



Kansas Real Estate Appraisal Board

2006

Summer Newsletter

August, 2006

No. 3

10 R'S FOR BEING AN ACCOUNTABLE SUPERVISOR

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The "Ten R's" provides criteria to consider when taking on a trainee appraiser.

1. Responsibility. The supervising appraiser takes on full responsibility for a trainee appraiser's valuation reports by signing and certifying the report is in compliance with the Uniform Standards of Professional Appraisal Practice.

2. Reliability. The information that is presented in a report must be accurate and dependable in order to provide a valid and credible report. A trainee must be adequately supervised in the data gathering process to ensure that they are correctly and properly collecting pertinent and factual data for analysis.

3. Research. It is the supervisors responsibility to ensure that the trainee knows the various sources to gather data and that the data collected is reliable. The trainee should be exposed to any sources of research which would be considered by one's peers in the market place. This would include cost manuals, multiple listing services, public records and internet study.

4. Reason. The trainee must learn to reason independently, and to formulate reasonable conclusions based upon the analysis of the information gathered. The supervisor needs to directly guide then transition the trainee to an independent reasoning process.

5. Respect. Both parties in the training process (supervisor and trainee) require mutual respect to create a positive and meaningful learning environment. Questions about the appraisal process or differences in the presentation of information by the trainee should not be considered as "disrespect" but rather should be encouraged as a constructive thought

process in the analysis of valuation and a tool for the supervisor to "rethink" old habits and consider innovative thinking.'

6. Rapport. A supervisor has the unique opportunity to form a lasting relationship with their trainee as a mentor and friend. There should be a professional understanding and trust between the supervisor and trainee regarding the education that is taking place.

7. Routine. The trainee should be taught the basic routine of the appraisal process. There should be a consistency and regular pattern of data gathering, analysis and report writing. This enables predictability for both parties and an expectation of results.

8. Report Writing. A supervisor has the responsibility of reviewing and critiquing appraisal reports for accuracy; ease of reading and understanding; purpose; and ensuring that all addenda is both relevant and pertinent. It is the supervisor's responsibility that factual data is reliable and that analysis is both supported and documented.

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necessary certification and limiting conditions should be up to date and applicable to the assignment.

9. Reflective. The competency of a supervisor is directly reflective on the All appraisal industry as a whole. If the supervisor is lackadaisical in their responsibilities it has the potential to discredit appraisers in general. A good, conscientious supervisor not only helps produce a competent, ethical professional, but also creates a positive image of the appraisal profession.

10. Rounded. A well rounded trainee is one that was rigorously supervised, and has many different experiences. A supervisor should expose a trainee to many different property types, report formats, value ranges etc, as possible, with the understanding that each time a new or unique assignment is introduced, there is a responsibility to instruct and educate the trainee to ensure competency. Creating a well-rounded appraiser helps ensure reliability and validity to the client depending upon the analysis.



2007 EXPERIENCE SUPERVISION CHANGES

Effective July 1, 2007, K.A.R. 117-2-2a, 117-3-2a, 117-4-2a, and 117-5-2a will go into effect. These regulations deal exclusively with experience supervision for each of the four appraiser license/certification types available. The major changes made are:

- ALL EXPERIENCE SUBMITTED TO MEET THE REQUIREMENTS OF ANY LICENSE OR CERTIFICATION LEVEL MUST HAVE BEEN SUPERVISED.
- ALL SUPERVISORS MUST CARRY EITHER A CERTIFIED RESIDENTIAL OR CERTIFIED GENERAL CLASSIFICATION AND HAVE HELD SAID CLASSIFICATION FOR A MINIMUM OF 2 YEARS AT THE TIME OF SUPERVISION.
- NO APPRAISER MAY SUPERVISE MORE THAN 3 TRAINEE/APPLICANT/APPAISERS (APPLICANT) AT ONE TIME.
- A SUPERVISOR MUST ENSURE THAT, AT A MINIMUM, THE FIRST 25 PROPERTIES FOR WHICH THE APPLICANT PROVIDED ASSISTANCE IN DEVELOPING, PREPARING, OR COMMUNICATING AN APPRAISAL REPORT, WERE PERSONALLY INSPECTED BY A SUPERVISOR, AND EACH SUPERVISOR MUST CONTINUE TO

INSPECT UNTIL SATISFIED THE APPLICANT IS COMPETENT. **PLEASE NOTE:** The emphasis on “a” is to allow for changes or multiple supervisors.

