markets experiencing extreme demand, the cost to replace an improvement with a new one will represent the highest possible value.

Whatever its origin, the theory that the cost approach tends to set the upper limit of value is not true. Check the appraisals in your office to insure that this statement does not appear in your reports. ■

KEEPING TRACK OF YOUR CONTINUING EDUCATION

During the 2002 renewal period the Board office received numerous calls from appraisers looking for record of their continuing education. **It is the responsibility of each appraiser to maintain records of their continuing education.**

The Board will begin auditing appraiser's continuing education. Names will be pulled at random for audit and each appraiser will be required to provide the Board office with a copy of their certificate of completion for each course used to meet the specified renewal's requirement. ■

HOW MANY CREDIT HOURS DID I GET FOR THAT COURSE?

The Board is seeing a number of renewal applications and new applications for license that reflect incorrect hours for courses taken to meet continuing or pre-license education. **The Board allows credit for course hours only.** The tested USPAP course is

granted **15** hours credit, not 16. If a course certificate shows the course as 36 hours, with 3 hours in exam time, the credit granted would be 36, not 39.

If you have scheduled a course and are unsure of what credit has been granted in Kansas, check the information provided on the Board's website at www.ink.org/public/kreab. ■

TENTATIVE BOARD MEETING DATES SET

The following dates have been tentatively set for the remaining 2002 Board Meetings:

September 13 November 8
December 13

The public is always welcome at Board Meetings. If you would like to attend, please confirm the date, time and place of the meeting with the Board staff [(785) 271-3373], as these dates are subject to change. The meetings are held at the Board office located at 1100 SW Wanamaker Road, Topeka, in the Lower Level Conference Room, #01, at 9:00 a.m. ■

GOT AN IDEA FOR AN ARTICLE YOU WOULD LIKE TO SEE IN OUR NEXT NEWSLETTER?



If there is a subject that you would like to see addressed or if you have written an article that you would like included in the newsletter, please send your ideas to the Kansas Real Estate Appraisal Board, 1100 S.W. Wanamaker Rd., Ste. 104, Topeka, KS 66604.

WHAT DO DESK REVIEWERS LOOK FOR?

The attached checklists should give appraisers an idea of what our desk reviewers look for when reviewing appraisals for experience or as a result of a complaint.

USPAP APPRAISAL AND REPORTING CHECKLIST

USPAP Standard	Issue	Adequate?		
		Y	N	NA
2-2	Reporting Option prominently stated? (a) self-contained, (b) summary, or (c) restricted use			
2-2(i) 1-2(a)	Client and intended users identified?			
2-2(ii) 1-2(b)	Is the Intended Use of the appraisal stated?			
2-2(iii) 1-2(e)(i)	Real estate adequately identified (including physical, legal and economic attributes)?			
2-2(iii) 1-2(e)(iii) 1-4(g)	If personal property and/or intangibles are included in the appraisal, are they handled appropriately?			
2-2(iii) 1-2(e)(iv)	Are easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances or other items of similar nature handled appropriately?			
2-2(iv) 1-2(e)(ii)	Real Property Interest appraised stated and identified correctly?			
2-2(v) 1-2(c)	Purpose of the appraisal and definition of value included?			
2-2(vi) 1-2(d)	Effective date of report included?			
2-2(vii) 1-2(f)	Scope of work adequately reported given the intended use and reporting option?			
2-2(viii) 1-2(g)(h)	Assumptions, hypothetical conditions, and limiting conditions reported and appropriate?			
2-2(ix)	Data, procedures, reasoning/analyses, opinions and conclusions adequate for intended use and reporting option?			
2-2(x) 1-3(a) (b)	Highest and Best Use stated, and is the opinion adequately supported for the intended use and reporting option?			
2-2(xi)	Were departures adequately explained (if applicable)?			
2-3	Certification complete and signed?			
Comments				
2-1(a)	Was the appraisal report clearly and accurately set forth in a manner that was not misleading?			
2-1(b)	Did the appraisal report contain sufficient information to enable the intended user to understand the report properly?			
2-1(c)	Were the extraordinary assumptions, hypothetical conditions, or limiting conditions clearly and accurately disclosed? Was the impact on value appropriately disclosed?			
Comments				

