

# Kentucky Real Estate Appraisers Board

QUARTERLY NEWSLETTER NO. 56 - MARCH 2005

## MESSAGE FROM THE CHAIRMAN AND VICE CHAIRMAN

C.W. Wilson and Russell Sloan

I received an email a few weeks ago from Russ Sloan. It was written in response to a couple of phone calls about why the Appraiser's Board cannot do anything 'other than slap a wrist'. The reference is, of course, to the level of discipline meted out to some Kentucky Certified Appraiser about whom the caller had strong feelings. The disciplinary action had apparently been reported in the Kentucky Newsletter.

Leaving aside the issue of whether the caller was right about the competence or ethics of the target of this conversation, every Board and staff member has fielded this particular complaint. My response to Russ resulted in our considering co-authoring this article about the limitations inherent in State regulation of real estate appraisers. We hope to clarify our function and mission somewhat in this article.

The Kentucky Real Estate Appraisers Board is a state

regulatory agency with specific and very limited authority, much the same as in virtually every other state. As such, we are only empowered to enforce the provisions of KRS 324A.010 to KRS 324A.090. Further, the requirements may 'not exceed the minimum requirements established by federal law or regulation' (KRS 324A.035).

We are not the appraisal police, cruising the neighborhood for 'perps' who go over the limit. We are required to investigate all complaints against an appraiser which present an issue over which we have jurisdiction. Many are the appraisal equivalent of a misdemeanor. A few appear to be either gross incompetence or felonious. The balance of the cases fall between these extremes, with many of the violations found in these cases being attributable to either carelessness or inadequate education and training.

The Kentucky Real Estate Appraisers Board  
has a newly designed web site.

Please feel free to comment or make  
suggestions.

The web address is [www.kreab.ky.gov](http://www.kreab.ky.gov)

As most of you know my husband, Lonnie Thomas, passed away on January 16, 2005. I just wanted to personally thank each and every appraiser that sent cards, flowers, gifts and gave donations to the Emilee Thomas Memorial Fund. This has and will be a difficult time for Emilee and me but I know I have the support and prayers from all the appraisers.

Angie

We are nowhere empowered to deal with errant appraisers without scrupulously protecting their legal rights under the Constitution of the Commonwealth, regardless of what an appraisal user or user-group might think. A certification or license is property in Kentucky and an individual cannot be deprived of their property (money, a license or certification) without due process. And due process, as we frequently observe in criminal cases, seems to be tediously slow and, at times, weighted in favor of the protection of the accused's rights.

We are not a professional appraisal organization with the goal of improving the status or quality of appraisers, appraisals, or the profession as a whole, although that might be a collateral benefit of meaningful regulation.

We are not empowered to define or enforce 'best practice', which is necessarily going to be something greater than 'the minimum standard', if it means anything at all. The professional organizations have traditionally done this through their education, texts, publications and designation programs and that role continues to be critical to our evolving place in the financial well being of this country.

We are not empowered to assure Fannie Mae's well being or any other consumer's best interest (whether a banker, a government agency or an individual). We are here in the larger sense to protect the citizenry of the Commonwealth and the financial security of federally regulated and insured institutions.

We are not making up rules which the Board believes are a 'good idea'. We are, in fact, nothing more than a conduit for the implementation of the Appraisal Subcommittee's (ASC) rules and regulations, developed in large measure by the Appraisal Foundation and its Standards and Qualifications Boards. We have limited input to their process or the interpretation of their rules. We must periodically submit to an audit of our activities by the ASC and will do so in March of 2005.

Meantime, we also answer to the Kentucky Legislature. No regulation can be enacted without Legislative oversight. Then there is the Constitution of the Commonwealth and voluminous body of law which directs or restricts our activities. Even when the 'Feds' mandate changes in the regulation, it still must be implemented within the Legislative Research Commission requirements.

We will not bother to list all of the irrelevancies we must deal with...budgets, contracts, government paperwork (both federal and state), etc. We believe the process is managed on a day-to-day and month to month basis in an even-handed and deliberate manner. No other course or style of action is possible or conscionable.

I don't think anyone can claim that any of our honored professional organizations or private groups have a more laudable track record than do the appraiser regulatory agencies in America. Indeed, the private groups have generally demonstrated a remarkable impotence in dealing

with ethical and competency complaints against their membership. The history of their voluntary, self-regulation is dismal.

With a moving target for federal regulation, a sometimes vague and frequently and all too easily misunderstood standard (USPAP), and extremely limited resources, this and most Boards do a yeoman's job of a nearly impossible task.

Finally, the reality is that there continues to be a significant number of appraisal Intended Users who seek out, cultivate and economically support unethical or incompetent appraisers. Yes, I mean lawyers, mortgage brokers, bankers, and private individuals. They want a specified result and they will shop until they get it and frequently pay a premium for it. These users fall outside our mission, and there is nothing we can do about them.

Having said all of this, we do have a significant function, in and for the Commonwealth of Kentucky, as well as the Appraisal Subcommittee. While the bar may be lower than many individuals would prefer, this is a minimum standard, and we will enforce that.

It is our opinion that most of the appraisers that find themselves before us are attempting to prepare their work product in a competent manner. As a result, we are not trying to "run these appraisers out of the business" or to levy punitive damages upon them. The profession and the public we serve will be better off if these practitioners are able to become more competent and knowledgeable.

Our first goal for most appraisers who find themselves before us for a violation is to make them aware of any substandard work product through education. We do, however, have the ability to impose fines, additional education, and to revoke a certification or license, if it is so warranted, and with due process, particularly for appraisers with continuing patterns or for fraud.

As licensed or certified appraisers, you are expected to comply with the Uniform Standards of Professional Appraisal Practice, as well as the previously referenced regulations and statutes. None of us wish to go to our physician, attorney, or accountant, and have them be unfamiliar with the basic concepts of their profession. It is your responsibility to see that your clients are not having that regrettable experience.

Appraisers preparing substandard work product can expect to face the previously referenced penalties, and we will levy them within our abilities and our mandate from the Commonwealth. This does, however, take time, and it is not always as "cut and dried" as it may sometimes seem. It thus may sometimes appear that we are making painfully slow progress.

Again, these minimum standards that we are to enforce may be less than you as an individual, or as a member of a professional organization, would like to see; but that is of necessity going to be left up to your professional group. What you can do is become involved in the political process at

the state and federal level and attempt to have the laws and regulations strengthened if you feel they are inadequate.

As individuals, we would love to have practitioners in the appraisal profession improve their skills and their work product. However, our function as Board members is to uphold the responsibilities as granted to us, not to impose our own personal views on certified and licensed appraisers.

It is an imperfect world and we are a very small agency with very significant and unusual limitations. We are attempting to carry out our mandated function from the ASC and the Commonwealth of Kentucky, but we are only able to work within the framework of the laws and regulations from these bodies. If you have questions or comments, we would encourage you to contact the staff or board members.

## **NEW BOARD APPOINTMENT**

The Kentucky Real Estate Appraisers Board is pleased to announce that pursuant to KRS 324A.015 Governor Ernie Fletcher appointed Dorsey G. Hall, II to a 3-year term as a banker member of the Kentucky Real Estate Appraisers Board effective January 9, 2005.

Dorsey G. Hall, II opened First National Bank of Lexington as Pres/ CEO in October 2002 and remains Chairman of the bank currently. In addition, he also chairs the bank boards for Somerset National Bank, TriCounty National Bank, Laurel National Bank, Williamsburg National Bank, Campbellsville National Bank, PRP National Bank, Boone National Bank, and Deposit Bank and Trust in Jeffersontown and Greensburg. He has been in banking for 25 years and also currently serves as PRES/CEO of Somerset National Bank. Mr. Hall has been involved in commercial and retail lending through all of his banking career at Bank One-Lexington, First Security National Bank-Lexington, and Clark County Bank-Winchester. He holds banking related graduate degrees from the Graduate School of Banking of the South at Louisiana State University, the Kentucky School of Banking, General Banking Diploma (AIB), RMA

Commercial Lending School at Ball State University and numerous other diplomas and seminar certificates. He attended the University of Kentucky in Lexington and graduated from Clark County High School in Winchester. He is, or has been, involved as a member of the Kentucky Bankers Association, the Lexington Metro-Board of the YMCA, the Federal Reserve Bank of Cleveland Community Bankers Board, the Kentuckiana division in Louisville of the Girl Scouts of America and is involved in the Somerset/Pulaski Chamber of Commerce, Lexington Chamber of Commerce, Jeffersontown Chamber of Commerce, GLI (Greater Louisville Inc.) and a number of other civic organizations. He is a native of Winchester, Kentucky and currently resides in Lexington.

