



Kansas Real Estate Appraisal Board

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BOARD TO PROPOSE MANDATORY LICENSING

The Kansas Real Estate Appraisal Board will be introducing a statute change during the 2008 Legislative session requesting mandatory licensing in Kansas. Currently Kansas is mandatory **only** for appraisals in connection with a federally related transaction¹.

The Board is inviting both proponents and opponents to attend the next regular board meeting for comments/discussion. As seating will be limited, the KREAB asks that interested parties contact the staff at (785) 271-3373 or by e-mail at cheryl.magathan@kreab.ks.gov. If you cannot attend, but wish to voice your opinion, please send your written comments to: Kansas Real Estate Appraisal Board, ATTN: Mandatory Licensing, 1100 S.W. Wanamaker Rd., Suite 104, Topeka, KS 66604 or e-mail to the address shown above. Please be sure to include your name, license number (if applicable), and, if desired, an address to which we can mail a copy of the minutes from this discussion.



BOARD HOLDS ELECTION OF OFFICERS

The Kansas Real Estate Appraisal Board held their annual election of officers at their June 15, 2007 meeting. Mike McKenna, Jennings, will act as Chairman and Tim Keller, Lawrence, will act as Vice-Chair for 2007/2008.

Mr. McKenna is a native of Northwest Kansas and, together with his wife Joan, operates McKenna Appraisal Services, Inc. Their appraisal practice is a full service appraisal business, specializing in the

¹ "Federally related transaction" means any real estate-related financial transaction which: (1) A federal financial institutions regulatory agency or the resolution trust corporation engages in, contracts for or regulates; and (2) requires the services of an appraiser. [Ref. K.S.A. 58-4102(e)]

appraisal of irrigation and cattle operations in western Kansas, eastern Colorado and southwest Nebraska, in addition to residential, commercial, agricultural and mineral royalty appraisals. Mr. McKenna is a Certified General Appraiser in Kansas, Colorado and Nebraska, with a Bachelor's degree in Business Administration from Ft. Hays State University. Professional memberships include the Accredited Rural Appraiser (ARA) with the American Society of Farm Managers and Rural Appraisers and the IFAA-Agricultural designation with the National Association of Independent Fee Appraisers. Mr. McKenna's term will expire on June 30, 2008.

Mr. Keller is president of Keller & Associates, Inc. in Lawrence. Mr. Keller is a Certified General appraiser and past president of the Kansas City Chapter of the Appraisal Institute. He has a BS in Business from Fort Hays State University and an MBA from the University of Notre Dame. Mr. Keller has passed the Certified Public Accounting Examination. He has been appraising real property for 15 years. Mr. Keller's term will expire on June 30, 2010



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**APPRAISAL STANDARDS BOARD
MEETING SUMMARY
JUNE 8, 2007**

On June 8, 2007, the Appraisal Standards Board (ASB) held its third public meeting of 2007 in Minneapolis, MN. During the meeting and the associated work sessions, the ASB discussed the Second Exposure Draft on proposed changes to the 2006 edition of the USPAP. The proposed changes in the Second Exposure Draft are as follows:

- Proposed deletion of the SUPPLEMENTAL STANDARDS RULE and deletion of the definition of Supplemental Standards
- Proposed retirement of STATEMENT 10, *Assignments for Use by a Federally Insured Depository Institution in a Federally Related Transaction*, and proposed Advisory Opinion, *Appraisals for Use by a Federally Regulated Financial Institution*
- Proposed edits related to advocacy
- Proposed edits to the report certification requirements
- Proposed edits related to highest and best use in STANDARD 7, *Personal Property Appraisal, Development*, STANDARD 8, *Personal Property Appraisal, Reporting*, and STANDARD 6, *Mass Appraisal Development and Reporting*

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APPRAISAL STANDARDS BOARD MEETING SUMMARY
continued

- Proposed Advisory Opinion, *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*

The Board voted to adopt the proposed modifications to USPAP as presented in the exposure draft released in March. A Summary of Actions has been released and the Board has begun incorporating the changes into the 2008-2009 edition of USPAP.

The Board will move forward this fall with the project to review the reporting requirements of USPAP. The ASB views the issue of reporting requirements as a long-term project, similar to the process undertaken for the Scope of Work Project. The Board anticipates holding a public hearing on this issue in March of 2008.

For the full text of the summary of actions, go to <http://www.appraisalfoundation.org> and under QUICK LINKS click on Appraisal Standards Board. In the left hand navigation bar, click on ASB 2007 Summary of Actions.



COPYRIGHT APPRAISER TAKES ON AVMS

by David Brauner

Tim Vining, MAI is at it again. Vining is the appraiser who made national news by filing the first appraisal copyright infringement lawsuit and collecting. This time he is challenging the legitimacy of AMVs to do valuations in his home state of Washington, where qualification standards are required for those who perform real estate valuations. (Washington Real Estate Appraiser Act- INTENT: (1) "It is the intent of the legislature that only individuals who meet and maintain minimum standards of competence and conduct established under this chapter for certified, licensed, or registered real estate appraisers may provide real estate appraisal services to the public). Vining also wonders whether AVMs that extract appraiser's data are in conflict with federal privacy legislation, particularly the Gramm-Leach-Bliley Act (GLB).

AVMs and Privacy Concerns

Vining authored the complaint and has filed it with the Federal Trade Commission (FTC), HUD and the Department of Justice. "The complaint is an outgrowth of conversations with real estate appraisers around the country," said Vining. "I am intrigued that under GLB, the FTC categorizes real estate appraisers as a financial institution. The privacy and confidentiality aspects of GLB warrant a close look at which data mortgage lenders are forwarding to AVMs. AVMs are non-affiliated third parties to a mortgage transaction. Although certain parties claim they only extract public information that is readily available, they have access to the entire appraisal report. This is wrong and may be in conflict with GLB". "These companies are getting data from appraisals without paying for the data. This is akin to a manufacturer given raw product without paying. Thus, my rationale is that this is an unfair trade practice," Vining said. Upon request, Vining forwarded the complaint to the Washington State Office of Real Estate Appraising, who forwarded it to the state Attorney General for possible action.