After reviewing the appraisal report and addressing specific reporting requirements above, the reviewer develops opinions regarding compliance with Standard 1 of USPAP (Real Property Appraisal Development):

USPAP Standard	Issue	Adequate?		
		Y	N	NA
1-4(a)	Sales comparison approach sufficiently analyzed (or reason for departure made)?			
Comments				
1-4(b)(i)	Was the site valuation method appropriate (or reason for departure made)?			
1-4(b)(ii)	Was the cost approach adequate and supported (or reason for departure made)?			
1-4(b)(iii)	Were all sources of depreciation within the cost approach considered and appropriately analyzed?			
Comments				
1-4(c)(i)	Within the Income Approach (check NA if departed or not applicable), did the appraiser analyze appropriate rental data and reasonably estimate potential gross income?			
1-4(c)(ii)	Were the operating expenses adequately analyzed within the Income Approach?			
1-4(c)(iii)	Was the capitalization rate or discount rate appropriate within the Income Approach?			
1-4(c)(iv)	Was future income and expenses based on reasonably clear and appropriate evidence?			
1-4(d)	If leased fee interest was appraised, did the appraiser appropriately analyze the effect on value of the terms and condition so the lease?			
Comments				
1-4(e)	If applicable, did the appraiser analyze the effect on value of the assemblage of the various estates or component parts of a property and refrain from valuing the whole solely by adding together the individual values of the various estates or component parts?			
1-4(f)	If applicable (or known to the reviewer), did the appraiser appropriately analyze the effect on value of anticipated public or private improvements, located on or off the site, to the extent that the market actions reflect such anticipated improvements as of the effective appraisal date?			
1-5(a)	Did the appraiser analyze the current agreement of sale, option, or listing of the property?			
1-5(b)	Did the appraiser analyze and report the sales history of the property (1 year for one-to-four family residential properties, and 3 years for all other property types)?			
1-5(c)	Did the appraiser appropriately reconcile the approaches and analyses?			
Comments				
1-1(a)	Was the appraiser aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal?			
1-1(b)	Does it appear that the appraiser did not commit a substantial error of omission or commission that significantly affects the appraisal?			
1-1(c)	Does it appear that the appraiser did not render appraisal services in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal, but in aggregate would affect the credibility of those results?			
Comments				

USPAP Q & A

Q I was recently told that USPAP allows appraisers to wait and create a workfile after the report has been delivered to the client for an appraisal, appraisal review, or appraisal consulting assignment. Is this true?

A No. The Record Keeping section of the ETHICS RULE states:

*A workfile must be in existence **prior to and contemporaneous with** the issuance of a written or oral report. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report. (Bold added for emphasis)*

Q I am a state certified appraiser and was recently asked by a client to perform a "condition and marketability report". A value conclusion is not requested as part of the assignment; however, I must sign the report as an appraiser. Is this assignment covered by USPAP?

A Yes. Since the condition and marketability of a property directly pertains to its value, this is a valuation service. Furthermore, because you are being asked to perform the service **as an appraiser**, the assignment involves appraisal practice. USPAP defines appraisal practice as:

*valuation services, including but not limited to appraisal, appraisal review, or appraisal consulting, performed by an individual **as an appraiser**.*

Comment: *Appraisal practice is provided only by appraisers, while valuation services are provided by a variety of professionals and others. The*

terms appraisal, appraisal review, and appraisal consulting are intentionally generic and are not mutually exclusive. For example, an opinion of value may be required as a part of an appraisal review and is required as a component of the analysis in an appraisal consulting assignment. The use of other nomenclature for an appraisal, appraisal review, or appraisal consulting assignment (e.g., analysis, counseling, evaluation, study, submission, or valuation) does not exempt an appraiser from adherence to the Uniform Standards of Professional Appraisal Practice. (Bold added for emphasis)

Appraisers who provide appraisal practice services for which there are no specific performance standards should comply with the portions of USPAP that still apply generally to appraisal practice. These include the PREAMBLE; the Conduct Management, and Confidentiality sections of the ETHICS RULE; the COMPETENCY RULE; the JURISDICTIONAL EXCEPTION RULE; and the SUPPLEMENTAL STANDARDS RULE. (See AO-21 for further advice).