The Kentucky Real Estate Appraisers Board and staff wish to thank Maxine Lee-Smith for the dedication and commitment she gave the Board, staff and appraisers in the Commonwealth of Kentucky during her time of service as a Banker member of the Board from February 2000 to January 2005.

### **\*\*\*\*\*Reminder\*\*\*\*\***

**\*\*\*\*\*The two year cycle deadline for completion of the 7 hour National USPAP Update is June 30, 2005. Everyone must have completed the 7 hours National USPAP Update by June 30, 2005 to renew their Kentucky Appraiser license/certification.\*\*\*\*\***

## Key Features of the 2005 Edition of USPAP

By: Larry Disney

Some of the key features and revisions to the 2005 edition of USPAP include the following items.

Edits were made throughout the document when the term "purpose" is used. This was done because of the term's varied meanings and intent. The edits are believed to result in more accurate language, when appraisers identify, develop and report the "type and definition of value," "intended use," and "problem to be solved." The Kentucky Real Estate Appraisers Board cautions appraisers to be familiar with the terminology and meanings implied and intended. It is best to use the language and terminology specific to each assignment when developing the assignment scope-of-work and eliminate the use of canned comments and phrases, especially those included in the software programs used for form filling.

Clarification and advisory was added to amplify the appraiser's responsibility, when developing an opinion of value, to cite the source and definition of value. The KREAB has found in some instances that appraisers typically use the preprinted form intended for form reports for developing opinions of value, regardless of the value type reported in the assignment. This action can lead to violations of USPAP and KRS 324A.050.

One very important edit was made to **Standards Rules 1-3(b) and 6-2(k)**, removing the requirement to always value land as if vacant and available for development in accordance with its highest and best use. The rationale by the Appraiser Standards Board by requiring this process in each assignment was tantamount to promoting a specific methodology which is not intended to be a part of standards.

The KREAB advises appraisers that the edit does not remove the responsibility of the appraiser to not act in a way that could contribute to misleading results or assignment results that are not credible. Standards Rule 1-3(b) was previously, and is after the edit, a specific requirement and not binding in all

real property appraisal assignments. However, if the purpose of the assignment is to develop an opinion of value, the results must be credible. If an assignment is discovered to omit an analysis of land as vacant when opining the highest and best use opinion of the property use if vacant, the action could lead to a finding of USPAP and KRS 324A.050 violation.

Edits were made to **STATEMENT ON APPRAISAL STANDARDS NO. 6 (SMT-6)**, deleting the requirement to report exposure time in all assignments. This was done because disclosure of exposure time is not necessary for all assignments. This change does not affect the requirement for the appraiser to develop an estimate of exposure time in market value assignments.

The KREAB advises appraisers that the requirement to analyze Exposure Time for each real property assignment is inherent in the definition of market value published by the Office of Comptroller of the Currency (OCC). Kentucky appraisers are also advised that while the USPAP edit removed reporting as a requirement, it did not remove the responsibility for developing and analyzing the impact upon the value opinion, when necessary. It is also required to report the opinion when necessary for credible assignment results. Failure to do so may lead to a violation of USPAP and KRS 324A.050.

The above are the edits found in the 2005 USPAP edition that are typically discovered in reviewing complaints against appraisers at the Kentucky Real Estate Appraisers Board. This is only a summary of the key revisions; appraisers are advised to read the Key Changes to USPAP contained in the 2005 edition.

If you have questions about USPAP or enforcement please contact Larry Disney at the Board office by telephone at 859-543-8943 or email at [larry.disney@ky.gov](mailto:larry.disney@ky.gov).

## IMPORTANT CHANGES TO APPRAISER QUALIFICATIONS!!!

On February 20, 2004, the Appraiser Qualifications Board 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 required education, which is summarized as follows:

Category	Current Requirements <sup>1</sup>	1/1/08 Requirements <sup>1 2</sup>	1/1/08 College-Level Course Requirements <sup>3</sup>
License	90 hours	150 hours	None
Certified Residential	120 hours	200 hours	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. In lieu of <b>the</b> required courses, an Associate degree <b>will</b> qualify.
Certified General	180 hours	300 hours	Thirty (30) semester credit hours covering the following subject matter courses: English Composition; 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. <b>In lieu of the required</b> courses, a Bachelors degree <b>will</b> qualify.

<sup>1</sup> Hours required include completion of the 15-hour National USPAP Course (or its equivalent).

<sup>2</sup> Hours required include specific coverage of multiple topics-please see the *Real Property Appraiser Qualification Criteria* for details.

<sup>3</sup> College-level courses and degrees must be obtained from an accredited college or university.

Please note that individual states may adopt requirements more stringent than the national requirements, and may opt to impose those requirements prior to January 1, 2008. Therefore, applicants for a real estate appraisal license or certification should always check with their state for individual requirements.

The Appraiser Qualifications Board intends to issue additional guidance regarding implementation of the revised Criteria in the near future. Please be sure to check our website at [www.appraisalfoundation.org](http://www.appraisalfoundation.org) for the latest information. Questions regarding the national requirements can be directed to John S. Brennan, Director of Research and Technical Issues at The Appraisal Foundation, 1029 Vermont Avenue, NW, Suite 900, Washington, DC, 20005, via e-mail to [john@appraisalfoundation.org](mailto:john@appraisalfoundation.org) or by phone at (202) 624-3044.

**ANSI Residential Measuring Standard Revised**

At the March 26<sup>th</sup> meeting, the Kentucky Real Estate Appraisers Board voted unanimously to revise the administrative regulation adopting the **Method for Calculating Square Footage ANSI Z765-2003**. The rule is an updating of the current ANSI measuring standard which was in effect as of July 2003 for all appraisers in Kentucky.

The 2003 revision is made up of several editorial corrections to clarify language and the addition of a rule which acknowledges that at times, "circumstances can exist when direct measurement of a structure is not possible".

***The basic field measuring methodology and reporting requirements have not changed.***

The revised regulation will take effect no earlier than July 1, 2004. A copy of the current Z765-2003 revised standard is available from the NAHB Research Center bookstore at [www.nahbrc.org/bookstore](http://www.nahbrc.org/bookstore). The Board will be acquiring bulk rate copies for all appraisers in Kentucky for distribution.

**“ Mail or fax course completion certificate(s)  
to the Board upon completion of the course. ”**

**FannieMae Announces Forms Revision**

FannieMae Announcement 04-02, dated June 1, 2004, reported an amendment to "Selling Guides" for the following revised appraisal report forms:

- Uniform Residential Appraisal Report - Form #1004
- Definitions, Statement of Limiting Conditions, and Appraiser's Qualifications - Form #1004B
- Appraisal Update and/or Completion Report - Form #1004D

Real property appraisers are urged to request a copy of the test forms, and provide comments to:

FannieMae

Test Appraisal Forms

3900 Wisconsin Avenue, NW

Mail Stop 2H-4S-08

Washington, DC 20016

## SUMMARY OF CASES

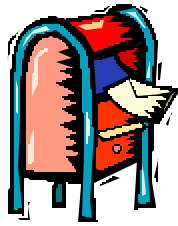
FYI, the Board has included in this newsletter a list of activities on filed cases including 1) total cases opened, 2) cases which were disposed of (dismissed or 'with action'), 3) a total of cases closed (a subtotal) and 4) the cases which carried over from one year to the next. The Board felt that it was worthwhile for you to understand that the staff as well as the Board are processing a significant number of cases each quarter.