Example A: A trainee has accrued 500 hours of experience under Supervisor A, but is changing to Supervisor B. Supervisor B would need to review the applicant’s log sheet, determine that the first 25 properties were inspected by the previous supervisor, and then inspect all properties under their supervision until satisfied that the applicant is competent. If the applicant’s log does not indicate that 25 properties have been inspected, then Supervisor B would be responsible for inspecting the remainder needed to meet the minimum 25 required and continue inspecting until satisfied that the applicant is competent.

Example B: A trainee is working under 2 different supervisors at the same time. It would be each supervisor’s responsibility to know if the current appraisal falls within the first 25 properties and must be inspected by that supervisor, and regardless of whether the 25 properties have been met, both are responsible for continuing to inspect until satisfied the applicant is competent.



ALL ADDRESS CHANGES SUBMITTED TO THE BOARD **MUST** BE IDENTIFIED AS RESIDENCE, MAILING OR BUSINESS, OR ANY COMBINATION OF THESE.

CONTINUING EDUCATION

During each renewal cycle, the Board staff will see the same problems over and over again, particularly when it comes to continuing education. What follows will hopefully clarify some of these on-going problems.

RENEWAL REQUIREMENTS: Each appraiser who has been licensed or certified for a period of more than 12 months is required to log continuing education on their annual renewal application. The renewal requirement is 14 hours per year. Hours may be carried over from one year to next **ONLY** during a 2-year education cycle.

For example, in 2006 you were required to have 14 hours logged, completed on or after July 1, 2005. If you completed more than 14 hours, the excess will carry forward to your 2007 renewal requirement. July 1, 2007 will begin a new education cycle and all hours logged on

your 2008 renewal application must have been completed on or after that date.

USPAP: Each appraiser is required to complete the 7-hour USPAP Update course, once during each education cycle. As shown above, the education cycle covers a 2-year period, running from July 1 of each odd year to June 30 of the next odd year, or July 1, 2005 through June 30, 2007; July 1, 2007 through June 30, 2009, etc. The 15-hour tested USPAP course **may not** be substituted.

MAINTAINING YOUR EDUCATION RECORDS: K.A.R. 117-6-1(d) requires that each appraiser maintain their own education records. For ease of recordkeeping, it is recommended that when a renewal is filed, a copy of the renewal application should be attached to those certificates of completion logged on it and placed in the appraiser's education file. This makes response to an education audit effortless.

Kansas allows continuing education credit for any CLASSROOM course taken **outside** of the State of Kansas, provided the course is approved for appraiser continuing education by the appraisal board in the state in which the course is given. It is each appraiser's responsibility to maintain not only proof of completion of the course, but also that the course was approved by the state at the time the course was taken. If the certificate of completion does not reflect that the course is approved in the state it was given, the appraiser is responsible for documenting that information. It is the same for non-residents using their resident continuing education in Kansas. Their education files should include proof that the course was approved by their resident state at the time the course was taken.

With the exception of the education audits performed by the Board annually, no continuing education records are maintained by this office. We do not know how many hours you took last year, we don't know when you last took your USPAP Update course, nor can we provide you with copies of any of your certificates.



The Board of Directors of the COALITION OF KANSAS APPRAISERS will have a board meeting to determine the course of action for appraisers in legislative matters on Friday, October 13, in Emporia.

2007 EDUCATION AUDIT

The Board is required to audit the education of a minimum of 20% of all appraisers during each renewal cycle. On July 17, 2006 the Board mailed 220 notices to appraisers selected for audit and the processing of these, as well as additional audits based on late renewals, will continue through September 30, 2006.