Q I am appraising a property that will require a Discounted Cash Flow (DCF). Are there any special requirements in USPAP for this?

A Yes. STATEMENT NO. 2 (SMT-2) contains a number of requirements related to performing a DCF. The following outlines the conclusions at the end of this Statement:

- *DCF analysis is an additional tool available to the appraiser and is best applied in developing value opinions in the context of one or more other approaches.*

- *It is the responsibility of the appraiser to ensure that the controlling input is consistent with market evidence and prevailing market attitudes.*
- *Market value DCF analyses should be supported by market-derived data, and the assumptions should be both market- and property-specific.*
- *If using commercial software the appraiser should cite the name and version of the software and provide a brief description of the methods and assumptions inherent in the software.*
- *DCF accounts for and reflects those items and forces that affect the revenue, expenses, and ultimate earning capacity of real estate and represents a forecast of events that would be considered likely within a specific market.*
- *The results of DCF analysis should be tested and checked for errors and reasonableness.*
- *Standards Rule 1-1(b) states that the appraiser must not commit a substantial error of omission or commission that significantly affects the appraisal.*

Since Statements have the full weight of a Standards Rule, their requirements are binding and must be adhered to.

Q I have been taught that USPAP prohibits all contingent compensation. Is this true?

A No. USPAP does not prohibit all forms of contingent compensation.

USPAP prohibits compensation that is contingent (or dependent) on an unethical act, or acts that would encourage unethical be-

havior. All fees are contingent on some type of act, such as completing the assignment. Only unethical contingencies are prohibited.

The Conduct section of the ETHICS RULE states, in part:

In appraisal practice, an appraiser must not perform as an advocate for any part or issue...

An appraiser must not accept an assignment that includes the reporting of predetermined opinions and conclusions.

The Management section states, in part:

It is unethical for an appraiser to accept compensation for performing an assignment when it is contingent upon:

1. *the reporting of a predetermined results (e.g., opinion of value);*
2. *a direction in assignment results that favors the cause of the client;*
3. *the amount of a value opinion;*
4. *the attainment of a stipulated result; or*
5. *the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment purpose.*

Q STATEMENT 8, dealing with the electronic transmission of reports, has been retired. Can reports still be stored in electronic format?

A Yes, reports may still be stored in electronic format. STATEMENT 8 dealt with **transmission**, not with record **storage**. Hence, the retirement of SMT-8 does not affect record keeping requirements. (Also, note that the retirement of SMT-8 does **not** indicate that electronic transmission of reports is no longer allowed.)

Q I recently accepted an appraisal assignment for a property that had an easement granted in perpetuity. The property owner was the client. She did not have a copy of the easement and stated that it had never been recorded. What are my development and reporting obligations under USPAP?

A First, you should do what research is possible to see if the easement was recorded and reflect the facts you discover in your analysis. If you cannot confirm the facts, you may use an Extraordinary Assumption in your analysis. The particulars of the Extraordinary Assumption, and its impact on value, must be clearly disclosed.

The definition of an Extraordinary Assumption is:

an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

*Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, **legal**, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in the analysis (Bold added for emphasis)*

Standards Rule 2-1(c) states, in part:

Each written or oral real property appraisal report must: (c) clearly and accurately disclose any extraordinary assumption, hypothetical condition, or limited condition that directly affects the appraisal and indicate its impact on value.

The Comment to this Standards Rule states, in part:

In a written report the disclosure is required in conjunction with statements of each opinion or conclusion that is affected.

Q For a real property appraisal, I know that USPAP requires an appraiser to develop a reconciliation of the approaches to value that are used in an assignment. Does USPAP require the appraiser to reconcile the data utilized within each approach to value?

A Yes. Standards Rule 1-5(c), a binding requirement, states,

In developing a real property appraisal, an appraiser must:

*reconcile the quality and quantity of the data available **and analyzed within the approaches used** and the applicability or suitability of the approaches used.*

Comment: See the Comments to Standards Rules 2-2(a)(ix), 2-2(b)(ix), and 2-2(c)(ix) for corresponding reporting requirements. (Bold added for emphasis)

Q Is the main function of USPAP to protect appraisers?