Obviously the number of cases which were filed or opened has increased substantially with increased input from federal and state regulators. Further, the staff changes in 2003 and not being able to fill the position formerly held by the current Executive Director has had an adverse impact on the number of cases being held over from one year to the next.

It is a primary responsibility of the Board and our immediate goal to reduce the inventory of outstanding cases. This quarter, for example, 31 of the filed cases in inventory were closed in an appropriate manner (either dismissed or settled with action). Unfortunately, 29 of the 31 cases were 'carryover' from previous years.

We expect in the next three to six months to have the case log reduced to a scale which is appropriate for the level of activity which we are currently experiencing. To that end, the investigations required by KRS 324A are proceeding at a record pace.

Year	# Opened	# Dismissed	# with Action	Total Closed	Carry Over
1992	5	4	1	5	0
1993	16	11	5	16	0
1994	18	10	8	18	0
1995	9	6	3	9	0
1996	5	4	1	5	0
1997	25	9	16	25	0
1998	37	11	26	37	0
1999	26	6	20	26	0
2000	85	23	62	85	0
2001	68	19	46	65	3
2002	82	19	49	68	14
2003	115	44	41	85	30
2004	109	28	8	36	73
2005	10	0	0	0	10
<b>TOTALS</b>	<b>610</b>	<b>194</b>	<b>286</b>	<b>480</b>	<b>130</b>



Kentucky Real Estate Appraisers Board  
2480 Fortune Drive, Suite 120  
Lexington, KY 40509

Fax: (859) 543-0028

**“ Mail or fax course completion certificate(s) to the Board upon completion of the course.”**

## **NOTICE**

### **VIOLATING STANDARD RULE 2-3**

Please be advised that appraisers are required to sign a certification acknowledging that they did or did not inspect the subject property of their assignment. It has been reported that in some cases Associate appraisers and non-licensed individuals actually inspect the subject, but the supervisory appraiser signs the certification indicating he/she inspected the subject property when in reality they did not.

Any certified or licensed appraiser, proven to have committed this act will be dealt with accordingly by the Board. This infraction is not only a violation of Standards Rule 2-3, but also a violation of the Ethics Rule. If you value your license, do not participate in this unethical practice.



***Have you been in an Inactive Status for three years?***

Under KRS 324A(4), if you have been in an Inactive Status for 3 years, you will have to meet "all requirements for original license or certification" in order to return to active status. Check now and be certain that you don't get blind sided by not activating your status in a timely fashion.

**ADMINISTRATIVE REGULATION CHANGE**  
**EXPERIENCE HOURS**

Effective July 1, 2003, all experience hours obtained for credit toward Certified General, Certified Residential and Licensed Real Property must be completed under the supervision of a certified or licensed appraiser and the applicant **must** hold an Associate Appraiser license. You may continue working on your own or for a certified or licensed appraiser without an Associate license, but experience hours obtained in this manner will not count toward certification. Remember, the supervising appraiser must sign and certify that he/she supervised the work of the associate submitting the log.

If you have any questions, call the Board office.

***You can obtain the KREAB Statutes and Regulations at***  
***<http://www.lrc.state.ky.us/krs/324A00/CHAPTER.HTM> - Statutes***  
***<http://www.karea.org/kar201ch30.html> - Regulations***

## "ASSOCIATE" REAL PROPERTY APPRAISER REGULATIONS

1. For experience credit, appraisal reports must be completed under the supervision of a certified or licensed appraiser.
  2. For experience credit, the Associate appraiser must, (1) sign the certification, or (2) be given credit in the certification for significant professional assistance, and (3) comply with Standards Rule 2-3(a)(b), or (c)(vii), as applicable.
  3. An Associate appraiser may perform an appraisal of property that the supervising appraiser has the competency and licensed authority to appraise.
  4. An Associate appraiser may have more than one supervisor, but must maintain a separate log for each supervisor.
  5. An Associate appraiser is entitled to obtain copies of the appraisal reports he or she has prepared.
  6. A supervising appraiser shall have been licensed by the Board for a period of one (1) year, be in good standing with the Board, and shall be responsible for the training and supervision of the Associate appraiser.
  7. The supervising appraiser shall inspect the first fifty (50) appraisals listed on the Associate's log.
  8. After the first fifty (50) assignments, a supervisor may permit an Associate appraiser to inspect properties within fifty (50) miles of the supervisor's office.
  9. The supervising appraiser, during the first twelve (12) months, shall accompany the Associate appraiser on any assignment greater than fifty (50) miles from the supervisor's office.
  10. A supervising appraiser may not have more than three (3) Associate appraisers at any one time.
  11. An Associate appraiser shall send one (1) appraisal report to the Board at the end of their first six (6) months and at the end of their first twelve (12) months for review by the Board.
- Any Associate appraiser who feels they are not receiving adequate supervision or training may call Larry Disney at the Board, in confidence, and discuss specific problems.

## ASSOCIATE INFORMATION

Still some confusion: For an Associate Real Property Appraiser to receive experience credit toward certification, at least one of the following must be completed, (1) the Associate must sign the certification, or (2) the names of individuals providing significant real property appraisal assistance who do not sign a certification must be stated in the certification. It is not required that the description of their assistance be contained in the certification, but disclosure of their assistance is required in accordance with Standards Rule 2-3(a), (b), or (c)(vii), as applicable. If one of the steps

is not completed in each report, the Associate will not be awarded experience credit for those reports.

**Also, the act by any certified/licensed appraiser permitting an Associate appraiser to perform significant professional assistance and not permitting the Associate appraiser to sign the certification, or be given credit in the certification for significant professional assistance is a violation of the USPAP and could result in a sanction by the Board.**

## 15-HOUR NATIONAL USPAP COURSE AND 7-HOUR NATIONAL USPAP UPDATE COURSE

Effective July 1, 2003 all Kentucky Appraisers must complete the 7-hour National USPAP Update course every two (2) years. The 7-hour National USPAP Update course may also count toward the continuing education requirement for the renewal cycle completed.

After December 31, 2004, you may **NOT** substitute the 15-hour National USPAP course or its equivalent for the 7-hour National USPAP Update course. After January 1, 2005, the 7 hour National USPAP Update will meet this requirement.

### CLARIFICATION OF THE 7 HOURS NATIONAL USPAP UPDATE

The Board has been asked several questions concerning the 7 hours National USPAP Update. I hope the following will clarify some of the issues.

1. Beginning July 1, 2003, the only 15 hour USPAP course recognized for KREAB credit is the AQB National course or The Appraisal Foundation approved equivalent course, taught by an AQB approved instructor, and successful completion of the course examination.
2. The 7 hour National USPAP Update course is required to be completed every two years by every certified/licensed appraiser. This requirement became effective in Kentucky on July 1, 2003. If you completed a USPAP course prior to July 1, 2003, it will not qualify for the National course.
3. The course must be completed at least one time between July 1, 2003 and June 30, 2005.
4. The 7 hour National USPAP Update course is not in addition to the required 14 hours. You can take the 7 hour National USPAP Update Course and an additional 7 hour course and receive credit for the 14 hour requirement.
5. Anyone applying for one of the KREAB credentials cited in 201 KAR 30:030, after July 1, 2003, must have completed a 15-hour National USPAP course, or The Appraisal Foundation approved equivalent course, taught by an AQB Instructor, and successfully completed the 15 hour course examination.

#### ***Change of Address....***

Periodically, an active or inactive appraiser comes before the Board to request a special dispensation from the legal requirements because **he or she did not get a notice**. The Board staff sends the notices to the most recent address we have on file. But, if you do not advise us of changes in your location or status, we cannot update your file. Not receiving your notices, for any purpose, is not a defense before the Board. However, failing to notify the Board of your changes is a violation of law!!!

***KRS 324A.030 (4) - Each certificate holder or license shall notify the Board of any change of business address, change of company name, or change of surname, within thirty (30) days of the change.***

## PRE-LICENSING COURSE VS. CONTINUING EDUCATION COURSE

The Board receives several calls a day from individuals not understanding the difference between a pre-licensing course and a continuing education course.