AREAS OF CONCERN DURING CURRENT AUDIT

- Don't register for your courses using pet names. When a license has been issued to John Smith and the certificate of completion submitted reads "Red" Smith, it makes verification difficult.
- Read your certificates when you receive them. Verify that the information shown is correct.
- If you have taken a course outside the state of Kansas, make sure that your certificate states that it is approved in the state in which you took it. If it does not, it is the appraiser's responsibility to secure that information and attach it to the certificate of completion. Both would then be submitted to the Board if requested to do so during an audit.
- Don't assume that because you finished your on-line course on the 5th, that your certificate of completion will be dated the 5th. Verify with your provider what your course completion date will be or wait until you have received your certificate of completion.
- An audit covers a specific renewal. In the instant case, we audited the education logged on the 2006 renewal application. Many submitted certificates from 2004 and 2005, most of which were not eligible for credit in 2006.
- **DO NOT IGNORE THE AUDIT NOTICE.** During the Board's first audit in 2004, our responses totaled 100%. In 2005, two appraiser's licenses were revoked for failure to respond to the audit and several more were fined and/or disciplined for failure to respond in a timely manner or for making false or misleading statements on their renewal applications.
- Proof your renewal application before mailing it in. We found numerous errors in completion dates, providers, even in the name of the course listed. Check your education log over before you sign-off on it and mail it in. If we cannot match your certificates of completion to that application, you have filed a false statement and you may be subject to both disciplinary action and a monetary fine.

Board staff received several irate phone calls this year from appraisers who felt they were being “picked on” or that the Board was profiling them as they were audited in 2005 and again in 2006. The selection process for the education audit is completely random. The database is sorted first by license/certificate type and then alphabetically. The selection process takes 20% of each of the four different license/certification types. **NO APPRAISER**, for any reason, is specifically selected for the education audit.



CAN A REVIEWER FILE A COMPLAINT?

The Board has received several questions with regard to a reviewer filing a complaint based on a report they have reviewed. To address this issue, the Board went to The Appraisal Foundations FAQ 2006 Edition, Q & A #182:

Q Is a reviewer permitted by USPAP to file a complaint with a State Appraiser Board without the consent of his or her client?

A It is the opinion of the ASB that a reviewer may, absent any higher precedent law or regulation, file a complaint with a State Appraiser Board without the consent of his or her client.

The Confidentiality section of the ETHICS RULE states: *“An appraiser must protect the confidential nature of the appraiser-client relationship.”*

The Confidentiality section continues: *“An appraiser must not disclose confidential information or assignment results prepared for a client to anyone other than the client and persons specifically authorized by the client; **state enforcement agencies** and such third parties as may be authorized by due process of law;...”* (Bold added for emphasis)

In recent correspondence with John Brennan, Director of Research and Technical Issues for The Appraisal Foundation, Mr. Brennan stated “USPAP does not specifically require an appraiser to report an appraiser who does not comply with USPAP. States may have laws that mandate their licensed and certified appraisers to report others, but that’s not found in USPAP.”

“That issue is not always clearly understood, at least partially because of the following language

that appears in the Conduct section of the ETHICS RULE:

“An appraiser must not use or communicate a misleading or fraudulent report or knowingly permit an employee or other person to communicate a misleading or fraudulent report.”

“However, it is not the intent of the above language to require appraisers to report others who are not in compliance with USPAP. Appraisal reports that are not fraudulent or misleading may still not be in compliance with USPAP.”



HB 2735

The Board received the following question from the Kansas Office of the State Bank Commissioner: “...I’d appreciate hearing your views on the portion of recently enacted HB 2735 pertaining to new section 2 of K.S.A. 58-2237 which states in part *“No lender...shall disclose to an appraiser or other person engaged to determine the appraised value of real estate, the amount of a proposed real estate loan or the preferred or required value of any real estate intended to secure such loan.”* It’s my understanding that the appraiser typically obtains a copy of the pending sales contract on the subject property to determine if there are any unique circumstances that would materially affect the sales price as one step in establishing the estimation of value. My specific question centers on the part in the above law about a lender disclosing *“the amount of a proposed real estate loan”* to an appraiser. Is there any specific requirement or appraisal standard that dictates the appraiser have knowledge of the proposed loan amount?

The Board sought the assistance of the Appraisal Foundation in answering this question. John Brennan responded: “Although we can’t provide you with a legal interpretation on the impact of the new legislation, we do have a couple of observations. First, although it could certainly be interpreted that way, a strict reading of the language in the bill does not appear to preclude a lender from informing an appraiser of the pending sale price of the property. One could argue that providing the sale price would be tantamount to providing a “preferred or required value,” but that’s not necessarily a given.

Secondly, even if a lender cannot provide the sale price amount to the appraiser, the language in the bill does not appear to prohibit a real

estate agent or broker from doing so. Therefore, if lenders feel compelled not to provide this information to appraisers, appraisers could still request the information from an agent or broker in the normal course of business.