Heat is On

Additional items of note are two legal actions filed against the AVM Zillow.com involving consumer protection. The National Community Reinvestment Coalition (NCRC) has issued a lawsuit, while the Arizona Board of Appraisal has issued two cease and desist orders. "Arizona law provides that all appraisals are to be done by a licensed or certified appraiser," said Deb Pearson, Executive Director of the Arizona Board of Appraisal. "The Board determined that the 'estimates' were actual appraisals". Pearson explained that Zillow replied to the first letter requesting the Board to review the letter because they felt they



were not producing valued opinions. After reviewing, the Board moved to issue another letter while also referring the matter to the Attorney General, Criminal Division. The Board is now waiting to see what the AG will do.

Vining continues, "The everyday home buyer (layman) does not know the difference between an AVM and a documented appraisal report. Advertising on the Internet is very misleading to the consumer. It is only by careful reading of the fine print that consumers can learn that the AVM is not an appraisal. Thus, the impetus behind my activity is to protect consumers from this predatory practice."

"All of us are entitled to the best efforts of our professionals, whether it is a doctor, attorney or appraiser. And each should be held to a high standard of care. Most homebuyers are making their single largest investment when they purchase a residence and are committing the bulk of their financial resources. They need our best work; not some statistical probability," Vining said.

You can find the complaint filed by Tim Vining, the NCRC -Zillow complaint, the NCRC press release and the two cease and desist letters issued by Arizona at www.workingre.com. We'll let you know what results from the complaint.

This story is reprinted from Working RE Magazine (www.workingre.com). WRE is published by OREP (www.orep.org).



USPAP Q & A

Q. What is the difference between an appraisal assignment and an appraisal consulting assignment?

A. Appraisal assignments are those where the purpose is to provide an opinion of value. Appraisal consulting assignments are those where the purpose is to provide an analysis, recommendation or opinion to solve a problem where an opinion of value is a component of the analysis. USPAP defines appraisal consulting as:

"... the act or process of developing an analysis, recommendation, or opinion to solve a problem, where an opinion of value is a component of the analysis leading to the assignment results."

Comment: An appraisal consulting assignment involves an opinion of value but does not have an appraisal or an appraisal review as its primary purpose.

Also, the **Comment** to STANDARD 4 (Real Property Appraisal Consulting, Development) states, in part:

"...the purpose of an assignment under this Standard is always to develop, without advocacy, an analysis, recommendation, or opinion where at least one opinion of value is a component of the analysis leading to the assignment results."

"...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."

An example of a real property appraisal consulting assignment is a feasibility study where the client is seeking advice regarding most profitable development strategies. In the feasibility study, opinions of value would be used to test different scenarios. Those opinions of value may be provided by the appraiser doing the consulting assignment (feasibility study) or by another appraiser.

Q. I was asked by a client to provide an opinion of the market rental rate for a commercial property. Is such an assignment considered an appraisal?

A. Yes. USPAP defines an appraisal as "an opinion of value," and market rent is an expression of value for the right to use a property. Therefore, to comply with USPAP in this assignment, an appraiser would have to follow STANDARD 1 to develop the opinion of the market rent, and STANDARD 2 to report the assignment results.

Q. I was asked by a client to prepare a five-year market-based forecast of income and expenses for a specific commercial property. Is such a request an appraisal assignment or an appraisal consulting assignment?

A. The request is an appraisal consulting assignment, which includes an appraisal. The market-based income and expense forecast is an analysis by the appraiser that includes an opinion of market rent, which is an opinion of value. The process of developing an opinion of market rent to be used in the analysis is an appraisal, since USPAP defines an appraisal as "an opinion of value." Therefore, to comply with USPAP an appraiser would have to follow STANDARD 1 to develop the opinion of the market rent (value), and STANDARD 4 to develop the income and expense analysis. The appraisal consulting report would have to comply with STANDARD 5.

Q. The real estate market I appraise in has slowed down over the last 12 to 18 months, and it is now extremely common to see seller concessions as

part of a purchase transaction. What are the USPAP requirements regarding proper treatment of sales/financing concessions?

A. Sales or financing concessions may have an effect on the price paid for a property. As such, it is important for the appraiser to recognize this and analyze their impact.

Sales or financing concessions should be considered in light of the type and definition of value used in an assignment. If the value opinion to be developed in a real property appraisal assignment is market value, then Standards Rule 1-2(c) requires the appraiser to ascertain whether the value is to be the most probable price:

- (i) in terms of cash; or
- (ii) in terms of financial arrangements equivalent to cash; or
- (iii) in other precisely defined terms; and
- (iv) **if the opinion of value is to be based on non-market financing or financing with unusual conditions or incentives, the terms of such financing must be clearly identified and the appraiser's opinion of their contributions to or negative influence on value must be developed by analysis of relevant market data;** (Bold added for emphasis)

It should be noted that some client groups, such as Fannie Mae, specify how sales or financing concessions are to be addressed in assignments that are subject to their guidelines. Appraisers performing assignments of this type should become familiar with all applicable guidelines in order to satisfy the requirements of the COMPETENCY RULE.

Q. I know that Standards Rule 1-5(a) requires an appraiser to analyze all current listings of the subject property. Does it also require analysis of prior listings of the subject property?