A pre-licensing course is the education completed for initial licensure/certification or for an individual upgrading to another level. A pre-licensing course must be at least 15 hours in length and require the individual to successfully pass an exam at the end of the course.

A continuing education course is one completed for renewal of a license/certification. A continuing education

course can be from 2 hours to “?” hours and the individual is not required to complete a test at the end of the course, excluding the National USPAP Course. ***Continuing education courses will not apply toward the education required to obtain a license/certification.***

Individuals who take a pre-licensing course **and** pass the exam at the end of the course may receive both pre-licensing and continuing education credit for this course. When a pre-licensing course has been taken but the individual did not take the test, or failed the test, he/she shall be awarded continuing education credit only.

## RETAINING EDUCATION FILE

Many appraisers have taken the Board’s suggestion and started an education file for retaining the appraisal courses they have taken over the years. This has been a great help to the Board because the Board lacks the time or staff to maintain an educational file on 1,700 +/-

appraisers. If you have not done so, please start an education file. It is a lot easier to maintain an on going file than write the education providers for lost copies. Keeping up with your education is the appraiser’s responsibility, not the Board’s. Thanks for your help.

## WHO NEEDS CONTINUING EDUCATION?

There still seems to be some confusion with regard to who and when is required to complete the 14 hours of continuing education.

Your original date of licensure governs when you must complete 14 hours of continuing education. Also, our fiscal year runs from July 1<sup>st</sup> through June 30<sup>th</sup>. If your licensure/certification date for all categories of appraisers, **including Associates**, is on or before June 30<sup>th</sup>; commencing with the next fiscal year, you are required to complete 14 hours of continuing education. You do not have to take continuing education during the fiscal year in which you received your **first** original license. If you upgrade during the fiscal year, your first original license issue date is the level you upgraded from. Any questions, give us a call.

Also, it’s a lot easier if you completed continuing education before the last week in June. If you wait until

the last week in June to complete your education, your certificate will not be issued until the Board has proof of education completion. Proof can be a faxed copy of the certificate; in most cases the provider sends the Board a list of attendees. We will accept the list for continuing education credit, but the appraiser is required to send a copy of the certificate to the Board.

If you schedule classes the last week of June and would like to mail the renewal fee and form early, you may do so but put a note with the form and fee stating when the courses will be taken. The Board must have received payment and proof of education by July 1<sup>st</sup> to avoid a late renewal.

**Please submit course completion certificates at time of completion. Waiting to send with your renewal may delay processing your certification/license.**

**APPROVED EDUCATION PROVIDERS**

<b>Provider</b>	<b>Phone Number</b>	<b>Web Site</b>
A Pass Weikel	(502) 429-8822	www.apassweikel.com
American Society of Farm Managers & Rural Appraisers	(303) 758-3513	www.asfmra.org
Appraisal Educators, Inc.	(812) 925-6421	
Appraisal Institute	(312) 335-4216	www.appraisalinstitute.org
Appraisal Institute-Bluegrass Chapter	(502) 568-6894	www.appraisalinstitute.org
Big Sandy Community & Technical College District	(606) 789-5321	www.bigsandy.kctcs.edu
Cox Educational Services	(270) 926-8353	
Delta Realty Researchers	(859) 737-3133	
Dennis Badger & Associates	(859) 252-3445	www.dennisbadger.com
Education Resource, LLC	(317) 581-0557	www.EducationREsource.com
Greater Louisville Association of Realtors	(502) 894-9860	www.louisville-realtors.com
Home Builders Association of Louisville	(502) 429-6000	www.hbal.com
ICAN, LLC	(859) 581-8770	www.E-ican.com
International Right of Way Association - Chapter 25	(502) 339-1807	www.irwa25.org
Jefferson Community College	(502) 213-2380	www.jcc.kctcs.edu
JVI	(407) 774-3344	
Lexington Community College	(859) 257-4872	www.uky.edu/lcc
Lincoln Graduate Center	(800) 531-5333	www.lincoln-grad.org
McKissock Appraisal School	(814) 723-6979	www.mckissock.com
Morehead State University	(606) 783-5155	www.moreheadstate.edu
National Association of Independent Fee Appraisers	(314) 781-6688	www.naifa.com
Prestonsburg Community College	(606) 789-5321	www.prestonsburgcc.com
Redd, Brown & Williams	(606) 789-8119	www.RBandW.com
U.S. Department of HUD, Louisville Multifamily Program Ctr.	(502) 582-6163	www.hud.gov
West Kentucky Community & Technical College	(270) 534-3112	www.westkentucky.kctcs.edu
Wilson Education Group	(859) 734-3174	www.wilsonedgroup.com
World Savings	(210) 543-5464	

**COURSES THAT CAN BE TAKEN EVERY THREE (3) YEARS  
FOR CONTINUING EDUCATION CREDIT**

The following courses may be taken every three years to complete the continuing education requirement. The Uniform Standards of Professional Appraisal Practice (USPAP) and/or Standards Update may be taken every year for *continuing education* credit. The Board may add additional courses.

1. Appraisal Principles;
2. Appraisal Procedures;
3. Income Capitalization and Financial Calculations;
4. Appraisal Report Writing;
5. Highest & Best Use Analysis;
6. Sales Comparison Analysis;
7. Cost Approach Methods - Depreciation - Cost From Market, etc.;
8. Appraisal Review ;
9. Appraiser Liability and Kentucky Real Estate Appraisers Board Cases;
10. Site and Site Improvements;
11. Understanding Limited Appraisals and Appraisal Reporting Options;
12. Appraisal Forms - URAR, 2-4 Family, Condominium, etc.;
13. Farm, Ranch & Rural Appraising; or
14. Narrative Appraisal Report;

**RECIPROCAL STATES & TELEPHONE NUMBERS**

Alabama	(334) 242-8747	New York	(518) 473-2728
Arizona	(602) 542-1539	North Carolina	(919) 420-7920
California	(916) 263-0722	North Dakota	(701) 222-1051
Colorado	(303) 894-2166	Ohio	(614) 466-4100
Georgia	(404) 656-3916	Oregon	(503) 373-1505
Illinois	(312) 793-3000	Pennsylvania	(717) 783-4866
Indiana	(317) 232-2980	South Dakota	(605) 773-3178
Maine	(207) 624-8520	Tennessee	(615) 741-1831
Maryland	(410) 230-6165	Texas	(512) 465-3950
Missouri	(573) 751-0038	Washington	(360) 753-1062
New Hampshire	(603) 271-6186	West Virginia	(304) 558-3919
		Wyoming	(307) 777-7141

Indiana - Reciprocal agreement for classifications of Certified General and Certified Residential. The individual must have been licensed in Indiana for at least two (2) years.

***Pennsylvania - Reciprocal agreement for classifications of Certified General and Certified Residential***

**BOARD FEES**

- Initial license/certification - \$200.00
- Current USPAP Fee - \$ 12.00
- Roster Fee - \$ 25.00
- Renewal Fee - \$237.00 - Certified General & Residential, Licensed Real Property
- Renewal Fee - \$212.00 - Associate
- Inactive Status - \$50.00 Initial
- Inactive Status Renewal - \$50.00 per year
- Address Change - No charge unless you need a new license
- Address Change w/license - \$ 10.00
- Letter of Good Standing - No charge
- State Appraisers List - \$ 25.00 - Free download from website
- Continuing Education Course - \$ 50.00
- Pre-Licensing Course - \$100.00
- NSF Check Fee - \$ 25.00
- NSF Renewal Check Fee - \$ 25.00
- NSF Renewal Check Fee- - \$200.00 - May be charged if renewal check is returned after July 1.

Upgrading a license/certification during a fiscal year requires an additional license, roster & book fee. There is no prorating of fees.