A No. The first paragraph of the PREAMBLE states:

*The purpose of these Standards is to establish requirements for professional appraisal practice, which includes appraisal, appraisal review; and appraisal consulting, as defined. The intent of these Standards is to **promote and maintain a high level of public trust** in professional appraisal practice. (Bold added for emphasis)*

Although the main purpose is not to protect appraisers, appraisers do receive significant

benefits and protection from USPAP. It establishes requirements for impartiality, independence, objectivity, and competent performance. Because of these standards, appraisers who comply with USPAP are viewed as unbiased professionals whose work is worthy of public trust.

Q USPAP requires appraisers to report the scope of work undertaken in each appraisal assignment. The detail required varies by reporting option. Is there a similar requirement for an Appraisal Review assignment?

A Yes. Standards Rule 3-2(c), a binding requirement, states:

In reporting the results of an appraisal review, the reviewer must:

...
state the nature, extent, and detail of the review process undertaken (i.e., the scope of work) identified in accordance with Standards Rule 3-1(c); (Bold added for emphasis)

Q When reporting the results of a real property appraisal that includes a hypothetical condition, are appraisers required to report the hypothetical condition in every instance where the value conclusion is reported?

A Yes. Standards 1-2(h) (a binding requirement) states:

In developing a real property appraisal, an appraiser must:

...
identify any hypothetical conditions necessary in the assignment.

Comment: A hypothetical condition may be used in an assignment only if:

- *use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison.*
- *use of the hypothetical condition results in a credible analysis; and the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.*

The corresponding reporting requirement is found in Standards Rules 2-2(a)(viii), (b)(viii), and (c)(viii). Each of these binding Standards Rules states:

state all assumptions, hypothetical conditions, and limiting conditions that affected the analyses, opinions, and conclusions;

Comment: Typical or ordinary assumptions and limiting conditions may be grouped together in an identified section of the report. **An extraordinary assumption or hypothetical condition must be disclosed in conjunction with statements of each opinion or conclusion that was affected.** (Bold added for emphasis)

A fundamental concept of USPAP is not to mislead the intended users of the appraisal report. Since a hypothetical condition has such an integral relationship to the value conclusion, reporting a value conclusion without that hypothetical condition could easily mislead the client and or intended users.

Q Why are appraisers required to report the scope of work in an appraisal, appraisal review, or appraisal consulting report?

A Reporting the scope of work is necessary in order to avoid misleading communication.

“Scope of Work” is defined as:

the amount and type of information researched and the analysis applied in an assignment. Scope of work includes, but is not limited to, the following:

- *the degree to which the property is inspected or identified;*
- *the extent of research into physical or economic factors that could affect the property;*
- *the extent of data research; and*
- *the type and extent of analysis applied to arrive at opinions or conclusions.*

Documenting the scope of work provides the intended users with a clear understanding of the extent of the research and analysis. It also serves as protection for both the client and the appraiser by detailing things that were, and were not, done in the assignment. (It should be noted that other professions, such as engineers, have a long history of requiring the development and reporting of the scope of work in their assignments.)

Q Can the purpose of an appraisal consulting assignment be to develop an opinion regarding the quality of another appraiser’s work?

A No. STANDARD 4 states, in part:

An opinion of value or an opinion as to the quality of another appraiser’s work cannot be the purpose of an appraisal consulting assignment. Developing an assignment for those purposes is an appraisal or an appraisal review assignment, respectively. Misrepresenting the purpose of an assignment per-

formed under this **STANDARD** is a violation of the **ETHICS RULE**. (Bold added for emphasis)

Q USPAP requires appraisers to include a description of the scope of work in each appraisal report, the detail of which varies by reporting option. Is there a similar requirement for appraisal review reports?

A Yes. Standards Rule 3-2(c), a binding requirement, states that in every appraisal review report the reviewer must “state the nature, extent, and detail of the review process undertaken (i.e. the scope of work) identified in accordance with Standards Rule 3-1(c)”.

Standards Rule 3-1(c), also a binding requirement, states, in part:

In developing an appraisal review, the reviewer must:

...
identify the scope of work to be performed;

Comment: A reviewer must take appropriate steps to identify the precise extent of the review process to be completed in an assignment. A reviewer must have sound reasons in support of the scope-of-work decision, and the resulting opinions and conclusions developed in the assignment must be credible and consistent with the intended use of the review.