A. No. Similar to sales history requirements for comparable sales, this Standards Rule does not require an appraiser to analyze a prior listing history for the subject property. However, in the development of an appraisal, an appraiser is required under Standards Rule 1-1(b), to *not commit a substantial error of omission or commission that significantly affects an appraisal. If information about a prior listing is known by the appraiser, and that information is relevant to the appraisal problem, it must be considered.*

An analysis of the subject's prior listing history may be required by applicable supplemental standards in some assignments.

Q. I was asked to appraise a single-family residence for refinancing. I am aware that the

property had been previously listed but did not sell. During my data investigation and analysis, I noted that the owner's "estimate of value" was \$375,000. When I looked up the listing history, I found it had been withdrawn from the market at the asking price of \$325,000. What are my obligations under USPAP regarding a withdrawn or expired listing of the subject property?

A. Standards Rule 1-5(a) states:

When the value opinion to be developed is market value, an appraiser must, if such information is available to the appraiser in the normal course of business:

- (a) analyze all agreements of sale, options, or listings of the subject property current as of the effective date of the appraisal.

Therefore, there is not a specific requirement in Standards Rule 1-5(a) to consider and analyze a withdrawn or expired listing of the subject property, prior to the date of the appraisal.

However, any prior listing of the subject property (as of the effective date of the appraisal) might be significant in that it indicates the property's availability in the market and the market reaction to that availability. Likewise, agreements of sale and options are generally significant to the appraisal problem in that they involve a "meeting of the minds," relating to the property's value, of the potential buyer and seller.

In the development of an appraisal, an appraiser is required under Standards Rule 1-1(b), to *not commit a substantial error of omission or commission that significantly affects an appraisal. If information about a withdrawn or expired listing is known by the appraiser and that information is relevant to the appraisal problem, it must be considered.*

Q. Does the expectation to have a transcript or a summary apply only in assignments when an appraiser provides an oral report?

A. No. The requirements identified in the Record Keeping section of the ETHICS RULE apply to both oral reports and testimony in an appraisal, appraisal review, or appraisal consulting assignment.

Q. Is a transcript of an oral report or testimony required for the workfile when an appraiser testifies about an appraisal assignment?

A. No. There is no absolute requirement to have a transcript of the appraisal oral report testimony. The Record Keeping section of the ETHICS RULE requirement is for the workfile to contain summaries (which are typically prepared by the ap-

praiser) or a transcript. In cases where summaries are retained, a transcript is not required.

Q. Does the expectation to have a transcript or summary of testimony apply if the appraiser has a written appraisal report and testifies only to the information contained in that report?

A. Yes. A transcript or summary of the testimony must be included in the workfile when the appraiser testifies about a written report. While the report that is the subject of the appraiser's testimony must also be included in the assignment workfile, it does not replace a summary of the testimony.

Q. If an appraiser prepares a written appraisal report, is the workfile required to contain a separate signed certification for any testimony the appraiser provided in support of that report?

A. In cases where testimony is provided about information contained in a written appraisal, appraisal review, or appraisal consulting report, a signed certification is required to be included in the written report. The requirement to include a signed certification is satisfied by including a true copy of the report in the workfile, consistent with the Record Keeping section of the ETHICS RULE.

Q. Must the workfile contain a transcript or summary of an appraiser's testimony for the entire proceeding, or only for that portion that contains the appraiser's testimony?

A. The appraiser's workfile must contain a summary or a transcript of the appraiser's testimony in an appraisal, appraisal review, or appraisal consulting assignment. The appraiser is not obligated to retain summaries or transcripts for other segments of the proceedings in which testimony was provided by individuals other than the appraiser.

Q. I recently performed an appraisal. Yesterday, an intended user who is not the client contacted me to discuss the appraisal. Do I need the client's authorization to discuss the appraisal with this intended user?

A. Yes. Although intended users have an important role in the appraiser's decisions about the appropriate scope of work and the content of the report, the appraiser cannot discuss the appraisal with an intended user without the client's authorization. The Confidentiality section of the ETHICS RULE states:

"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..."

The appraiser-client relationship is distinct from the appraiser's relationship to intended users.

Q. In preparing an appraisal assignment, I talk with many different people. I know the report certification must identify individuals who provide "significant real property appraisal assistance." What is significant appraisal assistance?

A. USPAP does not include a definition of significant appraisal assistance. However, aspects of this phrase can be explored to clarify its meaning.

First, the term "significant" means that the contribution must be of substance to the development of the assignment results. In other words, the individual must contribute to the valuation analysis in a noteworthy way. An individual who merely collects or provides data for use in the analysis does not provide significant appraisal assistance.

Secondly, the reference to "appraisal assistance" means that the contribution is related to the appraisal process or requires appraiser competency. One misconception is that non-appraisers who provide assistance should be identified in the certification. This is incorrect because the certification requirements in USPAP apply only to appraisers. Thus, only appraisers sign the certification or are identified as providing significant appraisal assistance. For example, the use of an environmental expert to determine wetland boundaries would not be considered significant real property appraisal assistance.

Examples of contributions made by appraisers that constitute significant real property appraisal assistance include the identification of comparable properties and data, inspection of the subject property and comparables, estimating accrued depreciation, or forecasting income and expenses.

Q. Are the results from an Automated Valuation Model (AVM) an appraisal?

A. No. Advisory Opinion 18, Use of an Automated Valuation Model (AVM), states:

"An AVM's output is not, by itself, an appraisal, and communication of an AVM's output is not, in itself, an appraisal report. "

An AVM is a tool that delivers an estimation or calculation, whereas an appraiser arrives at a value opinion by applying his or her judgment and experience. An appraisal is defined as "an opinion of value," which is distinctly different from an estimate or calculation of value. An AVM uses automated processes and cannot produce an opinion of value because only individuals can exercise judgment and form opinions.

An AVM is just one tool among many that an appraiser might use to arrive at an opinion of value.