If you are upgrading or obtaining a license or certification before the renewal cycle, you have two options: 1) If obtaining a license/certification prior to the renewal date, you will be required to pay the licensing fee at that time and then the renewal fee by June 30<sup>th</sup> with no prorating of fees, or 2) Waiting until July 1 to have your license or certification issued and only paying one fee. If you have any questions, please call Angie at the Board office or you can email her at [Angie.Thomas@ky.gov](mailto:Angie.Thomas@ky.gov).

## **PROCEDURES FOR UPGRADING A LICENSE OR CERTIFICATION**

The following list contains information that is required for submission to the Board when upgrading a license or certification. If you have any questions concerning the process, please contact Angie Thomas at the Board.

### **CERTIFIED RESIDENTIAL UPGRADING TO CERTIFIED GENERAL**

1. 180 hours of pre-licensing education\* - Included in the 180 hours, 15 hour Basic Income Course
2. Successfully pass the Certified General exam
3. Certified General Experience Affidavit – Signed and Notarized
4. Experience Log – Log must contain 1,500 hours of non-residential work
5. 2 non-residential appraisal reports

### **LICENSED REAL PROPERTY or ASSOCIATE UPGRADING TO CERTIFIED GENERAL**

1. 180 hours of pre-licensing education\* - Included in the 180 hours, 15 hour Basic Income Course
2. Successfully pass the Certified General exam
3. Certified General Experience Affidavit – Signed and Notarized
4. Experience Log – Log must contain 30 months **and** 3,000 hours (1,500 hours, at a minimum, must be in non-residential work).
5. 2 non-residential and 2 residential appraisal reports

### **LICENSED REAL PROPERTY or ASSOCIATE UPGRADING TO CERTIFIED RESIDENTIAL**

1. 120 hours of pre-licensing education\* - Included in the 120 hours, 15 hour Basic Income Course
2. Successfully pass the Certified Residential exam.
3. Certified Residential Experience Affidavit – Signed and Notarized
4. Experience Log – Log must contain 2 years **and** 2,500 hours
5. 2 residential appraisal reports

### **ASSOCIATE UPGRADING TO LICENSED REAL PROPERTY**

1. 90 hours of pre-licensing education\* - Included in the 90 hours, 15 hour Basic Income Course
2. Successfully pass the Licensed Real Property exam
3. Licensed Real Property Experience Affidavit – Signed and Notarized
4. Experience Log – Log must contain 2 years **and** 2,000 hours (some hours must be in non-residential)
5. 2 non-residential and 2 residential appraisal reports

\*A pre-licensing course must be at least 15 hours in length and successfully pass an exam at the end of the course.

Report requirements for submission:

1. Reports submitted for experience credit must true and be exact copies, with signatures, of the reports submitted to the client. Modifications to the reports for the purpose of submitting the appraisal for experience credit are not permitted.
2. Appraisal review experience will be awarded; however, review appraisal reports are not considered sufficient examples of appraiser knowledge and demonstration of techniques. Therefore, all appraisers requesting certification must submit complete appraisals presented in the summary form and complying with all requirements in this statement.
3. Reports submitted must be completed within the past twelve (12) months from date of submission.
4. The residential appraisal experience must be a complete appraisal using the self-contained or summary reporting option.
5. A single-family residence, where the income approach is not applicable, and it is so stated, will be acceptable.
6. Non-residential reports must be a complete appraisal with all the (3) approaches utilized. Reports submitted for experience credit that do not comply with this requirement will be returned to the applicant without credit being awarded.
7. Additional appraisal reports may be requested from the log.

Before submitting the reports and experience log, you must have completed the education requirement. If you have completed all the requirements except for passing the exam, you may submit the reports and log for review. Upon Board acceptance and approval of your experience and education, you will be approved pending successful completion of the exam. Once you have passed the exam, you will be able to obtain your license/certification at that time. Effective July 1, 2001, the passing score for all credential exams is 75%.

The following are the Board meeting dates. Submission of reports any later than a week before the Board meeting dates, will not be reviewed until the following month.

March 30, 2005	June 17, 2005	September 23, 2005	December 16, 2005
April 22, 2005	July 22, 2005	October 28, 2005	
May 27, 2005	August 26, 2005	November 18, 2005	

# REMINDERS!!

## ASSOCIATE REAL PROPERTY APPRAISERS LICENSED AFTER JULY 1, 2001

All Associate real property appraisers licensed after July 1, 2001 shall submit to the Board two (2) complete summary appraisal reports, 1) the first report shall be submitted to the Board six (6) months following the date of issuance of the associate license, and 2) the second report shall be submitted to the Board twelve (12) months following

the date of issuance of the associate license. Reminder letters will be mailed to the associate prior to the report(s) due date. The reports will be reviewed for USPAP compliance and acceptable appraisal practices. Any deficiencies noted will be made known to the applicant so future appraisals will be compliant.

EXAMPLE:

Month Licensed	Reports Due
October 2004	1 <sup>st</sup> Report - April 2005 2 <sup>nd</sup> Report - October 2005
November 2004	1 <sup>st</sup> Report - May 2005 2 <sup>nd</sup> Report - November 2005

## INACTIVE STATUS

If your license/certification has been in an inactive status since July 1, 2002, you will be required to return your license/certification to an active status by June 30, 2005 or the license/certification will be cancelled.

To return to active status, (1) petition the Board for reactivation of the certificate or license; and (2) pay the applicable renewal fee, roster fee and book fee (\$237.00); and (3) provide evidence of completion of

the annually required continuing education hours (14) for each year of inactive status. Remember that if you did not complete the continuing education for the year prior to placing your license/certification in the inactive status, you will also be required to complete that 14 hours of continuing education. (Example: 14 hours x 3 years in an inactive status = 42 + 14 hours for the year prior to placing your license in an active status = 56 total continuing education hours).



## APPRAISAL STANDARDS BOARD QUESTIONS AND ANSWERS

*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.*

### QUESTION # 1

My client, a federally insured financial institution, has asked me to provide a "value in use" appraisal instead of a market value appraisal. May I do this?

### RESPONSE TO QUESTION # 1

USPAP does not dictate the use of any specific type or definition of value. The type and definition of value must be appropriate for the intended use and intended users.

For federally related transactions, federally insured financial institutions require an opinion of market value, as defined by regulations. Therefore, if you provide a value in use, you may also have to provide a market value, depending on the intended use.

### QUESTION # 2

I just inspected a property and found an adverse condition. I informed my client (a bank), and was told not to proceed because the client cannot lend on such property. Under USPAP, am I obligated to inform any other party, such as the city or county health department?

### RESPONSE TO QUESTION # 2

No.

### QUESTION # 3

I have been asked to perform an appraisal that complies with USPAP and with valuation standards from an international appraisal organization. If my appraisal complies with USPAP, will it "automatically" comply with other valuation standards as well?

### RESPONSE TO QUESTION # 3

No. Although there are similarities between all major appraisal standards, it is impossible to say that compliance with USPAP ensures compliance with any other standards. It would be necessary to review the actual content of the valuation standards in question to determine whether different actions would be necessary to comply with those standards.

### QUESTION # 4

I have been asked to perform an appraisal involving proposed improvements. The client has indicated that plans and specs have not been finalized. Does USPAP require me to review the plans and specifications prior to completing this assignment?

### RESPONSE TO QUESTION # 4

No. Standards Rule 1-4(h) states, in part:

- (h) When appraising proposed improvements, an appraiser must examine and have available for future examination:*
  - (i) plans, specifications, **or other documentation sufficient to identify the scope and character of the proposed improvements;** (Bold added for emphasis)*

Hence, the appraisal can be based on "other documentation" if that documentation provides sufficient information to properly identify the relevant characteristics of the subject property.

Additional guidance on appraising proposed improvements may be found in Advisory Opinion 17 (AO-17) "Appraisals of Real Property with Proposed Improvements."

### QUESTION # 5

If two appraisers sign an appraisal report, what are the obligations related to record keeping? Specifically, must both appraisers keep a copy of the workfile?

### RESPONSE TO QUESTION # 5

No, it is not necessary for both appraisers to have a copy of the workfile.