If all else fails, USPAP provides a mechanism for appraisers to comply even if the information is unobtainable. As stated in the Comment to Standards Rules 2-2(a)(viii), (b)(viii) and (c)(viii):

*When reporting an opinion of market value, a summary of the results of analyzing the subject sales, options, and listings in accordance with Standards Rule 1-5 is required. **If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required.** If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.* (Bold added for emphasis)

Regarding your specific question, "Is there any specific requirement or appraisal standard that dictates the appraiser have knowledge of the proposed loan amount?" There is no requirement in USPAP that the appraiser have knowledge of the loan amount...USPAP is silent on this issue."

In following up on this question, the Board contacted the Office of the Bank Commissioner and they provided this article from their May 2006, Volume 1, Issue 1 newsletter:

INFORMATION PROVIDED TO APPRAISERS

The Kansas legislature passed a bill [HB 2735] which prohibits a lender (including a national or state bank) from disclosing to an appraiser or other person engaged to determine the appraised value of real estate, the amount of a proposed real estate loan, or preferred or required value of any real estate intended to secure such loan. This section of the bill will be codified under the Real Estate statutes. This has raised questions, as a sales contract is often provided to an appraiser. However, it appears that provisions of FIRREA already addressed this issue.

The "Frequently Asked Questions on the Appraisal Regulations and the Interagency Statement on Independent Appraisal and Evaluation Functions," issued March 22, 2005 explains that a bank may provide the sales contract for purchase transactions, but no other information should be given that would unduly influence the appraiser or otherwise suggest the property's value. (In short, you should not include information regarding the loan amount to the appraiser.)

OPINION FROM ST. BANK COMMISSIONER'S OFFICE
Kevin C. Glendening, Administrator Kansas UCCC, Deputy Commissioner, Consumer and Mortgage Lending, Office of the State Bank Commissioner, offered the following opinion:

As requested by your staff, I will summarize my opinion concerning the provision of HB 2735 relating to the prohibition on a lender disclosing the amount of a proposed loan or a preferred or required value of the related real estate to an appraiser. As you know, that specific section of the bill was suggested by a legislator on the committee and added during the House committee hearing on HB 2735. The intent of the provision as expressed during the hearing was to discourage a lender from directing an appraiser to inflate the value of a property in order to justify a higher loan amount. That type of activity does sometimes occur and can have very negative consequences for the borrower as well as an investor who may ultimately fund the loan.

Following the committee's adoption of the provision, I also had questions about how it might impact ordinary lending and appraisal practices and posed my questions to individuals at your agency, the Real Estate Appraisal Board; as well as Freddie Mac and Fannie Mae. None of the groups I communicated with indicated the provision would conflict with any USPAP or Freddie and Fannie guidelines. In general, I believe the consensus was that it is fairly standard practice for an appraiser to receive a copy of the sales contract. Furthermore, in addition to the proposed sale price, uniform real estate sales contracts often contain common generic contingency clauses that state the buyer will obtain a loan of not less than X amount at an interest rate not to exceed X. I believe it was the view of these groups that a lender simply passing on a sales contract containing such generic clauses would not appear to violate the intent of HB 2735. Again, it is my understanding the provision in HB 2735 is aimed at such practices where a lender might disclose an actual proposed loan amount or have other communication with an appraiser in an attempt to influence the appraiser to arrive at a predetermined value.

In the absence of any further direction or clarification from legislature, we will not take exception to a lender, who is subject to our supervision, simply providing a copy of a uniform sales contract to an appraiser. I hope my reply has been helpful.





USPAP Q & A

IDENTIFICATION OF INTENDED USERS

Q I know that it is my responsibility to identify the intended users when I perform an assignment. USPAP defines "intended user" as *the client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client.* However, I need clarification regarding whether certain parties should automatically be considered intended users in certain circumstances described below.

A. If I perform an appraisal for estate tax purposes and the client will provide my report to the IRS with her tax return, must the IRS be identified as an intended user in this situation?

B. I have been hired by an attorney representing a husband in a divorce, to appraise certain assets held in the marital estate and to appear as an expert witness. I know my report will go to the court as well as to the parties on the other side of the litigation. Must the court and/or the parties on the other side of the litigation be identified as intended users?

C. I frequently perform appraisals for purposes of purchase price allocation. The corporation that is my client will use the values for financial reporting purposes. My reports are provided to the auditors of the corporations for their review as part of the audit process. In such cases, must the auditors be identified as intended users?

D. I am appraising a property for a regulated lender. I know that my appraisal will be reviewed by the banks outside auditors and the OCC reviewers. Must the auditors and OCC reviewers be identified as intended users?

