KANSAS REAL ESTATE APPRAISAL BOARD

2010 SUMMER NEWSLETTER

AUGUST, 2010 NO. 2

THE REST OF THE STORY

By Donald J. Gossman SRA

A little over two years ago I wrote an article titled My New Client-THE FBI. A story of mortgage fraud that occurred in October, 2006 in Kansas City.

The article was published in the Kansas Real Estate Appraisal Board Newsletter in February 2008. The story was about the state of our industry at that time. I learned first hand how bad it had gotten.

The article was republished by the Appraisal Buzz newsletter as a two part series in March 2008. The day the first part was published I received over 100 emails from across the US. The emails were from appraisers, realtors, lenders, and regulators. I guess it had touched a nerve. I received a similar number of emails after the second part was published.

In March 2008 I received a call from the Director of the Missouri Real Estate Commission. Ann told me she had read my article and asked if I would present it at the Region II ARRELLO conference in Branson, Missouri in July 2008 to 130 people from 30 different states. I told her I would and that I would develop a power point to go along with it.

I spoke for 45 minutes and took questions for 15 minutes and was done. I got a lot of positive feedback after the session was over. I was pleased with the outcome and glad it was over.

In October 2008 the MBAKC invited David A. Bowles from Fannie Mae to talk about mortgage fraud. I spoke with him afterwards and told him I had another person to add to his "wall of shame" that he had shown during his presentation. We exchanged business cards and left.

It was reported in the Kansas City Business Journal the leader of the fraud ring here in Kansas City would be sentenced the next week. I forwarded this information to David at Fannie Mae along with a copy of the article I had written. He read both articles and told me he would forward it on to Amy Heinz at Fannie Mae.

A month later I received an email from Amy. She noted that that were going to use my article as a training tool for their underwriters. I replied that I had a power point to go along with it and she could have that as well.

The following week Amy called and asked if I would give my power point again. She invited me to speak to the MBA 2009 National Fraud Conference in Las Vegas to representatives of Fannie, Freddie, OCC, OTC, Treasury Department, Justice Department, HUD, and 200 of the largest banks in the US.

She said "Don if you don't tell your story it will happen again." I agreed. I would be presenting a break out session with two other individuals that had worked with the FBI in undercover operations. The title of the session was Anatomy of a Sting.

I was the first of the three to speak during our session. The end of the session was open for questions. A gentleman stood and introduced himself as Travis Yarborough, Director of the National FBI Mortgage Fraud Taskforce. He thanked us for our help and our actions. I left thinking this was the pinnacle of my career.

Six weeks later I received a phone call from the local FBI agent that I had worked with several years ago on the local case. Agent Shaffer asked if I would give the presentation I had given in Las Vegas again in Denver, June 2009 at the Justice Departments National Fraud Conference. I told him I would.

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Agent Shaffer told me to bring my power point and add the other new laws I had spoken about (HVCC and IVPI) and any suggestions that I may have.

When I arrived in Denver I met with Gene Porter Assistant US Attorney from Kansas City. He informed me the conference attendees would be 70 FBI agents, 40 assistant US Attorneys and 10 investigators from HUD-IOG along with the Director of the FBI National Fraud taskforce.

I had lunch with three assistant US Attorneys from Kansas City, Wichita, and St. Louis. They told me that they would like to use my expertise in assisting them in prosecuting mortgage fraud in the two states.

I flew back that afternoon not realizing if anything else would come of it. Two months later HUD sent out new Mortgage Letters 2009-28 that dealt with appraiser independence and paying reasonable and typical fees. These issues were familiar to me since they were part of my presentation in Denver.

I was invited by the Federal Reserve Bank of Kansas City to present at the Missouri Homeowners Preservation Summit, in Jefferson City, Missouri on January 14, 2010. I would be speaking along with the assistant US Attorney, Linda Parker Marshall and the chief attorney for the States Attorneys office on mortgage fraud and predatory lending.

I was given 12 minutes to explain the rise and fall of sub prime lending and my thoughts for home modifications to help save home ownership.