In making the scope-of-work decision, the reviewer must identify any extraordinary assumptions necessary in the assignment. An extraordinary assumption may be used in an appraisal review assignment only if:

- it is required to properly develop credible opinions and conclusions;

- the reviewer has a reasonable basis for the extraordinary assumption;
- the use of the extraordinary assumption results in a credible analysis; and
- the reviewer complies with the disclosure requirements set forth in SR 3-2(d) for extraordinary assumptions.

The appraisal review must be conducted in the context of market conditions as of the effective date of the opinion in the work being reviewed. Information available to the reviewer that could not have been available to the appraiser as of or subsequent to the date of the work being reviewed must not be used by a reviewer in the development of an opinion as to the quality of the work under review.

Q I am an appraiser performing an appraisal, appraisal review, or an appraisal consulting assignment. I am required by law, regulation, agreement, or choice to follow USPAP. Is this still true if I do not charge a fee for my service?

A Yes. The applicability of USPAP is not affected by the amount of the fee, or lack of a fee.

Q A client asked if I would be willing to reduce my fee for appraisals in cases when the loan did not close if the client agreed to pay extra for other assignments. Would this practice be ethical?

A No. The Management section of the ETHICS RULE states, in part:

It is unethical for an appraiser to accept compensation for performing an assignment when it is contingent upon:

...

5. the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.

As with the other related prohibitions in this section of the ETHICS RULE, such contingencies are not allowed because they can inspire unethical behavior and erode public trust in professional appraisal practice.

Q I was recently asked to review an appraisal report and limit my review to only the income approach to value. Is such a limitation acceptable?

A Yes. USPAP does not require the reviewer to review the entire report. Standards Rule 3-1(b) states, in part:

In developing an appraisal review, the reviewer must;

...
identify the:

- subject of the appraisal review assignment,
- date of the review,
- property and ownership interest appraised (if any) in the work under review,
- date of the work under review and the effective date of the opinion in the work under review, and
- appraiser(s) who completed the work under review, unless the identity was withheld;

Comment: **The subject of an appraisal review assignment may be all or part of an appraisal report, the workfile, or a combination of these.** (Bold added for emphasis)

Q Can an appraisal, appraisal review, or appraisal consulting assignment include more than one intended use?

A Yes. USPAP requires appraisers to identify the “intended use of the appraiser's

opinions and conclusions". There is no prohibition against having more than one intended use. However, when performing an appraisal, appraisal review, or appraisal consulting assignment with multiple intended uses, the appraiser must be very careful to clearly identify each of the intended uses of the report to limit the possibility of confusion.

Additionally, the appraiser must comply with all Supplemental Standards that are applicable to the intended uses. The appraiser must also recognize that the scope of work may need to be expanded in order to provide credible results for all of the intended uses.

Q The term "Supervisory Appraiser" is used in many appraisal reports, particularly residential appraisals. Does USPAP define Supervisory Appraiser?

A No, USPAP does not define or otherwise address this term. Supervisory Appraiser is a term that was introduced by the authors of several heavily utilized residential appraisal forms.

However, it should be noted that any appraiser who signs any part of the appraisal report must also sign the certification.

This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. The ASB USPAP Q&A is issued to inform appraisers, regulators, and users of appraisal services of the ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the Uniform Standards of Professional Appraisal Practice (USPAP) in specific situations; and to offer advice from the ASB for the resolution of appraisal issues and problems. This question and answer section does not constitute a legal opinion of the ASB. ■

DISCIPLINARY ACTIONS

**RONALD LEE SHIVERS - R-676
ABILENE, KANSAS**

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

ACTION: Consent Agreement and Order was entered into with the following terms and conditions: That **SHIVERS** attend and pass the examination of the 15-hour Uniform Standards of Professional Appraisal Practice Course (USPAP) on or prior to June 30, 2002. That **SHIVERS** pay \$250 to cover the cost of the reviews associated with these complaints within 30 days from the date the agreement was signed by both parties.