Appraisers are cautioned that this response is based on the USPAP definition of "appraisal." Jurisdictions that use a different definition of "appraisal" may reach a different conclusion.

Q. What are an appraiser's USPAP obligations when using an Automated Valuation Model (AVM)?

A. Many appraisers use calculators, spreadsheets, analytic software, and similar tools to analyze market data and calculate assignment results. The nature of the appraiser's service and how these tools are used are important factors in recognizing USPAP obligations. When appraisers use an AVM it can be as part of an appraisal assignment that provides value opinions to the client, or it may be for an assignment to run the AVM and provide the output to the client.

Advisory Opinion 18, *Use of an Automated Valuation Model (AVM)*, provides advice to help appraisers properly distinguish among the uses of an AVM.

An appraiser who uses an AVM for any purpose is subject to the requirements of USPAP that apply to all appraisal practice: the DEFINITIONS, the PREAMBLE, the Conduct, Management, and Confidentiality sections of the ETHICS RULE, the COMPETENCY RULE, the JURISDICTIONAL EXCEPTION RULE and the SUPPLEMENTAL STANDARDS RULE.

When the assignment includes providing an opinion of value for real property, the assignment is an appraisal and STANDARDS 1 and 2 also apply.

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.



KANSAS/LOUISIANA RECIPROCITY

On July 16, 2007, Kansas and Louisiana entered into a reciprocal agreement for the issue of certified residential and general appraisal licenses. Kansas residents interested in certifying in LA should contact their offices at (800) 821-4529.



DISCIPLINARY ACTION

LEON K. KOEHN, L-1571, POTWIN COMPLAINT #478

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: The Board alleges and Koehn denies that the report contained violations of USPAP; however, a Consent Order was entered into on February 14, 2007, with the following terms and conditions: That Koehn take and pass the examination of a minimum 15-hour sales comparison course on or prior to June 30, 2007; that Koehn maintain a log of all appraisals he performs or in which he participates for a period of three (3) months following completion of the aforementioned education, said logs to be submitted to the Board office on or immediately following the first working day of each month; that the Board may select up to three (3) reports from the logs for review; that should any review indicate substantial non-compliance with USPAP, Koehn will pay the cost of the review(s) within 30 days of notice by the Board; and a new complaint will be filed.

MARK J. DOLL, L-2034, WICHITA COMPLAINT #441/452

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on February 26, 2007 with the following terms and conditions: That Doll take a minimum 7-hour course on the appraising of manufactured housing on or prior to June 30, 2007; that Doll take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2007; and that Doll pay \$240 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

LORI A. LOVELACE, L-1215, FT. SCOTT COMPLAINT #416

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8)
Action: A Consent Order was entered into on March 19, 2007, with the following terms and conditions: That Lovelace will maintain a log of all appraisals she performs or in which she participates for a period of six (6) months, commencing March 19, 2007, said log to be submitted to the Board office on or immediately following the first working day of each month. The Board may select up to three (3) appraisals from the logs submitted for additional review. That should any review of an appraisal taken from the log indicate that it is not in substantial compliance with USPAP, Lovelace will pay the cost of said review within 30 days

from notice by the Board and a new complaint will be filed. That Lovelace cease all supervision of appraisers and/or trainees, commencing the date of this Order, and will not resume supervision until notification by the Board. That Lovelace will pay a fine of \$750 on or prior to April 18, 2007. That Lovelace will pay \$380 to cover the cost of the review associated with this complaint on or prior to April 18, 2007.

**RALPH E. GINGERICH, L-240, HUTCHINSON
COMPLAINT #498**

Violations: K.S.A. 58-4121; 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on April 2nd, 2007, with the following terms and conditions: That Gingerich take pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2008; that Gingerich take and pass the examination of a minimum 15-hour sales comparison course on or prior to June 30, 2008; that Gingerich pay a fine of \$750 within 30 days from the date of the Order; and that Gingerich pay \$160 to cover the cost of the review associated with this complaint.

**KARI N. GINGERICH-FAST, P-2182, HUTCHINSON
COMPLAINT #499**

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on April 2nd, 2007, with the following terms and conditions: That Gingerich-Fast take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Gingerich-Fast take and pass the examination of a minimum 15-hour sales comparison course on or prior to June 30, 2008; and that Gingerich-Fast pay \$160 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

**JACK MATTOCKS, R-526, OSAGE BEACH, MO
COMPLAINT #464**

Violations: K.S.A. 58-5141, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on April 2, 2007, with the following terms and conditions: That Mattocks take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2007; that Mattocks take and pass the examination of a minimum 15-hour sales comparison course on or prior to June 30, 2007; that Mattocks cease and desist from all supervision, commencing the date of the Order and ending 18 months following completion of the above shown education; that Mattocks pay a fine of \$2,000 on or prior to June 30, 2007; that Mattocks pay \$960 to cover the cost of the review associated with this complaint within 30 days from the date of the Order; and that Mattocks main-

tain a log of all appraisals he performs or in which he participates, commencing the date of the Order and ending 18 months following completion of the above shown education.

**ELDON G. KLEINSORGE, G-136, LENEXA
COMPLAINT #482**

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on April 9, 2007, with the following terms and conditions: That Kleinsorge take and pass the examination of the 15-hour USPAP course on or prior to December 31, 2007; that Kleinsorge take and pass the examination of a minimum 15-hour Income Approach course on or prior to December 31, 2007; and that Kleinsorge pay \$405 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

**CATHERINE L. WILSON, G-910, MANHATTAN
COMPLAINT #484**

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on April 18, 2007, with the following terms and conditions: That Wilson take the 7-hour USPAP Update course on or prior to June 30, 2007; that Wilson take and pass the examination of a minimum 15-hour report writing course on or prior to June 30, 2007; that Wilson pay \$400 to cover the cost of the review associated with this complaint within 30 days from the date of the Order; and that Wilson cease and desist from the supervision of all appraisers/trainees, commencing the date of the Order and ending three (3) months following completion of the above shown education.