I started off identifying the players...the appraisers who over valued the properties, the borrowers who borrowed more money than they could afford to pay back, the bankers and brokers who lent more money in a careless manner with lax underwriting standards, the government regulations and policies that forced Freddie and Fannie into areas they should of not been lending, the underwriters who were grading the investments AAA and the investment bankers who were making billions of dollars in fees.

This presentation led to an invitation to speak at the Kansas Homeowner Summit planned for September 2010.

In February I received a call to go back to Denver in May 2010. I was asked to do a presentation on the anatomy of an appraisal report and how to identify appraisal fraud.

I wanted to make sure I was up to speed with all the new fraud scams so I decided to attend the 2010 MBA National Fraud Conference in Chicago, May 2010.

During the prior year regulatory reform for the banks had been heavily debated. It was the topic of the week at the convention.

The first two speakers were Barry McLaughlin, Special Agent in Charge HUD-OIG and Christopher Sharpley, Deputy Inspector General for the TARP funds. They were speaking on ways to stop mortgage fraud on short sales and loan modification programs that the government was developing. They stated that they were going to use the new FHA regulations on appraisals as a tool to stop appraisal fraud.

After they were done I approached Mr. McLaughlin and introduced myself. I wanted to speak to him about HUD Mortgage Letter 2009-28 not being followed, if HUD would define reasonable and customary fees, also the regulation of AMC's since the enactment of the HVCC had lead to a captive advantage on appraisers and their fees. We spoke and he brought Mr. Sharpley into our conversation. They asked if I would put my thoughts in an email and send it to them, which I did the following week.

Two days later I received this response from Barry:

> Don,
>
> Thanks for your input on the appraisal fee situation. With your permission, I'll pass the information on to the office within HUD / FHA that works on the policy and regulations.
>
> Thanks
> Barry

In May I went back to Denver to give my presentation. Many agents commented when they questioned appraisers about their values they said it was 'just their opinion of value'. I told the agents the value of a property is a grey area but the development of and reporting of an appraisal is black and white. It is either misleading or its not. It either contains omissions or commissions of fact or it doesn't. It either supports the value or falsely reports the value.

The new appraisal rules are designed stop mortgage fraud on the front end, with the appraiser being an independent and non partisan 3rd party to the transaction.

It is time for our profession to step up and help regain confidence within the mortgage industry.

Donald J. Gossman SRA
Appraisal Fraud Consultants, LLC
dgoss@gossmanappraisals.com

H.R. 4173 Update

HR 4173 was signed into law on July 21, 2010. There will be many changes to Title XI and will have an impact on appraisers. The Appraisal Subcommittee is currently working on addressing these change and are expected to provide guidance to the state by late fall.

The KREAB will be closely monitoring these changes and will keep you informed.

Below is a direct link to the bill. Please note that the information concerning appraisers is located under Subtitle F, pages 823-840.
http://financialservices.house.gov/FinancialSvcsDemMedia/file/key_issues/Financial_Regulatory_Reform/conference_report_FINAL.pdf

Monograph Released by Appraisal Foundation

On August 5, 2010, The Appraisal Foundation (TAF) released a monograph on *Identification of Contributory Assets and*

Calculation of Economic Rents. This Monograph is the first in a series on Best Practices for Valuations in Financial Reporting.

The Monograph offers voluntary guidance to valuers, and is also being released with a corresponding Toolkit that provides useful illustrative examples. Both documents are the culmination of several years of research, deliberation, and public exposure on the topics of Contributory Assets.

"In 2006, TAF offered to lend its infrastructure to the process of creating monographs that would be useful in narrowing the diversity in practice in valuations for financial reporting," said Jay Fishman, Vice Chair of the Appraisal Practices Board and Co-Chair of the Steering Committee on Best Practices for Valuations in Financial Reporting. "It is a credit to the members of the Working Group and everyone else associated with this project that our first monograph is a reality. Thanks to all involved and thanks to TAF for its participation, without which this project wouldn't have happened," he added.