A No. Intended users are identified by the appraiser through communication with client and are not established based on who might receive or use the report.

The definition of "intended user" has a specific meaning in USPAP. In the context of the USPAP definition of intended user, the fact that the IRS, the court, an independent auditor, or the OCC in the above cases use your report for review, audit, or other purposes does not automatically make them intended users. These parties receive the report through established processes of disclosure or regulation.

One way to understand the concept is to think about what the *intended use* is for each party. The appraiser must identify both the intended users and the intended use of the ap-

praisal, because these two factors affect many elements of the appraisal assignment, such as the appropriate scope of work and the appropriate type of report.

In each case, the use of the report by these other parties is different from the *intended use* the appraiser identified, which was related to the client's use. Such other parties may be evaluating the decision made by the appraiser's client to obtain an appraisal, as well as the appraisal results, and other matters of which the appraiser may not be aware. As an example, the client filing the estate tax return is using the appraisal as an indication of the amount to state on the tax form. However, the IRS may "use" the appraisal report to determine whether the value reported on the tax return is adequately supported, whether they agree with the value, and/or whether they should challenge the taxpayer because they disagree with the value.

As indicated in Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended User*,

Parties who receive a copy of an appraisal, appraisal review, or appraisal consulting report as a consequence of disclosure requirements applicable to an appraiser's client do not become intended users of the report unless they were specifically identified by the appraiser at the time of the assignment.

APPLICABILITY OF SCOPE OF WORK RULE

Q In my role as an appraiser, I perform many assignments that are not appraisal, appraisal review, or appraisal consulting services. Does the SCOPE OF WORK RULE apply to these assignments?

A No. The SCOPE OF WORK RULE applies only to appraisal, appraisal review, and appraisal consulting assignments. These are the same assignments that STANDARDS 1 through 10 address.

Assignments where STANDARDS 1 through 10 do not apply (for example, teaching appraisal courses, providing sales data, collecting market data, analyzing reproduction costs, developing educational texts) still require an appraiser to comply with those portions of USPAP that apply to appraisal practice. These include the DEFINITIONS, PREAMBLE, the Conduct, Management, and Confidentiality sections of the ETHICS RULE, the COMPETENCY RULE, the JURISDICTIONAL EXCEPTION RULE and the SUPPLEMENTAL STANDARDS RULE.

JUDGING AN "APPRAISER'S PEERS ACTIONS"

Q. In the SCOPE OF WORK RULE, one of the two tests regarding the acceptability of an appraiser's scope of work is what the appraiser's peers would do. There are many appraisers that do things differently, so how would I know what they would do in an assignment?

A. The SCOPE OF WORK RULE states that the acceptability of an appraiser's work is judged based on two tests:

- the expectations of parties who are regularly intended users for similar assignments; and
- what an appraiser's peers' actions would be in performing the same or a similar assignment.

Neither of these tests are new to USPAP for 2006. There has been no change in the way that appraisers know that their scope of work is adequate. Appraisers continue to use their training, experience and judgment to determine a scope of work that produces credible assignment results.

The first step in knowing what your peers would do is to identify your peers. In USPAP, "appraiser's peers" has a specific meaning. It is defined as:

other appraisers who have expertise and competency in a similar type of assignment.

This definition illustrates that an appraiser's peers are assignment specific and may change from assignment to assignment. This is because appraisers have varying levels of expertise and competency in specific property types, geographic locations, etc. For more information on appraiser's peers, please see Advisory Opinion 29, *An Acceptable Scope of Work*.

Knowledge about what an appraiser's peers would do in a similar assignment comes through being a participant in the profession. Typical forums that allow appraisal professionals to share information about practice include appraisal journals and publications, professional meetings and conferences, education through courses and seminars, and appraisal discussion groups (both in-person and through the web).

2006 USPAP AND SCOPE OF WORK

Q. What are the major changes in the 2006 USPAP related to the scope of work and departure concepts?

A. The biggest changes are elimination of the DEPARTURE RULE and introduction of the SCOPE OF WORK RULE. The most visible change in appraisal practice is the discontinued use of the terms "Complete" and "Limited" to describe the appraisal process. There are nu-

merous related changes, but these are the main focus.

Q. What is scope of work?

A. In basic terms, the scope of work is the work an appraiser performs to develop assignment results. USPAP defines "scope of work" as the type and extent of research and analyses in an assignment. Note that this definition excludes reporting.