**JAMES M. MEYERRING, R-2149, OVERLAND PARK
COMPLAINT #494**

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on May 24, 2007, with the following terms and conditions: That Meyerring take and pass the examination of the 15-hour USPAP course on or prior to June 30, 2008; that Meyerring take and pass the examination of a minimum 15-hour sales comparison approach course on or prior to June 30, 2008; that Meyerring cease and desist from all supervision of appraisers/trainees, commencing the date of the Order and ending six (6) months following completion of the above shown education; and that Meyerring pay \$640 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

**TODD C. BAUMGART, L-2091, OLATHE
COMPLAINT #480**

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8)
Action: A Consent Order was entered into on May 31, 2007, with the following terms and conditions: That Baumgart cease and desist from all supervision of appraisers/trainees for a period of six (6) months, commencing the date of the Order; and that Baumgart pay \$160 to cover one-half (1/2) of the cost of the review associated with this complaint within 30 days from the date of the Order.

**R. FAYNE HENSON, L-41, EL DORADO
COMPLAINT #485**

Alleged Violations: K.S.A. 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on March 23, 2007, with the following terms and conditions: That Henson pay \$315 to cover the cost of the review associated with this complaint within 30 days from the date of the Order; that rather than incur the time and expense to litigate the alleged violations, Henson agreed to voluntarily surrender his license, effective June 30, 2007; and that he would supervise one specific person until that time.

**ROBERT L. NEWSOME, G-782, KANSAS CITY, MO
COMPLAINT #476**

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on June 15, 2007, with the following terms and conditions: That Newsome pay a \$300 fine within 30 days of the Order; that Newsome cease and desist from the supervision of all appraisers/trainees for a period of 24 months, commencing the date of the Order; that Newsome work under the direct supervision of a Board approved certified residential appraiser for a period of 24 months, commencing the date of the Order; that during the period of supervision, Newsome maintain a log of all appraisals he performs or in which he participates, each entry to be signed off on by the supervisor. Said log is to be submitted to the Board office monthly; that the Board may select up to three (3) reports for additional review at any time during the logging period; that should any review of any appraisal taken from the logs indicate that the appraisal report is not in substantial compliance with USPAP, Newsome will pay the cost of the additional reviews and a new complaint will be filed.

**JEREMY A. PLAGMAN, L-2134, LEE'S SUMMIT, MO
CASE No. 07-06**

A Summary Proceeding Order for Revocation of State License was issued, effective June 29, 2007,

based upon Plagman's plea of guilty before the US District Court for the Western District of Missouri to a charge contained in a January 4, 2007 federal indictment concerning his role in a conspiracy to commit mortgage fraud.

**RONDA VANQUAETHM, L-1493, OVERLAND PARK
COMPLAINT #502**

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on August 10, 2007, with the following terms and conditions: That VanQuaethm take and pass the exam of the 15-hour USPAP course on or prior to June 30, 2008; that VanQuaethm take and pass the exam of a minimum 15-hour residential site valuation and cost approach course on or prior to June 30, 2008; that VanQuaethm take and pass the exam of a minimum 15-hour sales comparison approach course on or prior to June 30, 2008; and that VanQuaethm pay \$800 to cover the cost of the review associated with the complaint within 30 days from the date of the Order.

**F. MICHAEL DRISKELL, G-706, BLUE SPRINGS, MO
COMPLAINT #506**

Violations: K.S.A. 58-4121; 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on August 13, 2007, with the following terms and conditions: That Driskell take and pass the 15-hour USPAP course on or prior to June 30, 2008; that Driskell take and pass a minimum 15-hour sales comparison approach course on or prior to June 30, 2008; that Driskell take and pass a minimum 15-hour report writing course on or prior to June 30, 2008; that Driskell cease all supervision of trainees/appraisers commencing the date of the Order and ending six (6) months following completion of the above shown education; and that Driskell pay \$500 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

**TOBY M. BREER, R-2302, KC, MO
COMPLAINT #528**

Violations: K.S.A. 58-4121; 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on August 13, 2007, with the following terms and conditions: That Breer take and pass the 15-hour USPAP course on or prior to June 30, 2008; that Breer take and pass a minimum 15-hour sales comparison approach course on or prior to June 30, 2008; that Breer take and pass a minimum 15-hour report writing course on or prior to June 30, 2008; that Breer cease all supervision of trainees/appraisers commencing the date of the Order and ending six (6) months following completion of the above shown

education; and that Breer pay \$300 to cover the cost of the review associated with this complaint within 30 days from the date of the Order.

**RICHARD K. SANDERS, G-275, PRATT
COMPLAINT #509**

Violations: K.S.A. 58-4121; 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on August 20, 2007, with the following terms and conditions: That Sanders take and pass the exam of the 15-hour USPAP course on or prior to June 30, 2008; that Sanders take and pass the exam of a minimum 15-hour cost approach course on or prior to June 30, 2008; that Sanders take and pass the exam of a minimum 15-hour residential report writing course on or prior to June 30, 2008; that Sanders maintain a log of all appraisals he performs or in which he participates for a period of three (3) months, commencing the date of the Order; that Sanders supply the Board with a copy of the first two documents he receives from the well recognized real estate appraiser h contracted with to perform periodic reviews; and, should any review of any appraisal taken from the aforementioned log indicate that the report is not in substantial compliance with USPAP, Sanders will pay the cost of the additional review(s) within 30 days of notice by the Board and a new complaint will be filed

**CLARK D. JONES, L-1890, OLATHE
COMPLAINTS #479 & 488**

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on August 29, 2007, with the following terms and conditions: That Jones pay \$440 to cover the cost of the review(s) associated with these complaints within 30 days from the date of the Order; that Jones maintain a log of all appraisals he performs or in which he participates for a period of six (6) months, commencing the date of the Order, said log to be submitted to the Board office on or immediately following the first working day of each month; that the Board may select up to three (3) appraisals from the logs for additional review; that should any review or proceeding of the Board regarding the aforementioned reports show them to be substantially non-compliant with USPAP, Jones will pay the cost(s) of the review(s) within 30 days of notice by the Board.