Copies of the Monograph and Toolkit are available at: https://appraisalfoundation.sharefile.com/d/s80f9c7da9e744de9. Print copies will be available at a nominal charge in the weeks ahead.

At the present time, TAF has two additional documents developed by volunteer Working Groups on the topics of valuing customer relationships and on control premiums. For more information on the Valuations in Financial Reporting project or other activities of TAF, please contact Paula Douglas Seidel, Executive Administrator (paula@appraisalfoundation.org).

BAD APPRAISALS FASTEST GROWING FORM OF HOME LOAN FRAUD, STUDY SAYS

By Kenneth R. Harney
Originally published in the San Diego Union-Tribune, Sunday May 2, 2010

WASHINGTON — For anyone who assumed that the toughened real estate appraisal rules imposed on the mortgage market last year would mean less monkey business in home valuations, here's a shocker: Fraudulent appraisals actually soared in 2009, according to a lending industry study released Monday, and they now represent the fastest-growing form of home loan fraud.

The Mortgage Asset Research Institute (MARI) found that while overall loan fraud rose last year by 7 percent, the incidence of fraud involving property valuations increased by 50 percent. MARI, a service of data company LexisNexis, collect information from 600 plus wholesale mortgage lenders who account for the bulk of loans originated in the country. Once a year, it reports its findings on fraud trends to the Mortgage Bankers Association.

Though the biggest source of mortgage fraud in 2009 was intentional misinformation submitted by borrowers on their applications — bogus Social Security numbers, data on income, employment, and assets — distorted valuations came in second. In previous annual reports, appraisal problems were far less prominent. As recently as 2006, just 16 percent of mortgage fraud cases involved skewed property valuations. By 2008 it had jumped to 22 percent, and last year bad appraisals were involved in 33 percent of all mortgage fraud, according to MARI.

The sudden spike in appraisal shenanigans came despite the nationwide imposition of restrictions last year that were designed to limit interference in real estate valuations and to improve their accuracy. As of May 1 last year, mortgage giants Fannie Mae and Freddie Mac prohibited loan officers and brokers from selecting appraisers, and effectively encouraged lenders to use "appraisal management companies" that assign appraisers from their own networks nationwide.

The new rules, known as the Home Valuation Code of Conduct, stoked controversy among mortgage brokers, appraisers, homebuilders and real estate brokers. Critics charged that because management companies pay rock-bottom compensation to appraisers — often as little as $175 for an assignment that previously earned them $350 to $450 — the new rules encouraged the use of inexperienced individuals, who frequently were not familiar with local market conditions.

Critics also charged that management companies forced appraisers to turn in their work within unrealistically short deadlines, even if they had to cut corners on quality and thoroughness.

Citing widespread evidence submitted by members about low-ball and incompetent appraisals, the National Association of Realtors waged a lobbying campaign to persuade Congress to put the entire set of rules imposed by Fannie and Freddie on ice for 18 months. Congress has not acted on the matter.

Bill Garber, government affairs director for the Appraisal Institute, the largest trade group representing the industry, said the upsurge in bad appraisals last year "demonstrates what happens when lenders hire appraisers solely based on low prices and quick turnaround times."

"This should send a loud signal to lenders to hire ethical and competent appraisers" if they want to avoid fraud in their loans, Garber said.

Freddie Mac spokesman Brad German offers a different view. Since the MARI study itself made no specific reference to the rules changes by Freddie and Fannie or to the use of appraisal management companies, "we see no connection between (the code) and appraisal fraud." Fannie Mae did not respond to the request for comment on the study.

Jeff Schurman, executive director of the Title/Appraisal Vender Management Association, which represents the appraisal management industry, had no immediate comment on the findings, pending a review of the data.

The fraud report covered every major type of valuation method lenders use to underwrite mortgages, including traditional appraisals, broker price opinions supplied by real estate agents, and electronic valuations, among others.