**RONALD L. HOFFMAN - R-228
ROSE HILL, KANSAS**

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 **HOFFMAN** take and pass the examination of the 15-hour Uniform Standards of Professional Appraisal Practice (USPAP) course on or prior to June 30, 2002.

**CHARLES W. FARRELL - L-927
MISSION, KANSAS**

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 **FARRELL** cease

and desist doing appraisal reports on all property other than that set out within the licensed classification scope of practice unless supervised by a Kansas certified appraiser. That **FARRELL** take and pass the examination of the 15-hour Uniform Standards of Professional Appraisal Practice course on or prior to June 30, 2003. That **FARRELL** pay \$150 to cover the cost of the reviews associated with this complaint within 30 days from the date of the Agreement.

**CHARLES LEE BANES - R-948
LEAVENWORTH, KANSAS**

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 **BANES** successfully complete the 15-hour Uniform Standards of Professional Appraisal Practice course on or prior to June 30, 2003. That **BANES** successfully complete a minimum 30-hour residential report-writing course on or prior to June 30, 2003. That **BANES** pay \$400 to the Board to cover the cost of the review associated with this complaint within 30 days from the date of the Agreement.

**VERNON HOPKINS - R-194
BENTON, KANSAS**

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 on or prior to June 30, 2003, **HOPKINS** successfully complete a minimum 8-hour course on appraising

manufactured housing. That **HOPKINS** pay \$250 to cover the cost of the reviews associated with this complaint within 30 days from the date of the Agreement. ■

NEWSLETTER FORMAT TO CHANGE

Beginning with the Board's 2003 Newsletters, copies will not automatically be sent to each appraiser. Each quarter (Spring, Summer, Fall, Winter) a new newsletter will be posted on the Board's website at www.ink.org/public/kreab.

If you would prefer to receive the Newsletter in printed form, you may request that a copy of the newsletter be mailed to you by submitting your name and

license/certificate number, via U.S. Mail, e-mail or fax, to the Board office.

REPORTING LENDER PRESSURE

The Kansas Real Estate Appraisal Board continues to hear appraiser concerns regarding lender pressure to raise their real estate valuation conclusions to target values. Appraisers who accommodate such lenders are not adhering to the standards promulgated by the Uniform Standards of Professional Appraisal Practice. Article XI of the Financial Institutions Reform and Recovery Enforcement Act of 1989 (FIRREA) is intended to address this issue. Verified complaints of this nature can be brought to the

attention of the authorities. The Office of the Comptroller of the Currency (OCC), Customer Assistance Group, have provided the following contact numbers for handling consumer complaints:

National Banks - Office of the Comptroller of the Currency - 1-800-613-6743

Savings/Loan Banks - Office of Thrift Supervision - 1-800-842-6929

Credit Unions - National Credit Union Administration - (703) 518-6330

State Chartered Banks - Federal Deposit Insurance Corporation - (877) 275-3342

Mortgage Companies - Federal Trade Commission - (877) 382-4357 ■

APPRAISER ADDRESS CHANGES

K.S.A. 58-4114 requires that each appraiser immediately give written notice of a change of address to the Board. As the Board maintains both business and residence information, it is important that the following information be provided with your address change.

APPRAISER ADDRESS CHANGE
PLEASE PRINT OR TYPE

RESIDENCE BUSINESS BOTH

APPRAISER'S NAME: _____

LICENSE/CERTIFICATE NUMBER: _____

ADDRESS: _____

PHONE #:(_____) _____ FAX #:(_____) _____
(OPTIONAL)

E-MAIL ADDRESS: _____
(OPTIONAL)

THIS IS A SUGGESTED FORMAT ONLY.

**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
AUGUST, 2002**

GENERAL CERTIFIED	413
RESIDENTIAL CERTIFIED	322
STATE LICENSED	255
PROVISIONAL (TRAINEE).....	100
TOTAL	1,090

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.

APPRAISAL BOARD MEMBERS

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Steven R. Adams, Vice Chairman
Ronald D. Aul, Member
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Ralph Leno, Member
James E. Pfeffer, Member

STAFF

Sally Pritchett, Executive Director
Cheryl Magathan, Public Service Executive

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Visit the Board Website at
www.ink.org/public/kreab.