Q. Will the changes in the 2006 USPAP change the steps an appraiser takes in developing assignment results from what is done now?

A. No. The SCOPE OF WORK RULE has no requirements that were not in USPAP before. It's a matter of emphasis. The process of problem identification and the development of an appropriate scope of work, both previously existing USPAP requirements, are emphasized more in the SCOPE OF WORK RULE and the 2006 USPAP.

Q. Has any advice been issued to help understand the SCOPE OF WORK RULE and its use?

A. Yes, the ASB issued two new Advisory Opinions:

- AO-29 *An Acceptable Scope of Work*; and
- AO-28 *Scope of Work Decision, Performance, and Disclosure*

Q. How does an appraiser know if the scope of work is adequate?

A. The same way appraisers know now. Appraisers will continue to use their training, experience and judgment to determine a scope of work that produces credible assignment results.

Q. Who determines the scope of work?

A. It is the appraiser's responsibility to determine and perform the appropriate scope of work.

Q. Is a scope of work specified by the client acceptable?

A. It is if that scope of work allows the appraiser to develop credible assignment

results. If the scope of work specified by the client does not allow the development of credible assignment results, the appraiser needs to discuss changing the scope of work or withdraw from the assignment.

Q. What's important to know about "credible"?

A. Whether or not assignment results are credible is always measured in the context of the intended use of the assignment. This means that credibility is relative, not absolute. Assignment results that are credible for one intended use may not be credible for another intended use.

Q. Does the SCOPE OF WORK RULE introduce any new reporting requirements?

A. No. The SCOPE OF WORK RULE does emphasize that the appraiser must report the scope of work performed in the assignment, but this requirement has been in USPAP for many years.

The requirement to report the scope of work takes on greater significance because intended users rely on this disclosure to understand the research and analyses performed in the assignment, rather than relying on the simple (and potentially misleading) labels Complete Appraisal and Limited Appraisal.

Q. Is a separate section in the report needed for the scope of work description?

A. No. USPAP does not dictate where information must be included in reports. The scope of work performed may be described in one section or throughout the report.

Q. Does the report need to explain what wasn't done in an assignment?

A. Possibly. In addition to the disclosure of research and analyses performed, disclosure of research and analyses not performed might be needed to allow users of the report to understand your scope of work. The report must explain why the cost approach, sales comparison approach or income approach was not developed. It may also be necessary to disclose other research and analysis not performed.

Q. Have the reporting labels been deleted from USPAP?

A. No. The report types identified in USPAP have not changed. Self-Contained Report,

Summary Report and Restricted Use Appraisal Report are still the report options for real and personal property appraisals. Appraisal Report and Restricted Use Appraisal Report are still the report options for business or intangible asset appraisals.

APPRAISERS "PROVIDING COMPS"

Q. I have a client that just wants me to "provide comps" from a neighborhood. Are there any USPAP requirements I must comply with to perform this task?

A. To answer this question, it is important to identify exactly what the appraiser is being asked to do. If the appraiser is asked to "provide comps," that would typically mean the appraiser would be exercising his or her own judgment to determine which sales are most "comparable" to the subject property. The appraiser may choose to include only those sales that he or she deems are most similar to the subject in size, location, quality, etc., which could mean that certain sales may be omitted. In this case, the resulting data would have been "filtered" by the appraiser's judgment, which would have the net effect of providing a range of value to the client. This range of value is defined as an appraisal under USPAP; therefore, the appraiser would be obligated to comply with STANDARDS 1 and 2.

This should be contrasted to a request for an appraiser to simply provide data. For example, an appraiser asked by a client to provide "sales data of all homes located within a one mile radius" of a specific address could comply with the client's request without complying with STANDARDS 1 and 2, as the appraiser would just be providing sales data pursuant to the client's defined parameters. In this example, the appraiser must be careful not to communicate any opinions or conclusions regarding the data provided.

For related guidance on this topic, please refer to Advisory Opinion 19, *Unacceptable Assignment Conditions in Real Property Appraisal Assignments* and Illustration #4 "Appraisal and Market Information" in Advisory Opinion 21, *USPAP Compliance*.

BUSINESS VALUATION USING ASSET-BASED (COST) APPROACH

Q. I am valuing a controlling interest in a business enterprise by use of an asset-based (cost) approach, and that business owns real property. Am I required to have an appraisal of the real property or may I use other indications of the real property value?