The biggest game fraudsters play: messing with or fabricating the information on "comparables" that form the basis of most appraisal reports. Rather than selecting nearby properties with broadly similar physical characteristics and recently recorded selling prices, bad appraisers typically came up with houses and characteristics that better fit their purposes.

What did fabrications like these achieve? Primarily custom tailored property valuations that were often 15 percent to 30 percent or more off base, and allowed the sales contract and loan application to be approved. This, in turn left lenders holding the bag when the mortgage went sour — raising losses and making the national foreclosure crisis even worse.

Kenneth R. Harney is a syndicated real estate columnist with the Washington Post Writers Group. His e-mail address is kenharney@earthlink.net.

GOVERNOR APPOINTS NEW BOARD MEMBERS

On June 29, 2010, Melissa Gregory, Director of Appointments to Governor, Mark Parkinson, announced the following appointments to the Kansas Real Estate Appraisal Board:

Kenton G. Ladenburger, Pratt
Financial Member
Mr. Ladenburger joined The Peoples Bank in 2002 as Vice President. He has been active in lending throughout his 30-year banking career. Mr. Ladenburger has a BS in Ag-Business from Ft. Hays State University and is a graduate of the Colorado School of Banking. He has been active in the community and currently serves on the Pratt School Board. Mr. Ladenburger and his wife, Diane, have lived in Pratt for the past 20 years, where they have raised 3 daughters. Mr. Ladenburger's term will expire on June 30, 2013.

Catherine L. Wilson, Manhattan
Appraiser Member
Ms. Wilson came to Ulysses, Kansas in the mid 70's with her husband and 2 children. She started selling and appraising real estate in the southwest part of the state. Ms. Wilson was the first woman president of the Southwest Board of Realtors; she was also the Zone VIII Vice-President. She and her family moved to Hays, Kansas in the mid 80's where she sold and appraised real estate. Her husband's job brought the family to Manhattan. Ms. Wilson passed the Certified General exam and opened the Wilson Company in the early 90's. Her husband joined the company in 2000. The Wilson Company appraises for VA, FHA, Conventional and RHS loans, as well as commercial loans. They serve a variety of clients. She and her family love Manhattan and are proud to be Kansans. Ms. Wilson's term will expire on June 30, 2013.

Scott B. Poor, Wichita
Public Member
Mr. Poor is a Wichita-based attorney, consulting planner, and public affairs advisor. He works in the areas of agribusiness, renewable energy, and rural development. Mr. Poor has an undergraduate degree from Southern Methodist University (1993), a graduate degree in rural planning from Kansas State University (1997) and a law degree from the University of Tulsa College of Law (1999). He formerly worked as Corporate Counsel for Green Plains Renewable Energy. From 2000 to 2003, Mr. Poor served as an assistant Attorney General for the State of Kansas. He is a former chairman of the American Bar Association's young government lawyers committee (2001-2003). Mr. Poor served on the Topeka Planning Commission, Landmarks Commission, and Board of Zoning Appeals (2001-2005). He is a Class VII graduate of the Kansas Agriculture and Rural Leaders program. Mr. Poor's term will expire on June 30, 2013

At the Board's July 23 regular meeting, we bid farewell with grateful thanks to Gregg Lesh, Wichita (Financial Member), Tim Keller, Lawrence (Appraiser Member), and Philip Bowman, Wichita (Public Member).

GUIDANCE CONCERNING DESKTOP APPRAISAL ORDERS

BY: MINDY SEALY, NORTH CAROLINA APPRAISAL BOARD

A new desktop appraisal product was released in February 2010. Although the NC Board does not approve or prohibit specific forms or software used to deliver appraisal results, it does have several concerns about this type of assignment.

An assignment is an agreement between an appraiser and a client for a valuation service. Once an appraiser accepts an assignment, USPAP applies to the appraiser's actions. Even if an appraiser ends up not completing the assignment or does not get paid, the appraiser must still comply with USPAP. If an appraisal report is created and sent to the client, a workfile must be produced and maintained. USPAP requires that the workfile must contain enough information to produce a summary appraisal report from the workfile contents.