**MATTHEW H. LIETZ, P-1967, OLATHE
COMPLAINT #491**

Violations: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).
Action: A Consent Order was entered into on September 7, 2007, with the following terms and conditions: That Lietz take and pass the examination of the 15-hour USPAP course on or prior to March 7,

2008, and that Lietz pay \$160 within 30 days of the date of the Order to cover the cost of the review associated with this complaint.

**GREG ASSELIN, L-1824, PRAIRIE VILLAGE
CASE No. 07-03**

Violation Alleged: K.S.A. 58-4121
Action: The Board alleges and Asselin denies violations of USPAP; however, both parties agree to this published statement in lieu of further administrative action. A Consent Agreement and Order was entered into on September 29, 2007, with the following terms and conditions: That Asselin take and pass the examination of a 15-hr sales comparison course and a 15-hr USPAP course on or prior to June 30, 2008; that Asselin pay \$760 to cover the review costs associated herewith and a fine of \$450 within 30 days from the date of the Agreement.

BOG

**CLARIFYING "ALTERNATIVE" CONTINUING
EDUCATION CREDITS**

In a November 21, 2006, Exposure Draft, the AQB issued the following new interpretation language:

State appraiser regulatory agencies may award continuing education credit to credentialed appraisers who attend a state appraiser regulatory agency meeting, under the following conditions:

Credit may be awarded for a single state appraiser regulatory agency meeting per continuing education cycle. The meeting must be open to the public and must be a minimum of two (2) hours in length. The total credit cannot exceed seven (7) hours.

The state appraiser regulatory agency must ensure that the credentialed appraiser attends the meeting for the required period of time.

The Board requests that any appraiser wishing to attend a meeting, contact the staff prior to the date, notifying us of the number and name of all parties wanting to attend (seating space is very limited). On arrival they will be asked to sign in with their name, address and license #. A certificate of completion for the applicable hours will then be mailed to each attendee.

There are also some changes to take effect on January 1 as part of the 2008 criteria. K.A.R. 117-117-6-1(c)(1) states:

Up to one-half of an individual's continuing education credit may also be granted for participation, other than as a student, in appraisal educational processes and programs. Activities for which credit may be granted shall include any of the following:

(A) Teaching of appraisal courses. Credit for any course or seminar shall be awarded only once during each two-year continuing education cycle;



**2008 QUALIFYING EDUCATION
REQUIREMENT CHANGES**

PROVISIONAL (TRAINEE)

A trainee must meet all qualifying education requirements for the license/certification level they are applying for. See State Licensed, Certified Residential or Certified General classifications.

STATE LICENSED

150 HOURS (COMPRISED OF THE FOLLOWING MODULES)

- 30 Hours Basic Appraisal Principles
- 30 Hours Basic Appraisal Procedures
- 15 Hours National USPAP Course (Completed within two years from the date of application)
- 15 Hours Residential Market Analysis and Highest and Best Use
- 15 Hours Residential Appraiser Site Valuation and Cost Approach
- 30 Hours Residential Sales Comparison and Income Approaches
- 15 Hours Residential Report Writing and Case Studies

CERTIFIED RESIDENTIAL

200 HOURS (COMPRISED OF THE MODULES LISTED BELOW) AND AN ASSOCIATE DEGREE, OR HIGHER, FROM AN ACCREDITED COLLEGE, JUNIOR COLLEGE, COMMUNITY COLLEGE, OR UNIVERSITY OR IN LIEU OF THE ASSOCIATE DEGREE, AN APPLICANT MUST SUCCESSFULLY PASS THE FOLLOWING COLLEGIATE SUBJECT MATTER COURSES FROM AN ACCREDITED COLLEGE, JUNIOR COLLEGE, COMMUNITY COLLEGE, OR UNIVERSITY: ENGLISH COMPOSITION; PRINCIPLES OF ECONOMICS (MICRO OR MACRO); FINANCE; ALGEBRA, GEOMETRY, OR HIGHER MATHEMATICS; STATISTICS; INTRO. TO COMPUTERS-WORD PROCESSING/SPREADSHEETS; AND BUSINESS OR REAL ESTATE LAW.

- 30 Hours Basic Appraisal Principles
- 30 Hours Basic Appraisal Procedures
- 15 Hours National USPAP Course (Completed within two years from the date of application)
- 15 Hours Residential Market Analysis and Highest and Best Use
- 15 Hours Residential Appraiser Site Valuation and Cost Approach
- 30 Hours Residential Sales Comparison and Income Approaches
- 15 Hours Residential Report Writing and Case Studies
- 15 Hours Statistics, Modeling and Finance
- 15 Hours Advanced Residential Applications and Case Studies
- 20 Hours Appraisal Subject Matter Electives (this may include hours over the minimums shown above in other modules)

CERTIFIED GENERAL

300 HOURS (COMPRISED OF THE MODULES LISTED BELOW) AND A BACHELORS DEGREE, OR HIGHER, FROM AN ACCREDITED COLLEGE, JUNIOR COLLEGE, COMMUNITY COLLEGE, OR UNIVERSITY OR IN LIEU OF THE BACHELORS DEGREE, AN APPLICANT MUST SUCCESSFULLY PASS THE FOLLOWING COLLEGIATE SUBJECT MATTER COURSES FROM AN ACCREDITED COLLEGE, JUNIOR COLLEGE, COMMUNITY COLLEGE, OR UNIVERSITY: ENGLISH COMPOSITION; MICRO ECONOMICS; MACRO ECONOMICS; FINANCE; ALGEBRA, GEOMETRY, OR HIGHER MATHEMATICS; STATISTICS; INTRO. TO COMPUTERS-WORD PROCESSING/SPREADSHEETS; BUSINESS OR REAL ESTATE LAW; TWO ELECTIVE COURSES IN ACCOUNTING, GEOGRAPHY, AGECONOMICS, AND BUSINESS MANAGEMENT, OR REAL ESTATE.