A An appraisal of the real property would not always be required. Whether or not an appraisal is necessary is based on whether credible assignment results can be developed for the business interest without such an appraisal. And whether or not assignment results are credible is measured in the context of the intended use of those assignment results. The decision is part of the scope of work determination the business appraiser must make.

For some intended uses, the business appraiser may determine that an appraisal of the real property is required (to be performed by an appraiser competent to perform the appraisal and in compliance with USPAP). For other intended uses, the business appraiser may determine that an indication of the real property value other than a real property appraisal may be appropriate. Such indications could be a management estimate, a recent transaction of the property, or tax assessment values.

INCLUDING AN "UNRELIABLE" APPROACH TO VALUE

Q I have a client requesting that the cost approach be included in every appraisal assignment, including those where I feel the cost approach may not yield meaningful results. I am concerned that by complying with the client's request I may be providing a misleading appraisal report. How can I comply with USPAP and satisfy the client at the same time?

A Performing a cost approach that may not yield a meaningful indication of value does not result in a misleading appraisal report if the appraiser properly addresses the applicability and suitability of the approach in the report. Many appraisers address this in the reconciliation by including statements such as, "The cost approach was included solely at the request of the client; it has been given no weight in arriving at the final opinion of value because..."

REVIEW APPRAISER BIAS

Q An appraiser receives a request to review an appraisal; however, the reviewer has previously appraised the same property. Does the reviewer's prior experience with the property create a bias that then precludes an objective review?

A No. Prior appraisal experience with the subject of the work under review might be considered an asset and may have contributed to the reviewer's selection for the assignment. Before accepting any assignment, an appraiser must be certain that he or she will be able to

attest in the certification that the assignment results are impartial and unbiased. If the performance of the prior appraisal assignment creates a predisposition regarding appropriate and reasonable assignment results, the appraiser should decline the appraisal review assignment.

APPRAISER'S FEES

Q I'm aware that an appraiser's fee cannot be based on the amount of the appraiser's value conclusion. However, does USPAP allow an appraiser's fee to be based on the amount of the owner's estimate or a pending sale price of the subject property?

A USPAP does not prohibit an appraiser's fee from being based on an owner's estimate, a pending sale price of the subject property, loan amount, or any other factor outside the appraiser's control.

This is in contrast to a fee based on the amount of the appraiser's opinion of value, which is within the appraiser's control. A fee arrangement based on the appraiser's opinion of value violates the ETHICS RULE.



2008 APPRAISER CRITERIA CHANGES

On February 20, 2004, the Appraiser Qualifications Board (AQB) of the Appraisal Foundation adopted changes to the *Real Property Appraiser Qualification Criteria* that will become effective on January 1, 2008. These changes represent the **minimum** national requirements that each state must implement for individuals applying for a real estate appraiser license or certification as of January 1, 2008. The changes include increased pre-license education, which is summarized as follows:

STATE LICENSE

CURRENT REQUIREMENTS: 90 hours

2008 REQUIREMENTS: 150 hours

COLLEGE LEVEL COURSE REQUIREMENTS: None

CERTIFIED RESIDENTIAL

CURRENT REQUIREMENTS: 120 hours

2008 REQUIREMENTS: 200 hours

COLLEGE LEVEL COURSE REQUIREMENTS: An applicant for the Certified Residential classification must hold an Associate degree, or higher, from an accredited college, junior college, community college, or university. **In lieu of the Associate degree**, an applicant shall successfully pass twenty-one (21) semester credit hours

covering the following subject matter courses: English Composition, Principles of Economics (Micro or Macro), Finance, Algebra, Geometry or higher mathematics, Statistics, Introduction to Computers-Word Processing/Spreadsheets, and Business or Real Estate Law, from an accredited college, junior college, community college or university.

CERTIFIED GENERAL

CURRENT REQUIREMENTS: 180 hours

2008 REQUIREMENTS: 300 hours

COLLEGE LEVEL COURSE REQUIREMENTS: An applicant for the Certified General classification must hold a Bachelors degree, or higher, from an accredited college, junior college, community college, or university. **In lieu of the Bachelors degree**, an applicant shall successfully pass thirty (30) semester credit hours covering the following subject matter courses: English Composition, Principles of Micro Economics, Macro Economics, Finance, Algebra, Geometry or higher mathematics, Statistics, Introduction to Computers-Word Processing/Spreadsheets, Business or Real Estate Law, and two (2) elective courses in accounting, geography, ag-economics, business management, or real estate, from an accredited college, junior college, community college or university

SEGMENTED OPTION FOR 2008

There are two options for the state regulatory agencies in the implementation of this change. The first option, the "drop dead" or "firm date" option, requires that before any license or certificate can be issued on or after January 1, 2008, the applicant must meet the new education requirement. The second option, the "segmented option", breaks down certification into three components: education, experience and examination.