This is a valuation service regarding the subject property that would have to be disclosed under the 2010 change to the Conduct Section of the ETHICS RULE of USPAP, even if no report was transmitted and/or no payment was received. According to the instruction for this product, if an appraiser accepts an assignment to do this type of appraisal but subsequently discovers that the subject property does not meet minimum requirements, the appraiser will not get paid. This is referred to as a "no-hit." Since an assignment that results in a "no-hit" may not be tracked in invoicing software, the assignment would have to be entered into some other type of tracking software to make sure one complied with the new disclosure requirement in USPAP.

The Scope of Work Rule in USPAP states that the appraiser, not the client, must determine the scope of work necessary to develop credible assignment results. In addition, the Scope of Work rule states that "An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use." There are several assignment conditions in this product that are referred to as "appraisal report minimum requirements." Some may be unacceptable.

This product requires appraisers to use MLS as the primary data source. In many areas of NC, MLS is not available or is unreliable. A better source of data might be the county tax office or a private data collection system. The product also requires that appraisers must use a minimum of three closed comparable sales and a comparable listing and/or pending sale. At least two of the comparable sales must be less than 120 days old, and at

least two must be located within one mile of the subject. The GLA of the comparable sales must be within 20% of the GLA of the subject. Appraisals of condominiums with more than 15 units must include at least one comparable sale from the development. Condominiums with 15 units or less must include at least one comparable sale from the development within the past 12 months and, when available, a comparable listing or pending sale from the development. This product does not allow the appraiser to use the best data available and may well limit the amount of work performed to such an extent as to violate the Scope of Work Rule.

Of major concern is the assignment condition that the appraiser will not receive a fee if the appraiser cannot meet all the product requirements. As noted above, this is referred to as a "no hit." "No hits" are produced when the appraiser cannot produce a credible value due to insufficient subject data, the subject is an ineligible property type, the appraiser cannot meet all of the minimum report requirements, the subject is zoned commercial/industrial, or the subject is not at its highest and best use.

It appears that the assignment conditions may violate the Management Section of the ETHICS RULE. For example, if the appraiser searches for comps but discovers there have been none within the last 120 days, the appraiser will not get paid. If the subject is located in a transitional area and the highest and best use would be as an interim or commercial use, it is a "no-hit" and there is no fee. The fee for the assignment is contingent on a predetermined result – the reporting of comps that meet certain criteria, or a finding that the subject meets the product requirements. This type of assignment may result in loss of objectivity. An appraiser may be tempted to use sales that he or she would not otherwise use, or to simply concur that the current use is the highest and best use, in order to receive a fee. The fact that an appraisal may not be completed (a "no-hit") is irrelevant. The ETHICS RULE prohibits accepting such an assignment.

There are appraisal products on the market now that allow or even require the appraiser to choose comparable sales from a database maintained by the software vendor or client. Most of the comps in those systems are data mined from other appraisal reports. These services are connected directly to a local MLS system. Sometimes an employee of the software company may contact local real estate brokers to obtain comparable sales. If an appraiser uses this database for sales, the database must be listed as the source for comparable sales, with MLS or another source used for verification of those sales. In addition, if the appraiser is given comparable sales by the client or vendor, the appraiser must disclose that he or she received significant assistance in choosing comparable sales.

Some of these products give an appraiser a discount if the appraiser voluntarily "contributes" appraisal reports to the software database so that subject and comparable information can be mined. Keep in mind that doing so is a violation of the Confidentiality Section of the ETHICS RULE of USPAP, as assignment results are also communicated to the database.

A final note – the low fee paid for this assignment does not in any way lessen the appraiser's legal requirement to comply with USPAP.

Mindy Sealy may be reached at the North Carolina Appraisal Board, 5830 Six Forks Road, Raleigh, NC 27609, (919) 8704854 (phone); (919) 870-4859 (fax); mindy@ncab.org.