The Record Keeping section of the ETHICS RULE states, in part:

*An appraiser must have custody of his or her workfile, or make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile.*

Neither appraiser is required to have custody of the workfile. However, an appraiser who does not have custody must make appropriate arrangements for retention, access and retrieval.

#### **QUESTION # 6**

##### **Analyzing and Reporting of Exposure Time**

Why was language in STATEMENT No. 6 related to the reporting of exposure time deleted in USPAP?

#### **RESPONSE TO QUESTION # 6**

The following passage,

*The discussion of reasonable exposure time should appear in an appropriate section of the appraisal report, one that presents the discussion and analysis of market conditions, and also be referenced at the statement of the value definition and at the value conclusion.*

was deleted from STATEMENT No. 6 *Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions* because:

- USPAP requires that each real property and personal property appraisal report contain sufficient information to enable the intended users of the appraisal to understand the report properly. Meeting this requirement does not require the reporting of exposure time in all assignments;
- The amount of detail in which exposure time is reported should be determined based on the intended user, the intended use and the type and definition of value. It should not be a "one-size-fits-all" reporting requirement for every appraisal
- The reporting requirement for all comments related to the definition of value, including exposure time, is incorporated in the Comment to Standards Rules 2-2(a)(v), 2-2(b)(v), 8-2(a)(v), and 8-2(b)(v), which states:

*Stating the definition of value requires the definition itself, an appropriate reference to the source of the definition, and **any comments needed to clearly indicate to***

***the reader how the definition is being applied.*** (bold added for emphasis)

If disclosure of the exposure time is necessary for intended users to understand the report, this reporting requirement necessitates inclusion of an appropriate discussion.

Note: The deletion in STATEMENT No. 6 related to the reporting of exposure time **does not** change the development requirement to analyze exposure time if the value opinion to be developed is market value, i.e., Standards Rules 1-2(c)(iv) and 7-2(c)(iv).

#### **QUESTION # 7**

##### **Appraising Land**

I am appraising a property improved with an apartment complex, but have found that the land is zoned for commercial use. My research indicates that such commercial land would have a value different from that of apartment land, but still far less than the current total value of the apartment complex.

According to USPAP, how should I value the land?

#### **RESPONSE TO QUESTION # 7**

USPAP does not dictate the use of any particular theory or technique. You may apply any method, as long as it is recognized, applicable, and correctly employed. SR 11(a) only requires the appraiser to *correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.*

Edits to the 2005 edition of USPAP resulted in the elimination of language in the Standards Rules that appeared to require a particular theory.

#### **QUESTION # 8**

##### **Type and Definition of Value, and Citation of Source**

USPAP requires appraisal reports to identify the type and definition of value and cite the source of the definition. What is the "type of value?" Why this is no longer referred to as the "purpose" of the assignment? What sources can be used to comply with the requirement to cite the source of the definition of value?

#### **RESPONSE TO QUESTION # 8**

STANDARDS 2, 6, 8 and 10 require that appraisal reports state the type and definition of value and

cite the source of the definition. The exact wording varies by reporting option.

Previously, the term "purpose" in USPAP was used to refer to several different concepts, including the type and definition of value. For the 2005 edition of USPAP, this and other special meanings of this term were eliminated to increase clarity. Where it is now used "purpose" will only convey the standard dictionary meaning of the word.

The "type of value" is the general class or category of value. Examples include market value or fair value.

The "definition of value" provides a specific description of the characteristics and conditions of the type of value. Examples include definitions provided on a form report, in FIRREA, in U.S. accounting regulations, and U.S. tax regulations.

USPAP does not provide any specific definition of value or endorse any particular source. Sources could include, for example, a regulatory agency, a legal jurisdiction, an engagement letter, or a textbook.

#### **QUESTION # 9**

##### **Reporting Use of Extraordinary Assumptions and Hypothetical Conditions**

What are the USPAP reporting requirements relating to the use of extraordinary assumptions and hypothetical conditions in an appraisal assignment?

#### **RESPONSE TO QUESTION # 9**

The report must clearly disclose the use of extraordinary assumptions and hypothetical conditions and notify intended users that the extraordinary assumptions and hypothetical conditions might have affected the assignment results.

For example, Standards Rule 2-1 (c) states that each written or oral real property appraisal report must:

*clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions **used** in the assignment. (bold added for emphasis)*

This requirement creates an obligation to disclose all extraordinary assumptions and hypothetical conditions used in the assignment.

For example, Standards Rule 2-2 (a)(viii) states that Self-Contained Appraisal Report must, at a minimum:

*(viii) **clearly and conspicuously:***

- ***state** all extraordinary assumptions and hypothetical conditions; and*
- ***state** that their use might have affected the assignment results; (bold added for emphasis)*

This requirement directs the appraiser to provide a clear and conspicuous statement of the extraordinary assumptions and hypothetical conditions. The form and location of the statement is left to the discretion of the appraiser, but it must be clear and conspicuous to intended users.

The requirement further directs the appraiser to provide notice to intended users that the use of the extraordinary assumptions and hypothetical conditions might have affected the assignment results. The appraiser is not required to report on the impact of the extraordinary assumptions and hypothetical conditions on assignment results.

Note: The requirements for other report types are similar.

***Change of Address.....***

Periodically, an active or inactive appraiser comes before the Board to request a special dispensation from the legal requirements because **he or she did not get a notice**. The Board staff sends the notices to the most recent address we have on file. But if you do not advise us of changes in your location or status, we can't keep up. Not receiving your notices, for any purpose, is not a defense before the Board. However, failing to notify the Board of your changes is a violation of law!!!

***KRS 324A.030 (4) - Each certificate holder or license shall notify the Board of any change of business address, change of company name, or change of surname, within thirty (30) days of the change.***

**WELCOME NEW APPRAISERS**

Larry D. Adams	Associate	Whitesburg, KY
William D. Adams	Associate	Richmond, KY
Todd A. Augustine	Licensed Real Property	Cincinnati, OH
Andrea C. Betts	Certified General	Edwardsville, IL
Melanie K. Blanc	Associate	Lexington, KY
Jennifer N. Brown	Associate	Paintsville, KY
Sherry E. Buchanan	Associate	Walton, KY
James W. Butler	Certified Residential	Marion, IL
John W. Cherry, Jr.	Certified General	Atlanta, GA
Robert A. Collins	Certified Residential	West Harrison, IN
Nancy Jewell Conn	Associate	Morehead, KY
W. Joseph Daniels	Certified General	Odessa, FL
Lori Ellen Deskins	Associate	Hardy, KY
Steven E. Eaglin	Certified Residential	Madison, IN
Mary Margaret Evans	Certified Residential	Bardstown, KY
Zachary S. Fry	Associate	Louisville, KY
Paula D. Gilliland	Associate	Louisville, KY
John W. Hallmark	Associate	Princeton, KY
John R. Haney	Associate	Nancy, KY
Jarrett J. Hardesty	Associate	Vine Grove, KY
Brian Joseph Hargis	Associate	Henderson, KY
Danny B. Harrison	Certified General	Louisville, KY
Brad W. Howard	Associate	Harlan, KY
Stacy Erin Howard	Associate	Bowling Green, KY
Cary S. Howell	Associate	Louisville, KY
Robert Leslie Keesey	Certified General	Toledo, OH
Marc C. Koehler	Certified Residential	Madison, IN
Michael C. Lady	Certified General	Indianapolis, IN
Jason Lancaster	Certified Residential	Mayfield, KY
Larry Todd Lee	Associate	Middlesboro, KY
David B. Madison	Associate	Lexington, KY
Hank Mardis	Associate	Charlestown, IN
Deborah L. Mason	Associate	Maysville, KY
Nicholas McWhorter	Associate	Bowling Green, KY
David R. Metz	Certified General	Wabash, IN
James G. Moher	Certified General	Cincinnati, OH
Stephanie Brinkley Nazem	Associate	Bowling Green, KY
Michael J. Nichols	Certified General	Florence, KY
Bric W. Pace	Associate	Brandenburg, KY
Mark Perks	Licensed Real Property	Upper Arlington, OH
Max Donald Poore	Certified General	Atlanta, GA