Under the segmented option, an applicant must meet the criteria in effect at the time the segment is completed, not the criteria in effect when the license or certificate is issued. For example, at this time, if a certified residential appraiser desires to secure the certified general classification, he/she must meet the 180 hours of pre-license education and pass the examination. Under the segmented approach, if the appraiser submits their education application, proving completion of the 180 hours prior to January 1, 2008, he/she does not have to comply with the 2008 education requirement, even though the 3000 hours of experience have not yet been met.

The examination to become a licensed or certified appraiser will also be changed on January 1, 2008. If an applicant completes his/her education and files their education application prior to January 1, 2008, the old examination may be taken up until December 31, 2007. If the applicant does not pass the examination before January 1, 2008, they will have to take and pass the new exam that will be in use effective that date.

The Kansas Real Estate Appraisal Board has chosen to implement the segmented option. As these changes are drafted into regulation, they will be posted on the Board's website.



JASON TODD ORMISTON, R-1354, KCMO
COMPLAINT #432

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

Action: A Consent Order was entered into on May 5, 2006, with the following terms and conditions: That Ormiston take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2006; that Ormiston take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2006; that Ormiston cease and desist from the supervision of all appraisers/trainees for a period to commence the date of the Order and end six (6) months following completion of the education; and that Ormiston pay \$240 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

CATHY A. ROEDEL, P-2053, BENTON
COMPLAINT #455

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

Action: A Consent Order was entered into on May 31, 2006, with the following terms and conditions: That Roedel take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2007; that Roedel take and pass the examination of a minimum 15-hour small residential income course on or prior to June 30, 2007; that Roedel cease and desist from the appraisal of all 2-4 family properties until the above shown education has been completed;

that Roedel pay \$280 to cover the cost of the review associated with this complaint.

LEON KIM KOEHN, L-1571, POTWIN
COMPLAINT #454

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

Action: A Consent Order was entered into on May 31, 2006, with the following terms and conditions: That Koehn take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2007; that Koehn take and pass the examination of a minimum 15-hour small residential income course on or prior to June 30, 2007; that Koehn cease and desist from the appraisal of all 2-4 family properties until the above shown education has been completed; that Koehn pay \$280 to cover the cost of the review associated with this complaint.

CHERYL A. EWY, L-481, BURLINGTON
COMPLAINT #474

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

Action: A Consent Order was entered into on June 2, 2006, with the following terms and conditions: That Ewy take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2007; that Ewy take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2007; that Ewy cease all supervision, effective the date of the Order, and ending six (6) months following completion of the above shown education; that any time during the period of the Order, the Board may request a log of all appraisals which Ewy performs or in which she participates; that the Board may select a report from said log for review.

KEITH D. CALLISON, R-590, WICHITA
CASE NO. 05-20

Violations: K.S.A. 58-4121; K.S.A. 58-4105, 58-4118(a)(6); 58-4118(a)(7); and 58-4118(a)(8).

Action: An Acceptance of Surrender and Order of Revocation of Certificate was entered into on June 28, 2006.

BRIAN D. SHEPHERD, G-642, EL DORADO
CASE NO. 06-13

Action: A Proposed Default Order was issued by the Hearing Panel of the Kansas Real Estate Appraisal Board. (See Case No. 06-05) One of the terms of the Order was that Shepherd pay \$810 to the Board within 30 days from the certificate of service dated May 9, 2006. Shepherd

failed to pay the \$810 and therefore defaulted on the Order. A Summary Proceeding Order for Revocation of General Certification was entered effective June 22, 2006



**LICENSED/CERTIFIED APPRAISERS
AS OF**

GENERAL CERTIFIED	416
RESIDENTIAL CERTIFIED	352
STATE LICENSED.....	384
PROVISIONAL (TRAINEE).....	88
TOTAL:	1,240

OF APPRAISERS EXPIRED IN 2006:.... 102