BOARD HOLDS ELECTION OF OFFICERS

At their June 23, 2010 meeting, the members of the Kansas Real Estate Appraisal Board held their annual election of officers. Mr. Doug Haverkamp, Manhattan, was elected as Chairman and Mr. Robert Maxwell, Topeka, was elected as Vice-Chair.

Mr. Haverkamp has 18 years of banking related experience and now serves as a Vice-President and Relationship Manager for Commerce Bank, N.A., responsible for new commercial business development, credit quality, and serves as their market specialist for government programs, agricultural banking, and appraisals. He has worked at the county, district, and state level within Farm Service Agency with experience in agricultural, residential, and commercial lending. Mr. Haverkamp was issued his certified general appraiser license in Kansas in March, 2004. He is a native of Seneca and received a BS from KSU in agricultural economics. Mr. Haverkamp and his wife, Laura live in Manhattan with their three sons.

Mr. Maxwell joined Kaw Valley Bank in 1979 and is the Executive Vice President and Trust Officer. He earned his Juris Doctorate from Washburn University School of Law in 1978 and his Masters of Law (Taxation) from the University of Miami School of Law in 1979. Mr. Maxwell is also the president of Merrill Mortgage Company, Inc. (2003) and Kaw Valley Home Loans, Inc. (2004). He is a member of the American, Kansas, and Topeka Bar Associations, a past-president of the Downtown Kiwanis Club of Topeka, a past-director of the Topeka Kappa Sigma Alumni Association, director of the Beta Tau Educational Foundation, past-president of Sheltered Living, Inc., and is a trustee of the Jayhawk Area Council, Boy Scouts of America.

Mr. Haverkamp (right) presents outgoing Chairman, Bruce Fitzsimons, Overland Park, with a plaque commemorating his service to the Board.

FHA UPDATES
LEAD PAINT DISCLOSURE REQUIREMENTS

Appraisers must report all areas they observe as being affected by lead paint in homes built prior to 1978, according to a new Federal Housing Agency Mortgagee Letter. The appraiser must note these in the physical deficiencies or adverse conditions section of the appraisal report, according to ML 2010-17, released May 5.

If the appraiser does not observe defective paint in a home that was built before 1978, an explanation is not required in the

physical deficiencies, or adverse conditions section of the appraisal report, the letter stated.

HUD said that it will only order lead-based paint evaluations for REO properties constructed before 1978 that were purchased with FHA-insured financing.

Mortgagee Letter 2010-17, effective June 1, amends Appendix A in Handbook 4150.2, Valuation Analysis for Home Mortgage Insurance for Single Family One-to-Four-Unit Dwellings. To view ML 2010-17 in its entirety, visit www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/10-17ml.pdf.

VALUE RECON-GAME

BY LEE LANSFORD
ORIGINALLY PUBLISHED IN THE ILLINOISAPPRAISER, V. 2, ISS. 6, JUNE 2010

If you're a residential appraiser (although this topic is not exclusive to residential appraisers), and particularly if you complete appraisals for AMCs, the term ***Reconsideration of Value*** is probably a familiar one. Such a request, if not correctly (i.e., in a manner consistent with the USPAP) understood between the two parties, might be contrary to the USPAP's **ETHICS RULE**, *Management:*

> *An appraiser must not accept an assignment…that is contingent on any of the following: a direction in assignment results that favors the cause of the client.*

To illustrate, the following is a request for a ROB that might result in an appraiser, if accepting as the request is stated, acting in a manner that is not **USPAP** compliant:

> *Dear Appraiser:*
> *The information attached to this request has been provided by the borrower to support an increased valuation of the subject property. If after reconsideration you determine that an increase in value is not justified, please respond…with an explanation as to why the additional information does not warrant a value increase.*

The above are the actual words from a large AMC to an Illinois licensed appraiser.

What *might* be the problem associated with the appraiser entering into such an agreement?