- 30 Hours Basic Appraisal Principles
- 30 Hours Basic Appraisal Procedures
- 15 Hours National USPAP Course (Completed within two years from the date of application)
- 30 Hours General Appraiser Market Analysis and Highest and Best Use
- 15 Hours Statistics, Modeling and Finance
- 30 Hours General Appraiser Sales Comparison Approach
- 30 Hours General Appraiser Site Valuation and Cost Approach
- 60 Hours General Appraiser Income Approach
- 30 Hours General Appraiser Report Writing and Case Studies
- 30 Hours Appraisal Subject Matter Electives (this may include hours over the minimums shown above in other modules)

MODULES

MINIMUM HOURS	MODULE	LICENSE/CERTIFICATION LEVEL		
		STATE LICENSED	CERTIFIED RESIDENTIAL	CERTIFIED GENERAL
30	Basic Appraisal Principles	✓	✓	✓
30	Basic Appraisal Procedures	✓	✓	✓
15	National USPAP Course	✓	✓	✓
15	Residential Market Analysis and Highest and Best Use	✓	✓	
15	Residential Appraiser Site Valuation and Cost Approach	✓	✓	
30	Residential Sales Comparison and Income Approaches	✓	✓	
15	Residential Report Writing and Case Studies	✓	✓	
15	Statistics, Modeling and Finance		✓	✓
15	Advanced Residential Applications and Case Studies		✓	
30	General Appraiser Market Analysis and Highest and Best Use			✓
30	General Appraiser Sales Comparison Approach			✓
30	General Appraiser Site Valuation and Cost Approach			✓
60	General Appraiser Income Approach			✓
30	General Appraiser Report Writing and Case Studies			✓
	Appraisal Subject Matter Electives (May include hours over the minimum requirements in the above modules or in modules not required.)		20 Hours	30 Hours

MODULE SUBTOPICS

WHAT FOLLOWS IS A LISTING OF EACH MODULE
BROKEN DOWN INTO SUBTOPICS.

BASIC APPRAISAL PRINCIPLES (30 HOURS)

- A. Real Property Concepts and Characteristics
 - 1. Basic Real Property Concepts
 - 2. Real Property Characteristics
 - 3. Legal Description
- B. Legal Consideration
 - 1. Forms of Ownership
 - 2. Public and Private Controls
 - 3. Real Estate Contracts
 - 4. Leases
- C. Influences on Real Estate Values
 - 1. Governmental
 - 2. Economic
 - 3. Social
 - 4. Environmental, Geographic and Physical

- D. Types of Value
 - 1. Market Value
 - 2. Other Value Types
- E. Economic Principles
 - 1. Classical Economic Principles
 - 2. Application and Illustrations of the Economic Principles
- F. Overview of Real Estate Markets and Analysis
 - 1. Market Fundamentals, Characteristics, and Definitions
 - 2. Supply Analysis
 - 3. Demand Analysis
 - 4. Use of Market Analysis
- G. Ethics and How They Apply in Appraisal Theory and Practice

BASIC APPRAISAL PROCEDURES (30 HOURS)

- A. Overview of Approaches to Value
- B. Valuation Procedures
 - 1. Defining the Problem

2. Collecting and Selecting Data
 3. Analyzing
 4. Reconciling and Final Value Opinion
 5. Communicating the Appraisal
- C. Property Description
1. Geographic Characteristics of the Land/Site
 2. Geologic Characteristics of the Land/Site
 3. Location and Neighborhood Characteristics
 4. Land/Site Considerations for Highest and Best Use
 5. Improvements – Architectural Styles and Types of Construction
- D. Residential Applications

THE NATIONAL USPAP COURSE (15 HOURS)

- A. Preamble and Ethics Rule
- B. Standard 1
- C. Standard 2
- D. Standards 3 to 10
- E. Statements and Advisory Opinions

RESIDENTIAL MARKET ANALYSIS AND HIGHEST AND BEST USE (15 HOURS)

- A. Residential Markets and Analysis
 1. Market Fundamentals, Characteristics and Definitions
 2. Supply Analysis
 3. Demand Analysis
 4. Use of Market Analysis
- B. Highest and Best Use
 1. Test Constraints
 2. Application of Highest and Best use
 3. Special Considerations
 4. Market Analysis
 5. Case Studies

RESIDENTIAL APPRAISER SITE VALUATION AND COST APPROACH (15 HOURS)

- A. Site Valuation
 1. Methods
 2. Case Studies
- B. Cost Approach
 1. Concepts and Definitions
 2. Replacement/Reproduction Cost New
 3. Accrued Depreciation
 4. Methods of Estimating Accrued Depreciation
 5. Case Studies

RESIDENTIAL SALES COMPARISON AND INCOME APPROACHES (30 HOURS)

- A. Valuation Principles & Procedures – Sales Comparison Approach
- B. Valuation Principles & Procedures – Income Approach
- C. Finance and Case Equivalency
- D. Financial Calculator Introduction
- E. Identification, Derivation and Measurement of Adjustments
- F. Gross Rent Multipliers
- G. Partial Interests
- H. Reconciliation
- I. Case Studies and Applications