Dudley Poteet	Associate	Louisville, KY
Joy L. Routt	Associate	Versailles, KY
Jerry W. Rusk	Certified Residential	Jeffersonville, IN
Janet E. Sallander	Certified General	Rosemont, IL
Linda Scarbrough	Associate	Mayfield, KY
Joseph Peter Schaeffer	Certified General	Chicago, IL
Michael D. Scheu	Licensed Real Property	New Richmond, OH
Scott J. Smith	Licensed Real Property	Cincinnati, OH
Eric W. Stoner	Licensed Real Property	Cincinnati, OH
Danita Sullivan	Associate	Paintsville, KY
Lawrence Tannheimer, III	Associate	Louisville, KY
Melinda Michelle Terrell	Associate	Lexington, KY
Richard Terry	Certified General	Houston, TX
Shawn Thompson	Certified Residential	Lexington, KY
Chris W. Von Lanken	Associate	Hopkinsville, KY
Amy J. Wagers	Associate	Mt. Sterling, KY
Stephen J. Weis	Certified General	Cincinnati, OH
Patti A. Willis	Certified Residential	South Point, OH
Thomas C. Winters	Associate	Cadiz, KY
Wayne L. Wnek	Certified General	Rosemont, IL
Sue Ann Wright	Associate	London, KY
Rhett Yeats	Associate	Georgetown, IN

### **RECLASSIFICATIONS**

David J. Allen	Certified Residential	Lexington, KY
Daniel C. Chandler	Certified Residential	Louisville, KY
John W. Cochran	Certified Residential	Florence, KY
Ray Gibson, Jr.	Certified Residential	Louisville, KY
Gail Hall	Certified Residential	Paintsville, KY
Brian E. Johnson	Certified Residential	Berea, KY
James C. Karsner	Certified Residential	Lawrenceburg, KY
Dan Kiser	Certified Residential	Morehead, KY
Shawne W. Mardis	Licensed Real Property	Charlestown, IN
Patty S. Robinson	Certified Residential	Grayson, KY
David H. Sanders	Certified Residential	Lexington, KY
Mark E. Studler	Certified Residential	Frankfort, KY
Robert Tracy Trimble	Certified Residential	Owingsville, KY
Scott Watts	Certified General	Nashville, TN
Steve Allen Willoughby	Certified Residential	Nicholasville, KY

### **REPORTING COMPLAINTS IN NEWSLETTER**

At the March 22, 2002 Board meeting, the Kentucky Real Estate Appraisers Board unanimously voted to report the names of those complaints that have been adjudicated, whereby the respondent received a sanction of one of the following: (1) Fine of \$1,000 or greater; (2) Suspension of license/certification, or (3) Revocation of license/certification.

A couple of years ago the Board voted to accept anonymous complaints. Complaints were filed with little merit and were clearly filed to embarrass. Some of these complaints resulted in a small fine and or a requirement to take additional education. The complainant had one goal in mind and that being to

embarrass a licensee and see a name in the newsletter so the newsletter could be used to discredit a licensee.

The KREAB, by statute, will address and dispose of every complaint it receives. The lesser offenses will be disposed of with a Letter of Notice, small fine or additional education, without the appraiser's name being published in the newsletter. Complaints that involve fraud and gross negligence that result in a fine of \$1,000 or greater or a suspension or revocation of license, will result in appraiser's name shall be published in the newsletter.

Some appraisers possess what might be referred to as the police court mentality. That being, when you open the newspaper the first item you read is the police report to see who got in trouble. I'm sure there are many appraisers who read only the disciplinary actions in the newsletter and ignore the rest. This is your prerogative but you're missing a lot of useful information.

Since 1996, the Board has encouraged appraisers to file complaints that rise to the level of gross negligence or fraud. The Board has never encouraged nit-picking complaints to embarrass your competition.

## GRIEVANCE AND COMPLAINT PROCESS

The KREAB considers the initial correspondence filed with the Board to be a Sworn Statement of Grievance. The Sworn Statement of Grievance is required to be answered and investigated the same as a complaint. Should the Board determine no violation of USPAP and/or Kentucky Statutes/ Regulations exist, the grievance shall be dismissed. When a grievance is dismissed by the Board, no record of a complaint shall be recorded in the appraiser's file and the appraiser shall not be required to report or disclose they had a grievance filed against them. The rationale for not reporting grievances dismissed by the Board is to discourage frivolous complaints and complaints filed to embarrass.

Should the Board determine from the investigative report sufficient evidence exists to proceed; the Board will file a formal complaint and set the case for a hearing.

The appraiser shall be afforded the opportunity to settle the complaint at an informal or mediation hearing. If the complaint is settled at an informal hearing or through mediation, the appraiser and Board will enter into an agreed order. Lacking an informal settlement, the case will proceed to a formal hearing.

**ANONYMOUS GRIEVANCE** - The KREAB will accept an anonymous grievance providing the complainant sends the Board a copy of the appraisal and a list of the items believed violations of USPAP and/or KY Laws & Regulations. The Board will investigate the grievance and if deficiencies exist, file a complaint on behalf of the Board. **The Board will not accept anonymous grievances that fail to state the deficiencies.** The Board will not review appraisal reports to determine if deficiencies exist.

**BOARD GRIEVANCE** - The KREAB, on its own volition, may file a grievance if in the opinion of the Board the alleged violations are of a serious nature such as gross negligence or fraud or not complying with a directive from the Board.

The KREAB does not encourage frivolous complaints or complaints filed to embarrass.

**Effective March 22, 2002, the KREAB will publish the name of the appraiser in the quarterly newsletter who has received a sanction of the following: (1) Fine of \$1,000 or greater, (2) Suspension of license/certification, or (3) Revocation of license/certification.**

## DISCIPLINARY ACTIONS

### Case Nos. 00-68; 01-15; 01-16; 03-115; 04-51; 04-52; 04-59

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

During the investigation inquiry the appraiser alleged he/she was no longer in possession of the reports in question and that he/she did not complete the reports as submitted. Also, it was alleged the signature affixed to the form was different from that in the appraiser's file.

The case was dismissed without prejudice with leave to reinstate should evidence be discovered at a later date that would link the appraiser to the matter in any way.

### Case No. 01-37

It was alleged the appraiser plagiarized a real property appraisal report that was submitted to the Board for experience credit. An investigation revealed that sufficient evidence existed to support matters of USPAP violation, Ethics Rule Conduct Section.

The Board voted unanimously to dismiss the case due to the matter having been in process for three years and the original application for license upgrade was denied.

**Case Nos. 02-30; 02-31; 02-32; 02-62**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist and agreed to violations of the Uniform Standards of Professional Appraisal Practice Standards Rule 1-1(a)(b)(c); 2-2; 2-2(b)(vii).

Based upon the findings the appraiser agreed to 1) complete 30-hours of education in course work to be agreed upon by the Board by June 30, 2005. The course work shall be in addition to the mandatory 14-hour continuing education; 2) the appraiser shall submit a log to the Board every six months for two years from the date of agreed order; and 3) agree to the Board, staff or designee to randomly selecting assignments off the log at random.

**Case No. 02-68**

It was alleged the appraiser did not complete the necessary research and analysis to develop a credible opinion of value.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

**Case No. 02-74**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

**Case No. 03-09**

It was alleged that the appraiser and an associate appraiser under the appraiser's supervision failed to exercise

reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated and the appraiser agreed sufficient evidence existed to warrant a violation of Standards Rule 1-1(a) and (b); Standards Rule 2-2(b), (vii); and Standards Rule 1-4(a) and (b).

Based upon the findings the appraiser and associate appraiser agreed to 1) a fine of \$250.00 payable with returning of the agreed order to the Board office, 2) complete a 15-hour sales comparison class by February 28, 2005, 3) not supervise licensed or unlicensed real property appraisers for 3-years from date of agreed order, 4) submit to the Board office every six months for 2-years from the date of agreed order a log of real property appraisal assignments, 5) assist the Board when ever there is a request by the Board, Board staff or designee to review files selected at random from the assignment log.