The potential issue here might be that the borrower's (*or, AMC's*) assumption that the market data provided to the appraiser will lead to an increase in value or no change in value. It is possible that the appraiser's consideration of new data will lead to a *lower* value. If the client's request is based on the condition that value *must* stay the same or increase, this is an *unacceptable assignment condition.*

How might the appraiser – to ensure that there is no misunderstanding – respond to the request, as stated above, for a **ROV**?

*My acceptance of your request for the **ROV** has but one of three possible out-comes:*

- *An increase in the opinion of value;*
- *No change in the opinion of value;*
- *A decrease in the opinion of value.*

*Given the possible outcomes, do you wish that I proceed with the **ROV**?*

USPAP Q & A

EDITORIAL NOTE: Beginning with this edition, the ASB will be publishing USPAP Q&As on an "as needed" basis rather than monthly basis. With each publication, the individual questions and responses will have a numeric reference associated with the year and order of their publication.

For example, the five Q&As being published in this edition will be identified as numbers 2010–01 through 2010–05. The Q&As will continue to be compiled and placed in the appropriate topic areas of the Frequently Asked Questions section of each subsequent edition of USPAP, when relevant.

Q. If I have appraised a property multiple times within the previous three years, do I have to disclose the number of appraisal services? (e.g., "I have appraised the subject property three times during the previous three years.")

A. Yes. Each prior service must be disclosed to the client and included in the report certification. This disclosure is similar to when an appraiser has any current or prospective interest in the subject property or the parties involved, which requires that each interest be specified. Therefore, each service must be disclosed to the client and appear in the certification. (See lines 231-241 in the 2010-11 edition of USPAP)

Q. If I have performed a service other than appraisal practice, such as acting as a general contractor within the prior three years, do I have to describe the specific service or merely state a service was performed?

A. You must disclose to the client the type of prior service you performed regarding the property and this must be included in the report certification. This disclosure is not limited to services provided as part of appraisal practice. Therefore, each service must be disclosed to the client and appear in the certification.

Q. The Comment to the Conduct section of the ETHICS RULE states, in part, "If an appraiser has agreed with a client not to disclose that he or she has appraised a property, the appraiser must decline all subsequent assignments that fall within the three-year period." Does this really mean that the appraiser could not be engaged by this same client, on this property, within the three-year period?

A. Yes. The agreement not to disclose that he or she has appraised the property is between an appraiser and the client. It is possible that a qualified legal opinion might conclude that a confidentiality agreement between an appraiser and a client does not preclude disclosure between the same parties. However, the ASB is not qualified to make such a determination. Without such a legal opinion, the requirement precludes an ap-

praiser from disclosing the prior service and from appraising the property again during this three-year disclosure period.

However, there is nothing that prohibits a client and an appraiser from modifying the prior agreement to allow disclosure. If the confidentiality agreement is amended, the disclosure could be made and an appraisal could be completed for the same client. It must be made clear that if a client releases an appraiser from such a confidentiality agreement, services performed within the previous three-year period must be disclosed in the certification of the subsequent report, even if the client is the same for both assignments.

Q. I am a staff appraiser for a company and only complete appraisals for my employer's (the company's) internal use. Am I required to inform the company that I have previously completed an appraisal within the three-year period when the company is already aware of it?

A. If you consistently correspond with the same person in the company when completing subsequent assignments regarding the same property, the risk of misleading that person is probably minimal. However, your prior services must still be disclosed. When you are working with the same person and they understand your professional responsibilities, it is unlikely this will be a problem.

It is also possible that the specific person you deal with from one instance to the next may change. In this case, the new contact must certainly be informed if you have performed services regarding the subject property within the last three years.

While it is not included in your question, there is also the possibility that you may have performed services regarding that property for a different client within the three-year period, or performed another type of service.

Q. I am aware of the new disclosure requirements in the Conduct section of the ETHICS RULE for the 2010-11 edition of USPAP that requires me to disclose any services I performed regarding the subject property within the prior three years. If I have not performed any such services, am I required to make that disclosure as well?

A. No. USPAP does not specifically require disclosure when no prior services were performed by the appraiser within the last three years.