RESIDENTIAL REPORT WRITING AND CASE STUDIES (15 HOURS)

- A. Writing and Reasoning Skills
- B. Common Writing Problems
- C. Form Reports
- D. Report Options and USPAP Compliance
- E. Case Studies

STATISTICS, MODELING AND FINANCE (15 HOURS)

- A. Statistics
- B. Valuation Models (AVM's and Mass Appraisal)
- C. Real Estate Finance

ADVANCED RESIDENTIAL APPLICATIONS AND CASE STUDIES (15 HOURS)

- A. Complex Property, Ownership and Market Conditions
- B. Deriving and Supporting Adjustments
- C. Residential Market Analysis
- D. Advanced Case Studies

GENERAL APPRAISER MARKET ANALYSIS AND HIGHEST AND BEST USE (30 HOURS)

- A. Real Estate Markets and Analysis
 1. Market Fundamentals, Characteristics and Definitions
 2. Supply Analysis
 3. Demand Analysis
 4. Use of Market Analysis
- B. Highest and Best use
 1. Test Constraints
 2. Application of Highest and Best Use
 3. Special Considerations
 4. Market Analysis
 5. Case Studies

GENERAL APPRAISER SALES COMPARISON APPROACH (30 HOURS)

- A. Value Principles
- B. Procedures
- C. Identification and Measurement of Adjustments
- D. Reconciliation
- E. Case Studies

GENERAL APPRAISER SITE VALUATION AND COST APPROACH (30 HOURS)

- A. Site Valuation
 1. Methods
 2. Case Studies
- B. Cost Approach
 1. Concepts and Definitions
 2. Replacement/Reproduction Cost New
 3. Accrued Depreciation
 4. Methods of Estimating Accrued Depreciation
 5. Case Studies

GENERAL APPRAISER INCOME APPROACH (60 HOURS)

- A. Overview
- B. Compound Interest
- C. Lease Analysis
- D. Income Analysis
- E. Vacancy and Collection Loss
- F. Estimating Operating Expenses and Reserves
- G. Reconstructed Income and Expense Statement
- H. Stabilized Net Operating Income Estimate
- I. Direct Capitalization

- J. Discounted Cash Flow
- K. Yield Capitalization
- L. Partial Interests
- M. Case Studies

**GENERAL APPRAISER REPORT WRITING AND
CASE STUDIES (30 HOURS)**

- A. Writing and Reasoning Skills
- B. Common Writing Problems
- C. Report Options and USPAP Compliance
- D. Case Studies



**IT'S NOT JUST QUALIFYING EDUCATION
THAT'S CHANGING IN 2008**

The Board has received numerous phone calls from applicant's seeking an original appraiser license/certification, as well as appraiser's looking to upgrade to a higher level, regarding the "2008 Criteria Changes". While most of the questions center on the changes to the qualifying education and college requirements, it is important to remember that they are not the **only** changes being made.

At their July 20, 2007 Public Meeting, the AQB announced that all three (3) of the new national uniform licensing and certification examinations were complete and ready for implementation.

The major difference between the pre-2008 and 2008 exams? The AQB states that the National Uniform Licensing and Certification Examinations offered prior to January 1, 2008, essentially test a candidate's ability to recall information learned in qualifying educational offerings. The exam to be offered as of January 1, 2008, will test a candidate's ability to **apply** the knowledge (and possibly experience) they have obtained.

In 2006, the pass fail rate on a first time exam for the state license level was 63% pass, 36% fail; certified residential was 50% pass, 50% fail; and certified general was 22% pass, 77% fail. The states have been told that applicants or appraisers, whose education was completed prior to the 2008 criteria change, but test after January 1, 2008, will likely find it extremely difficult to pass.

Pearson-Vue (formerly Promissor), the Kansas contracted testing service, will begin administering the new exams on January 2, 2008. It is expected that there will be delays in issuing pass/fail notices during the first few months after implementation

For more information on the National Uniform Licensing and Certification Examinations, visit <http://www.appraisalfoundation.org> and find "Find Info On" and click on National Exam.



IN MEMORY

JAMES E. PRYOR, JR., 72, of Kansas City, MO, passed away on October 23, 2006. Mr. Pryor owned and operated Pryor Appraisal Service out of Gladstone, MO. He was issued his Residential Certification on December 21, 1991.

GEORGIA E. VANAUKEN, 64, of Wichita, passed away on January 9, 2007. Ms. VanAuken was issued her Residential Certification on November 18, 1992.

CONNIE ZWAHL, 70, of Augusta, passed away on March 14, 2007. Ms. Zwahl owned and operated Zwahl Appraisals out of Augusta. She was issued her General Certification on July 1, 1991

JOHN JASON MCPHAIL, 35, of Wichita, passed away on May 26, 2007. Mr. McPhail owned and operated McPhail Appraisal Service. His Residential Certification was issued on July 7, 1994.



EXPERIENCE SUPERVISION REQUIREMENTS

Just a reminder, on July 1, 2007, the new experience supervision requirements went into effect. Those requirements, in part, state that a supervising appraiser **must** be a certified appraiser, having carried that certification for a minimum of 2-years prior to beginning supervision.

For the full text of these regulations, visit the Board's website at <http://www.kansas.gov/kreab> and click on Regulations and Statutes. The applicable regulations are K.A.R. 117-2-2a, 117-3-2a, 117-4-2a and 117-5-2a.



KANSAS APPRAISERS	
PROVISIONAL (TRAINEE)	57
STATE LICENSED	368
CERTIFIED RESIDENTIAL	370
CERTIFIED GENERAL	<u>425</u>
TOTAL	1,220

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