**Case No. 03-25**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist to support a violation of Standards Rule 1-1(b).

Based upon the findings the appraiser agreed to accept a letter of reprimand that will be placed in the appraiser's permanent file.

**Case Nos. 03-49 and 03-50**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist and agreed to violations of the Uniform Standards of Professional Appraisal Practice Ethics Rule, Record Keeping Section, KRS 324A.050 and 201 KAR 30:030.

Based upon the findings the appraiser agreed to 1) pay a fine of \$250 payable with the agreed order. 2) complete a 15-hour 2-4 family course with successful completion of the final examination in addition to the regular cycle continuing education, 3) not have any additional associates than those currently listed with the appraiser for 3-years from the date of agreed order, 4) submit a log of real property

appraisal assignments to the Board every six months for 2-years from the date of agreed order, 5) for a period of 2-years from the date of the agreed order the Board members, staff or designee shall at anytime deemed reasonable select an appraisal at random from the file for purposes of checking the information.

**Case No. 03-54**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

**Case No. 03-56**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

During the investigation inquiry the appraiser demonstrated proof that the report submitted was altered and was different from the form report contained in the appraiser work file. Also, the signature affixed to the form was different from that in the appraiser's file.

The case was dismissed without prejudice with leave to reinstate should evidence be discovered at a later date that would link the appraiser to the matter in any way. Also, the appraiser agreed to work with the Office of Financial Institutions in identifying the mortgage officer in the matter and provide a list of other assignments the appraiser had previously appraised for the client in this matter.

**Case Nos. 03-63 and 03-76**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist and agreed to violations of the Uniform Standards of

Professional Appraisal Practice Standards Rule 11(a); 2-2(b)(vii).

Based upon the findings the appraiser agreed to 1) pay a fine of \$250 payable with the agreed order, and 2) complete a 7-hour Board approved Site and Site Improvements course to be completed by December 31, 2004. The class shall be in addition to the 14-hour continuing education.

**Case No. 03-65**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

**Case No. 03-67**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The investigation did not reveal any violations of the Uniform Standards of Professional Appraisal Practice or KRS 324A.

Based upon the investigation results the Board voted unanimously to dismiss the case.

**Case No. 03-73**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist to support a violation of Standards Rule 1-1(b).

Based upon the findings the appraiser agreed to accept a letter of reprimand that will be placed in the appraiser's permanent file.



**Case No. 03-77**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist and agreed to violations of the Uniform Standards of Professional Appraisal Practice Standards Rule 1-1(a); 1-4(a); 2-2(b)(vii).

Based upon the findings the appraiser agreed to 1) pay a fine of \$250 payable with the agreed order, and 2) complete a 7-hour Board approved 2-4 family forms completion course to be completed by December 31, 2004. The class shall be in addition to the 14-hour continuing education.

**Case Nos. 03-89; 03-90; and 03-91**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist and agreed to violations of the Uniform Standards of Professional Appraisal Practice Standards Rule 1-1(a); 2-2(b)(vii), and the Supplemental Standards Rule for failure to follow the HUD-FHA policy regulations (Handbook 4192.2).

Based upon the findings the appraiser agreed to 1) pay a fine of \$250 payable with the agreed order, and 2) complete a 15-hour Board approved Site and Site Improvements course to be completed by June 30, 2005. The class shall be in addition to the 14-hour continuing education.

**Case No. 03-96**

It was alleged the appraiser entered into an agreement to appraise property that was involved in a potential eminent domain action. However, the appraiser did not demonstrate the skills and knowledge necessary to complete the assignment in a before and after scenario.

The case was investigated. The appraiser and property owner were interviewed about the specifics in this matter.

When presented the evidence the appraiser informed the Board and investigator there was never intent to complete an appraisal, but to perform counseling for a decision to litigate or accept the condemning authority offer for settlement.

The case was mediated and the appraiser did not admit to any specific violation but did agree to not undertake appraisal assignments or prepare appraisal reports for properties that are involved in eminent domain proceedings until the appraiser has successfully completed education and training that specifically addresses recognized methods and techniques necessary to competently complete such assignments.

**Case No. 03-113**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated and the appraiser agreed sufficient evidence existed to warrant a violation of Standards Rule 1-1(a); 1-1(c); 1-4(b); 2-2(b), (vii); and 2-2(b), (xi).

Based upon the findings the appraiser and associate appraiser agreed to 1) a fine of \$250.00 payable with returning of the agreed order to the Board office, 2) complete a 15-hour national USPAP course with successful completion of the examination, and 3) a 15-hour class in Residential Market Analysis. The said hours of education shall be in addition to the regular continuing education requirement, and all education must be completed by June 30, 2005.

**Case No. 04-01**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

**Case No. 04-02**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The

responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

**Case No. 04-05**

It was alleged that the appraiser did not measure the dwelling correctly in that the report contained a calculation of 1,472 square feet; whereas the complainant alleges 1,545 square feet. The appraiser noted slab foundation when in reality the dwelling is built on a crawl space. The site indicated propane heat source but in reality the dwelling has an electric heat pump. The form appraisal report indicated cistern for water, but the dwelling is hooked to municipal water. The complainant did not agree with the selection of comparable sales data. The appraiser refused to correct these items when requested to do so.

The appraiser agreed to mediation at which time file data was presented to sufficiently answer many of the alleged deficiencies. However, it was agreed by the appraiser and Board staff that violations of Standards Rules 1-1(b), and 2-2(b), (iii) did exist.

The appraiser was given a letter of admonishment in this matter. The letter will be placed in his permanent file.

**Case No. 04-25**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

**Case No. 04-47**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

**Case Nos. 04-76; 04-77; 04-79; 04-83; 04-84; 04-93; 04-94; 04-95; 04-96; 04-97**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

Various and sundry items of deficiency were noted in the appraisal report of value opinion. The appraiser did not respond to the allegations and the Board made a prima facie determination the appraiser failed to comply with the Uniform Standards of Professional Appraisal Practice.

In order to resolve this matter at this time, the appraiser agrees to surrender the credential as revoked. The appraiser further agrees that she shall not seek or otherwise be eligible for reinstatement or certification for a period of three years from the date of this agreed order. If the appraiser seeks to reinstate her certificate that at the end of the three year period, the provisions of KRS 324A.050(2) shall apply to the petition for reinstatement. This action shall constitute a disciplinary action against the appraiser.

**Case No. 04-90**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

Ten items of deficiency were noted in the appraisal report of value opinion. However, the appraiser did not renew his/her license credential for 2004-2005. Therefore, the case was dismissed without prejudice with leave to reinstate should the appraiser apply for reinstatement of a Kentucky real property credential identified in KRS 324A.

**Case No. 04-91**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The

responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

**Case No. 04-92**

It was alleged that the appraiser failed to exercise reasonable diligence in developing and/or communicating the appraisal. The appraiser was negligent or incompetent in

developing and/or communicating the appraisal and the appraiser failed to observe one or more of the Uniform Standards of Professional Appraisal Practice.

The complaint was answered and the case was investigated. In lieu of a formal hearing the case was mediated. The responding appraiser acknowledged deficiencies did exist but did not rise to the level of a specific USPAP violation or KRS 324A violation.

Based upon the findings the appraiser was presented a letter of caution with advice that when completing future assignments care should be exercised in those items noted by the case investigator as deficient. The letter of caution shall be placed in the appraiser's permanent file.

**APPRAISER LICENSE STATISTICS**

<b>LICENSEES</b>	<b>NO.</b>	<b>INACTIVE STATUS</b>	<b>NO.</b>
Certified General	486	Certified General	13
Certified Residential	755	Certified Residential	30
Licensed Real Property	110	Licensed Real Property	5
Associate	466		
<b>TOTAL AS OF 3/04/05</b>	<b>1817</b>		<b>48</b>

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