The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

The USPAP Q&A is posted on The Appraisal Foundation website (http://www.appraisalfoundation.org). The ASB compiles the USPAP Q&A into the USPAP Frequently Asked Questions (USPAP FAQ) for publication with each edition of USPAP. In addition to incorporating the most recent questions and responses issued by the ASB, the USPAP FAQ is reviewed and updated to ensure that it represents the most recent guidance from the ASB. The USPAP Frequently Asked Questions can be purchased (along with USPAP and USPAP Advisory Opinions) by visiting the "Foundation Store" page on The Appraisal Foundation website (https://netforum.avectra.com/eWeb/Shopping/Shopping.aspx?Cart=0&Site=TAF).

For further information regarding USPAP Q&A, please contact:
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DISCIPLINARY ACTIONS

DARIN D. ADAMSON (R-1989), SMITHVILLE, MO
VIOLATION: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).

A Consent Order was entered into on February 17, 2010, with the following terms and conditions: That Adamson take the 7-hour USPAP Update course on or prior to June 30, 2010; that Adamson take and pass the examination of Qualifying Education Module (QEM) #5, Residential Appraiser Site Valuation and Cost Approach, on or prior to June 30, 2010; that Adamson take and pass the examination of QEM #6, Residential Sales Comparison and Income Approaches, on or prior to June 30, 2010; and that Adamson pay $500 to cover the cost of the review(s) associated with this complaint within 90 days from the date of this order.

ROBERT N. BUZZI (R-132), WICHITA
VIOLATIONS: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).

A Consent Order was entered into on April 2, 2010, with the following terms and conditions: That Buzzi take and pass the examination of the Qualifying Education Module (QEM) #3, 15-hour USPAP, on or prior to December 31, 2010; that Buzzi take and pass the examination of QEM #6, Residential Sales Comparison and Income Approaches, on or prior to December 31, 2010, that Buzzi take and pass the examination of QEM #7, Residential Report Writing and Case Studies, on or prior to December 31, 2010; and that Buzzi pay a fine of $500 within 30 days from the date of the Order.

MAURICE S. KNOCH (R-2339), ATCHISON
VIOLATIONS: K.S.A. 58-4121, 58-4118(a)(6), (7) & (8).

A Consent Order was entered into on May 10, 2010, with the following terms and conditions: That Knoch take and pass the examination of Qualifying Education Module (QEM) #5, Residential Appraiser Site Valuation & Cost Approach; QEM #6, Residential Sales Comparison & Income Approach; and QEM #9, Ad-

vanced Residential Applications, on or prior to June 30, 2011; and that Knoch cease and desist from all supervision of appraisers/trainees, commencing the date of the Order and ending one (1) year following completion of the above specified education.

AUGUST 2010 APPRAISER TOTALS

CERTIFIED GENERAL	458
CERTIFIED RESIDENTIAL	453
STATE LICENSED	176
PROVISIONAL (TRAINEE)	25
TOTAL:	1,112

Kansas currently licenses 773 resident appraisers and 339 non-resident appraisers.

KS	773	MA	2
AL	2	MO	244
AR	1	MS	1
AZ	3	NE	15
CA	2	NJ	3
CO	7	NV	1
CT	1	OH	2
FL	2	OK	12
IA	1	PA	1
IL	13	TX	18
IN	1	WA	1
MD	2	WI	4

2010 RENEWAL RECAP

With the advent of the on-line renewal, an entirely new set of problems have presented themselves. During the 2010 renewal, staff processed 6 refunds to appraisers who renewed and then went on-line and renewed again.

As is noted on the Address Verification Form, a PO Box is allowed **only** for a mailing address. Both residence and business address must be a street address. We did, however, have 10 on-line renewals on which the residence and/or business was changed to a PO Box. Because the system does not recognize the difference, the change was accepted and required notification be sent to the appraiser.

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THE NATIONAL REGISTRY
https://www.asc.gov/National-Registry/FindAnAppraiser.aspx